

**TDHCA #**

**02075**

**Region 8A**

**General  
Set-Aside**

**LIHTC Allocation Calculation - Creekside Townhomes, Burnet, 9% LIHTC # 020**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$70,000	\$70,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$451,173	\$451,173	\$451,173	\$451,173
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$2,169,792	\$2,351,513	\$2,169,792	\$2,351,513
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$52,419	\$52,419	\$52,419	\$52,419
Contractor profit	\$157,258	\$157,258	\$157,258	\$157,258
General requirements	\$157,258	\$157,258	\$157,258	\$157,258
<b>(5) Contingencies</b>				
	\$130,000	\$130,000	\$130,000	\$130,000
<b>(6) Eligible Indirect Fees</b>				
	\$148,990	\$148,990	\$148,990	\$148,990
<b>(7) Eligible Financing Fees</b>				
	\$143,850	\$143,850	\$143,850	\$143,850
<b>(8) All Ineligible Costs</b>				
	\$42,971	\$42,971		
<b>(9) Developer Fees</b>			\$511,611	
Developer overhead	\$514,119	\$514,119		\$514,119
Developer fee				
<b>(10) Development Reserves</b>				
	\$73,000	\$73,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$4,110,830</b>	<b>\$4,292,551</b>	<b>\$3,922,351</b>	<b>\$4,106,580</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$3,922,351</b>	<b>\$4,106,580</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$5,099,056</b>	<b>\$5,338,554</b>
Applicable Fraction			89.70%	89.70%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$4,573,976</b>	<b>\$4,788,811</b>
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$386,044</b>	<b>\$404,176</b>

Syndication Proceeds	0.7499	\$2,894,941	\$3,030,913
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Actual Gap of Syndication Funds Needed	\$2,771,639
Gap-Driven Maximum Tax Credit Allocation	\$369,601

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Heatherwilde Estates**TDHCA #: **02075****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8A LIHTC Primary Set Aside: G  
 Site Address: 6300 Block of Old Pearsall Road Additional Elderly Set Aside   
 City: San Antonio Purpose / Activity: NC  
 County: Bexar Development Type: Family  
 Zip Code: 78242  TTC  DDA  QCT

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

Special Needs: 13 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Heatherwilde Estates Housing, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Heatherwilde Estates Development, LLC	Bobby Leopold	100 %
B&L Development Corp.	Leroy Leopold	1 %
Housing Authority of Bexar County	Dario Chapas	99 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$1,068,403** Allocation over 10 Years: \$10,684,030  
 Credits Requested: \$1,140,628 Eligible Basis Amount: \$1,068,403 Equity/Gap Amount: \$1,126,946

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	18	8	2	0	28
40%	0	0	35	17	4	0	56
50%	0	0	35	17	4	0	56
60%	0	0	0	0	0	0	0
MR	0	0	23	10	3	0	36
Total	0	0	111	52	13	0	

Total LI Units: 140  
 Owner/Employee Units: 0  
 Total Project Units: 176  
 Applicable Fraction: 80.00

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

**BUILDING INFORMATION**

Total Development Cost: **\$13,209,924**  
 Gross Building Square Feet: 189,950  
 Total NRA SF: 179,550  
 Gross/Net Rentable: 1.06  
 Average Square Feet/Unit: 1,020  
 Cost Per Net Rentable Square Foot: \$73.57  
 Credits per Low Income Unit: \$7,631

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$932,269  
 Total Expenses: \$525,936  
 Net Operating Income: \$406,333  
 Estimated 1st Year Debt Coverage Ratio: 1.10

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: NA	Market Analyst: Butler Burger, Inc.
Housing GC: Affordable Housing Construction	Originator/UW: NA
Infrastructure GC: NA	Appraiser: NA
Cost Estimator: Affordable Housing Construction	Attorney: True & Shackelford
Architect: BGO Architects	Supp Services: Housing Services of Texas
Property Manager: AIMCO	Accountant: Novogradac & Company, LLP
Engineer: Spectrum A&E	
Syndicator: J.E.R. Hudson Housing Capital	Permanent Lender: American Mortgage Acceptance Co.

**DEPARTMENT EVALUATION**

Points Awarded: 162 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Heatherwilde Estates

Project Number: 02075

**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: Edward D. Garza, Mayor, S	Melvin L. Braziel, San Antonio Housing Authority, S
TX Rep.: John Longoria, Dist. 117 S	Gus Garcia, Mayor of Austin, S
TX Sen.: Frank Madla, Dist. 19 S	Enrique "Kike" Martin, Council Member #4, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of conclusive written documentation from the taxing authority evidencing the claimed tax exemption.

Receipt, review, and acceptance of documentation evidencing approval of rezoning to MF-25/Multifamily.

Receipt, review, and acceptance of evidence of permanent loan commitments resulting in a total annual debt service of not more than \$369,420. Should the terms of the loans or syndication change the recommendations and conditions in this report should be re-evaluated.

**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 the highest scoring development in Region 8A.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

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

**Project ID #:** 02075

LIHTC 9%  LIHTC 4%

**Project Name:** Heatherwilde Estates

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 1

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 05/30/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

**DATE:** June 11, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02075

**DEVELOPMENT NAME**

Heatherwilde Estates

**APPLICANT**

**Name:** Heatherwilde Estates Housing, L.P.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5839 Sandhurst, Suite B      **City:** Dallas      **State:** TX  
**Zip:** 75206    **Contact:** Bobby Leopold      **Phone:** (214) 232-5445    **Fax:** (214) 987-9294

**PRINCIPALS of the APPLICANT**

**Name:** Heatherwilde Estates Development, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Hudson Housing Capital      **(%):** 99.99      **Title:** Limited Partner  
**Name:** Housing Authority of Bexar County      99.99% Owner of MGP  
**Name:** B&L Housing Development Corp.      0.01% Owner of MGP  
**Name:** Leroy Leopold      100% Owner of B&L

**GENERAL PARTNER**

**Name:** Heatherwilde Estates Development      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5839 Sandhurst, Suite B      **City:** Dallas      **State:** TX  
**Zip:** 75206    **Contact:** Bobby Leopold      **Phone:** (214) 232-5445    **Fax:** (214) 987-9294

**PROPERTY LOCATION**

**Location:** 6300 Block of Old Pearsall Road       **QCT**     **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78242

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,140,628	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New Construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 15 acres      653,400 square feet      **Zoning/ Permitted Uses:** I-1/Light Industrial\*  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

\* Application for a zoning change to MF-25/Multifamily has been accepted and a tentative Zoning Commission public hearing was to be held on February 19, 2002

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 176    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
111	2	2	950
52	3	2	1,100
13	4	2	1,300

**Net Rentable SF:** 179,550    **Av Un SF:** 1,020    **Common Area SF:** 6,000    **Gross Bldng SF:** 189,950

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 7% stone veneer/25% shingle/68% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

6,000 SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, business center, library, swimming pool, equipped children's play area, picnic area, perimeter fencing

**Uncovered Parking:** 289 spaces    **Carports:** 176 spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** American Mortgage Acceptance Company    **Contact:** Steven Wendel

**Principal Amount:** \$7,400,000    **Interest Rate:** 30 basis points over the permanent loan rate

**Additional Information:** Interest only; two three-month extensions are available

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

**LONG TERM/PERMANENT FINANCING**

**Source:** American Mortgage Acceptance Company    **Contact:** Steven Wendel

**Principal Amount:** Up to \$7,400,000    **Interest Rate:** Ten-year U.S. Treasury + 285 bps; 8% at underwriting

**Additional Information:** Applicant indicated loan amount of only \$4,399,000

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

**Annual Payment:** \$387,340    **Lien Priority:** 1st    **Commitment Date:** 2/ 26/ 2002

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Housing Services of Texas, Inc. **Contact:** Martin Mascari  
**Principal Amount:** Up to \$250,000 **Interest Rate:** AFR (Applicable Federal Rate)  
**Additional Information:** All interest and principal payments accrued and payable at the final maturity of the loan term; conditioned upon set-aside of 28 units restricted at 30% of AMGI  
**Amortization:** N/A yrs **Term:** 18 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$N/A **Lien Priority:** 2<sup>nd</sup> **Commitment Date** 2/ 27/ 2002

**LIHTC SYNDICATION**

**Source:** JERHudson Housing Capital **Contact:** Sam Ganeshan  
**Address:** 630 Fifth Avenue, Suite 2300 **City:** New York  
**State:** NY **Zip:** 10111 **Phone:** (212) 218-4460 **Fax:** (212) 218-4467  
**Net Proceeds:** \$9,122,850 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 80¢  
**Commitment**  None  Firm  Conditional **Date:** 2/ 26/ 2002  
**Additional Information:** Commitment letter reflects proceeds of \$9,122,850 based on credits of \$ 11,404,700

**APPLICANT EQUITY**

**Amount:** \$499,017 **Source:** Developer's deferred note

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land: 62.759 ac.** \$512,000 **Assessment for the Year of:** 2001  
**Land: 1 ac.** \$8,158 **Valuation by:** Bexar County Appraisal District  
**Prorated Value: 15 ac.** \$122,373 **Tax Rate:** \_\_\_\_\_

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest Money Contract  
**Contract Expiration Date:** 8/ 4/ 2002 **Anticipated Closing Date:** 7/ 31/ 2002  
**Acquisition Cost:** \$ 412,500\* **Other Terms/Conditions:** \$10,000 earnest money  
**Seller:** Mohammed Al Rafati **Related to Development Team Member:** No

\* The Unimproved Property Commercial Contract lists the buyer as Southwest Housing Development (SWHD); SWHD in turn has assigned the contract to the Applicant, stipulating the Applicant reimburse SWHD for cost incurred through the closing of the contract up to a maximum of \$250,000

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

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

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Heatherwilde Estates is a proposed new construction development of 176 units of mixed income housing located in southwest San Antonio. The development is comprised of ten residential buildings as follows:

- (6) Building Type A with twelve two-bedroom units and eight three-bedroom units;
- (1) Building Type B with twenty-four two-bedroom units;
- (1) Building Type C with fifteen two-bedroom units and one three-bedroom units;
- (1) Building Type D with eight four- bedroom units; and
- (1) Building Type E with three three-bedroom units and five four-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building and swimming pool located near the entrance to the site. The 6,000-square foot community building plan includes the management office, an activity center, business center, restrooms, and laundry facilities.

**Supportive Services:** The Applicant has contracted with Housing Services of Texas to provide the following supportive services to tenants: after school program in conjunction with local schools, adult education programs, health screening and immunizations, family counseling/domestic crisis intervention, computer education, emergency assistance and relief, community outreach programs, vocational guidance, social/recreational activities and state workforce development and welfare program assistance. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services. The Applicant has agreed to pay \$1,500 per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in March of 2003, to be completed in March of 2004, to be placed in service in June 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. One-hundred and forty of the units (80% of the total) will be reserved for low-income tenants. Twenty-eight of the units (16%) will be reserved for households earning 30% or less of AMGI, 56 units (32%) will be reserved for households earning 40% or less of AMGI, 56 of the units (32%) will be reserved for households earning 50% or less of AMGI and the remaining 36 units will be offered at market rents.

**Special Needs Set-Asides:** Thirteen units (7%) will be handicapped-accessible.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 27, 2002 was prepared by Butler ♦ Burgher, LLC and highlighted the following findings:

**Definition of Submarket :** “The subject property is located in the S1 submarket. The S1 submarket, as delineated by SAAA essentially represents the area between US 90 and IH 35 extending southwest from downtown San Antonio. This submarket is the one of the largest geographic submarkets but on of the smallest in terms of total inventory.” (p. 28)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	336*	33%	102	1%
Resident Turnover	0	0%	6,632	97%
Other Sources: 10 yrs pent-up demand	670	67%	112	2%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,006</b>	<b>100%</b>	<b>6,846</b>	<b>100%</b>

Ref: p. 51

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

\*2 years growth

**Capture Rate:** The Market Analyst concluded a concentration capture rate of 24.7% based on the demand of 1,006 and 108 additional new unstabilized units in the submarket. The Underwriter calculated a concentration capture rate of 5% based upon a revised supply of unstabilized comparable affordable units of 320 (all of Hunters glan’s 144 units plus all 176 in the subject) divided by a revised demand of 6,846.

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects totaling 1,875 units in the area though most of the comparables came from just north of the market area. (p. 61)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$264	\$264	\$0	\$650	-\$386
<b>2-Bedroom (40%)</b>	\$369	\$369	\$0	\$650	-\$281
<b>2-Bedroom (50%)</b>	\$473	\$473	\$0	\$650	-\$177
<b>2-Bedroom (MR)</b>	\$606	N/A	N/A	\$650	-\$44
<b>3-Bedroom (30%)</b>	\$305	\$305	\$0	\$725	-\$420
<b>3-Bedroom (40%)</b>	\$425	\$425	\$0	\$725	-\$300
<b>3-Bedroom (50%)</b>	\$545	\$545	\$0	\$725	-\$180
<b>3-Bedroom (MR)</b>	\$699	N/A	N/A	\$725	-\$26
<b>4-Bedroom (30%)</b>	\$329	\$330	-\$1	\$752	-\$423
<b>4-Bedroom (40%)</b>	\$463	\$464	-\$1	\$752	-\$289
<b>4-Bedroom (50%)</b>	\$597	\$598	-\$1	\$752	-\$155
<b>4-Bedroom (MR)</b>	\$768	N/A	N/A	\$752	+\$16

(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)

While the Market Analyst offered the market rents listed as acceptable rents it would appear that they were driven by the Applicant’s projected rents. Moreover the three-bedroom average rent listed in the Analyst’s report is \$762 or \$10 higher than their four-bedroom rent conclusion. The Market Analyst offered no comparable four-bedroom units but since the market rent proposed by the Applicant for the four-bedroom unit is so close to the three-bedroom rent average, it is likely to be achievable.

**Submarket Vacancy Rates:** “Occupancy in the S1 submarket increased steadily from 86% in 1997 to 96.3% in 2000. Like the overall market, occupancies in the subject’s submarket decreased slightly in 2001 but still remained above the market as a whole.” (p. 28)

**Absorption Projections:** “The developer has projected a 7-month absorption period for the subject based on an average absorption rate of 20-25 units/month. Absorption of affordable units has been strong in new projects in the subject’s local market.” (p. 52)

**Known Planned Development:** “Hunter’s Glen a new mixed rate LIHTC property located just east of the subject will be completed and begin lease-up within the next several months, however, management has not yet established final rental rates for this property and would not divulge their preliminary rate structure.” (p. 60)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject property is located in southwest San Antonio bounded by US 90 on the north and IH 410 on the west, and IH 35 on the south and east in Bexar County. The site is an irregularly-shaped parcel located approximately ten miles from the central business district. The site is located along the east side of Old Pearshall Road, approximately 1,000 feet northeast of the Old Pearshall road/IH 410 interchange.

**Population:** The estimated 2002 population of the market area “S1” as described earlier is 220,310 and is expected to increase by 5% to approximately 231,515 by 2007. Within the primary market area there were estimated to be 60,593 households in 2002. (p. Ex 7)

**Adjacent Land Uses:** The area immediately surrounding the subject tract is rapidly developing with a mix of retail uses. Adjacent land uses include:

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

- **North:** Vacant land zoned commercial
- **South:** Proposed 145,000 SF retail center and retail pad sites
- **East:** BBQ Restaurant and several retail pad site developments
- **West:** Vacant land zoned commercial

**Site Access:** Access to the property is from the northeast or southwest along Old Pearshall Road. The development is to have one main entry. Access to Interstate Highway 410 is approximately 1,000 feet southwest, which provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by VIA, San Antonio's public transportation.

**Shopping & Services:** Retail support services are located along Old Pearshall Road between the subject and Kelly AFB. In addition, although support services are currently somewhat limited in the area immediately surrounding subject property and areas to the southwest of IH 410, it appears the general area immediately surrounding the subject is rapidly developing supportive services in anticipation of continued growth in this area over the foreseeable future.

**Adverse Site Characteristics:** The site is currently zoned L1/Light Industrial. Application for a zoning change to MF-25/Multifamily has been accepted and a tentative Zoning Commission public hearing was to be held on February 19, 2002. Receipt, review and acceptance of documentation evidencing approval of the zoning change is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 16, 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 Butler Burgher, Inc. and contained the following findings and recommendations:

**Findings:**

- Based on existing conditions observed at the Subject property on the day of inspection, there was no evidence of recognized environmental conditions, as defined in ASTM 1527-00 Standard Practice for Environmental site Assessments;
- The results of the historical research and environmental records review indicate that the off-site facilities or sites within the radii suggested in ASTM 1527-00 that the off-site facilities or sites within the radii suggested in ASTM 1527-00 Standard Practice for Environmental site Assessments listed by TNRCC or the EPA pose a low risk of impact to the Subject property; and
- Butler Burgher's site reconnaissance did not identify adjacent or off-site recognized environmental conditions in the immediate vicinity of the Subject property.

**Recommendations:** Based on the above findings and conclusions, Butler Burgher does not recommend further environmental investigation of the Subject Property be undertaken at this time.

**OPERATING PROFORMA ANALYSIS**

**Income:** The 2002 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$2,762 per unit is 8% less than the TDHCA database-derived estimate of \$2,988 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that also deviate significantly when compared to the database averages, particularly general and administrative (\$22.9K lower), management (\$9.4K lower), payroll (\$97K lower), repairs and maintenance (\$7.5K lower), utilities (\$87.6K higher), water, sewer, and trash (\$14.6K higher) and insurance (\$5K lower). The Applicant did not include property taxes as an expense because the controlling member of the general partner is the county housing authority. The Underwriter contacted the Bexar County Appraisal District on June 10, 2002 to ascertain the potential for such an exemption. Mr. Frank Timmeran from that office indicated that the entity structure as proposed could be eligible for an exemption so long as the for profit partners do not participate in the profits of the property and that the city's public housing authority has been successful in obtaining such an exemption in the past. There is a high likelihood that the housing authority will also be able to qualify for a property tax exemption; therefore, property tax expense was not included in the Underwriter's total operating expense estimate. However, receipt, review and

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**CREDIT UNDERWRITING ANALYSIS**

acceptance of conclusive written documentation evidencing the development's property tax exemption is a condition of this report.

**Conclusion:** The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.05 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$369,420.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The Applicant significantly overstated the site acquisition cost by using a price of \$662,500. The original sale from Mohammed Al Rafati to Southwest Housing Development, Inc. for \$412,000 was on December 27, 2001, with an assignment the next day to Heatherwilde Estates Housing, L.P. The assignment indicates that Heatherwilde Estates Housing, L.P. will be responsible for any closing costs incurred by Southwest Housing Development of up to \$250,000 for a total acquisition cost to the Applicant of \$662,500. Because evidence of closing costs of \$250,000 is not currently available, the Underwriter has included only the original sales price of \$412,000 in the TDHCA total development cost estimate.

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

**Direct Construction Cost:** The Applicant's costs are more than 5% 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 the maximums allowed by TDHCA guidelines based on their own costs by \$8,008. Similarly the developer fees exceed the 15% TDHCA limit by \$1,201. These excesses were reduced from eligible basis but were only exacerbated when compared to the Underwriter's lower direct costs.

**Conclusion:** Due to the Applicant's higher direct construction cost and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimates, the Applicant's total development cost is more than 5% higher than the Underwriter's costs. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$12,243,525 is used to determine a credit allocation of \$1,068,403 from this method. This is \$72,225 (6%) less than requested.

**FINANCING STRUCTURE ANALYSIS**

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

**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 \$7,400,000 during the interim period and \$4,399,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent at a fixed interest rate. The interest rate will be 285 basis points over the ten-year U.S. Treasury rate. The Underwriter has used a calculated rate of 8.0% which is the maximum Underwriting rate for this application cycle.

**Other Permanent Financing:** Housing Services of Texas, Inc. 99.99% owner of the General Partner, will also provide \$250,000 in funds at a rate of interest set by the AFR (Applicable Federal Rate). All interest and principal payments will be accrued and payable at the final maturity of the loan term, which is 18 years. This loan is conditioned upon a set-aside of 28 units with rents restricted to those affordable at the 30% of AMGI level. This development is structured to meet this requirement and appears to be capable to repaying this loan.

**LIHTC Syndication:** JER Hudson Housing Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$9,122,850 based on a syndication factor of 80%. The funds would be disbursed in a four-phased pay-in schedule:

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1. 75% upon admission and through construction;
2. 12.5% upon completion of construction;
3. 6.25% upon final closing of the permanent mortgage loan;
4. 6.25% upon issuance of 8609s.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$499,017 amount to 29% of the total proposed fees.

**Financing Conclusions:** Based on the Underwriter's lower costs and estimate of eligible basis, the LIHTC allocation should not exceed \$1,068,903 annually for ten years, resulting in syndication proceeds of approximately \$8,546,369. The Underwriter's estimated debt coverage ratio (DCR) of 1.05 is less than the program minimum standard of 1.10 and, therefore, the maximum debt service for this development should be limited to \$369,420. The current financing terms result in a reduced loan amount of \$4,195,483. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to \$218,073, which appear to be repayable from stabilize cash flow within four years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns. However, should the Applicant's cost mirror the budget provided in the application the recommended credit amount would result in a deferred developer fee well in excess of 50% and only marginally repayable in 15 years with no remaining capacity to repay the Housing services second lien. Thus the terms of this second lien may need to be renegotiated and/or cost control measures put in place to reduce the Applicant's proposed budget.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are attractive with varied rooflines and architectural elements such as stone accents. All units are of average size for market rate and LIHTC units, and have covered patios with small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with another unit off an interior breezeway that is shared with two other units. The units are in two and three-story walk-up structures with mixed stone and stucco exterior finish and hipped roofs.

**IDENTITIES of INTEREST**

The General Contractor is also the cost estimator, this is a common identity of interest for LIHTC-funded developments. The General Contractor, Affordable Housing Construction, is controlled by Brian Potashnik. The non-profit supportive services provider, Housing Services of Texas, Inc., is also providing the second lien loan to subsidize the 30% AMI units, and this non-profit is chaired by Cheryl Potashnik, wife of Brian Potashnik. The Potashniks are also listed as the managers of the LLC General Partner in that entities articles of organization. Finally, the original acquisition contract was executed by Southwest Housing Development, an entity owned by Mr. Potashnik. This contract was assigned to the General Partner by James (Bill) Fisher an employee and officer of Southwest Housing, and Mr. Fisher signed on behalf of both the Assignee and Assignor up to \$250K in additional unspecified costs to close the transaction. These costs were removed from the Underwriter's costs due to the identity of interest concerns.

**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 99.99% Owner of the General Partner, Housing Authority of Bexar County, submitted an unaudited financial statement as of June 30, 2001 reporting total assets of \$7.1M and consisting of \$738K in cash, \$288K in receivables, \$1.1M in stocks and securities and \$5.0M in real property. Liabilities totaled \$3.6M, resulting in a net worth of \$3.5M.
- The 0.01% Owner of the General Partner, B&L Development, Inc., submitted an unaudited financial statement as of February 28, 2002 reporting total assets of \$301K and consisting of \$1K in cash and \$300K in business interests. No liabilities were listed, resulting in a net worth of \$301K.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project
- B&L Development, Inc. had one LIHTC housing development approved in 2001 with 100 units.

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- The General Contractor, Affordable Housing Construction, has completed 21 affordable housing developments totaling 3,804 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The 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/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,068,403 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of conclusive written documentation from the taxing authority evidencing the claimed tax exemption.
2. Receipt, review, and acceptance of documentation evidencing approval of rezoning to MF-25/Multifamily;
3. Receipt, review, and acceptance of evidence of permanent loan commitments resulting in a total annual debt service of not more than \$369,420. Should the terms of the loans or syndication change the recommendations and conditions in this report should be re-evaluated.

<b>Underwriter:</b>	_____	<b>Date:</b> June 11, 2002
	<i>Carl Hoover</i>	
<b>Credit Underwriting Supervisor:</b>	_____	<b>Date:</b> June 11, 2002
	<i>Lisa Vecchiatti</i>	
<b>Director of Credit Underwriting:</b>	_____	<b>Date:</b> June 11, 2002
	<i>Tom Gouris</i>	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Heatherwilde Estates, San Antonio, LIHTC #02075**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trst
LIHTC (30%)	18	2	2	950	\$311	\$264	\$4,761	\$0.28	\$46.51	\$29.80
LIHTC (40%)	35	2	2	950	416	\$369	12,932	0.39	46.51	29.80
LIHTC (50%)	35	2	2	950	520	\$473	16,572	0.50	46.51	29.80
MR	23	2	2	950	606	\$606	13,938	0.64	46.51	29.80
LIHTC (30%)	8	3	2	1,100	360	\$305	2,443	0.28	54.61	34.36
LIHTC (40%)	17	3	2	1,100	480	\$425	7,232	0.39	54.61	34.36
LIHTC (50%)	17	3	2	1,100	600	\$545	9,272	0.50	54.61	34.36
MR	10	3	2	1,100	699	\$699	6,990	0.64	54.61	34.36
LIHTC (30%)	2	4	2	1,300	402	\$330	659	0.25	72.33	40.48
LIHTC (40%)	4	4	2	1,300	536	\$464	1,855	0.36	72.33	40.48
LIHTC (50%)	4	4	2	1,300	670	\$598	2,391	0.46	72.33	40.48
MR	3	4	2	1,300	768	\$768	2,304	0.59	72.33	40.48
<b>TOTAL:</b>	<b>176</b>		<b>AVERAGE:</b>	<b>1,020</b>	<b>\$503</b>	<b>\$462</b>	<b>\$81,348</b>	<b>\$0.45</b>	<b>\$50.81</b>	<b>\$31.94</b>

**INCOME**

Total Net Rentable Sq Ft: 179,550

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	5.59%	\$296	\$0.29
Management	5.00%	265	0.26
Payroll & Payroll Tax	15.16%	803	0.79
Repairs & Maintenance	7.99%	423	0.41
Utilities	5.71%	302	0.30
Water, Sewer, & Trash	7.23%	383	0.38
Property Insurance	3.08%	163	0.16
Property Tax Tax Exempt	0.00%	0	0.00
Reserve for Replacements	3.78%	200	0.20
Other Expenses: Comp.Fees/Suppor	2.87%	152	0.15
<b>TOTAL EXPENSES</b>	<b>56.41%</b>	<b>\$2,988</b>	<b>\$2.93</b>
<b>NET OPERATING INC</b>	<b>43.59%</b>	<b>\$2,309</b>	<b>\$2.26</b>

**DEBT SERVICE**

American Mortgage Acceptance Comp	41.55%	\$2,201	\$2.16
Housing Services of Texas, Inc.	0.00%	\$0	\$0.00
Housing Services of Texas, Inc.	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>2.04%</b>	<b>\$108</b>	<b>\$0.11</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.12%	\$2,344	\$2.30
Off-Sites		0.00%	0	0.00
Sitework		8.23%	6,175	6.05
Direct Construction		52.00%	39,031	38.26
Contingency	3.25%	1.96%	1,470	1.44
General Requireme	6.00%	3.61%	2,712	2.66
Contractor's G &	2.00%	1.20%	904	0.89
Contractor's Prof	6.00%	3.61%	2,712	2.66
Indirect Construction		5.08%	3,812	3.74
Ineligible Costs		1.99%	1,493	1.46
Developer's G & A	15.00%	12.09%	9,074	8.89
Developer's Profit	0.00%	0.00%	0	0.00
Interim Financing		4.90%	3,674	3.60
Reserves		2.20%	1,654	1.62
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$75,056</b>	<b>\$73.57</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

American Mortgage Acceptance Comp	33.30%	\$24,994	\$24.50
Housing Services of Texas, Inc.	1.89%	\$1,420	\$1.39
LIHTC Syndication Proceeds	69.07%	\$51,842	\$50.82
Deferred Developer Fees	3.78%	\$2,835	\$2.78
Additional (excess) Funds Required	-8.04%	(\$6,035)	(\$5.92)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
	\$976,178	\$975,384			
	31,680	31,680	\$15.00	Per Unit Per Month	
	0				
	\$1,007,858	\$1,007,064			
	(75,589)	(75,528)	-7.50%	of Potential Gross Rent	
	0				
	\$932,269	\$931,536			
	\$52,122	\$29,200	\$0.16	PER SQ FT	PER UNIT
	46,613	37,261	0.21		\$166
	141,328	44,100	0.25		212
	74,468	67,000	0.37		251
	53,228	140,800	0.78		281
	67,449	82,000	0.46		381
	28,728	23,700	0.13		400%
	0	0	0.00		135
	35,200	35,200	0.20		2.54%
	26,800	26,800	0.15		0
	\$525,936	\$486,061	\$2.71		0
	\$406,333	\$445,475	\$2.48		200
					3.78%
					2.88%
	\$387,340	\$387,340	\$2.16		152
	0	0	\$0.00		2.88%
	0	0	\$0.00		\$0
	\$18,993	\$58,135	\$0.32		200
	1.05	1.15			152
	1.10				2.88%

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$412,500	\$662,500	\$3.69	\$3,764	4.64%
	0	0	0.00	0	0.00%
	1,086,800	1,086,800	6.05	6,175	7.61%
	6,869,495	7,482,000	41.67	42,511	52.42%
	258,780	258,780	1.44	1,470	1.81%
	477,378	517,560	2.88	2,941	3.63%
	159,126	172,520	0.96	980	1.21%
	477,378	517,560	2.88	2,941	3.63%
	670,900	670,900	3.74	3,812	4.70%
	262,765	262,765	1.46	1,493	1.84%
	1,596,982	1,702,921	9.48	9,676	11.93%
	0	0	0.00	0	0.00%
	646,688	646,688	3.60	3,674	4.53%
	291,134	291,134	1.62	1,654	2.04%
	\$13,209,924	\$14,272,128	\$79.49	\$81,092	100.00%

	TDHCA	APPLICANT	RECOMMENDED
	\$4,399,000	\$4,399,000	\$4,195,483
	250,000	250,000	250,000
	9,124,111	9,124,111	8,546,369
	499,017	499,017	218,073
	(1,062,204)	0	0
	\$13,209,924	\$14,272,128	\$13,209,924

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Heatherwilde Estates, San Antonio, LIHTC #02075**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.96	\$7,175,029
<b>Adjustments</b>				
Exterior Wall Finish	0.81%		\$0.32	\$58,118
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.78)	(140,767)
Floor Cover			1.82	326,781
Porches/Balconies	\$28.10	19,654	3.08	552,277
Plumbing	\$585	541	1.76	316,485
Built-in Appliances	\$1,550	176	1.52	272,800
Exterior Stairs	\$1,350	56	0.42	75,600
Floor Insulation			0.00	0
Heating/Cooling			1.41	253,166
Carports	\$7.53	25,456	1.07	191,684
Comm &/or Aux Bldgs	\$52.65	6,000	1.76	315,900
Other:			0.00	0
<b>SUBTOTAL</b>			<b>52.34</b>	<b>9,397,072</b>
Current Cost Multiplier	1.04		2.09	375,883
Local Multiplier	0.86		(7.33)	(1,315,590)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$47.10</b>	<b>\$8,457,365</b>
Plans, specs, survy, bld	3.90%		(\$1.84)	(\$329,837)
Interim Construction Int	3.38%		(1.59)	(285,436)
Contractor's OH & Profit	11.50%		(5.42)	(972,597)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$38.26</b>	<b>\$6,869,495</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,399,000	Term	360
Int Rate	8.00%	DCR	1.05

<b>Secondary</b>	\$250,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.05

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.05

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$369,420
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$36,913</b>

<b>Primary</b>	\$4,195,483	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$250,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

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

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

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME at 3.00%</b>									
POTENTIAL GROSS RENT	\$976,178	\$1,005,464	\$1,035,628	\$1,066,696	\$1,098,697	\$1,273,691	\$1,476,557	\$1,711,735	\$2,300,428
Secondary Income	31,680	32,630	33,609	34,618	35,656	41,335	47,919	55,551	74,656
Other Support Income: (des)	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,007,858</b>	<b>1,038,094</b>	<b>1,069,237</b>	<b>1,101,314</b>	<b>1,134,354</b>	<b>1,315,027</b>	<b>1,524,476</b>	<b>1,767,286</b>	<b>2,375,084</b>
Vacancy & Collection Loss	(75,589)	(77,857)	(80,193)	(82,599)	(85,077)	(98,627)	(114,336)	(132,546)	(178,131)
Employee or Other Non-Rent:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$932,269</b>	<b>\$960,237</b>	<b>\$989,044</b>	<b>\$1,018,716</b>	<b>\$1,049,277</b>	<b>\$1,216,400</b>	<b>\$1,410,141</b>	<b>\$1,634,739</b>	<b>\$2,196,953</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$52,122	\$54,207	\$56,375	\$58,630	\$60,975	\$74,186	\$90,258	\$109,813	\$162,550
Management	46,613	48,012	49,452	50,936	52,464	60,820	70,507	81,737	109,848
Payroll & Payroll Tax	141,328	146,981	152,860	158,975	165,334	201,154	244,734	297,757	440,753
Repairs & Maintenance	74,468	77,447	80,545	83,767	87,117	105,992	128,955	156,893	232,241
Utilities	53,228	55,357	57,571	59,874	62,269	75,759	92,173	112,142	165,998
Water, Sewer & Trash	67,449	70,147	72,953	75,871	78,906	96,001	116,800	142,105	210,350
Insurance	28,728	29,877	31,072	32,315	33,608	40,889	49,748	60,526	89,593
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	35,200	36,608	38,072	39,595	41,179	50,101	60,955	74,161	109,777
Other	26,800	27,872	28,987	30,146	31,352	38,145	46,409	56,464	83,580
<b>TOTAL EXPENSES</b>	<b>\$525,936</b>	<b>\$546,507</b>	<b>\$567,888</b>	<b>\$590,109</b>	<b>\$613,204</b>	<b>\$743,046</b>	<b>\$900,539</b>	<b>\$1,091,598</b>	<b>\$1,604,688</b>
<b>NET OPERATING INCOME</b>	<b>\$406,333</b>	<b>\$413,730</b>	<b>\$421,157</b>	<b>\$428,607</b>	<b>\$436,073</b>	<b>\$473,354</b>	<b>\$509,602</b>	<b>\$543,142</b>	<b>\$592,265</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$369,420	\$369,420	\$369,420	\$369,420	\$369,420	\$369,420	\$369,420	\$369,420	\$369,420
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$36,913</b>	<b>\$44,310</b>	<b>\$51,737</b>	<b>\$59,187</b>	<b>\$66,654</b>	<b>\$103,934</b>	<b>\$140,182</b>	<b>\$173,722</b>	<b>\$222,845</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.16</b>	<b>1.18</b>	<b>1.28</b>	<b>1.38</b>	<b>1.47</b>	<b>1.60</b>



**TDHCA #**

**02092**

**Region 8A**

**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: **SA Union Pines II Apartments**

TDHCA #: **02092**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8A  
 Site Address: 1707 Pleasanton Road  
 City: San Antonio  
 County: Bexar  
 Zip Code: 78223

LIHTC Primary Set Aside: G  
 Additional Elderly Set Aside:   
 Purpose / Activity: ACQ/R  
 Development Type: Family  
 TTC  DDA  QCT

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

Special Needs: 7 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: SA Union Pines II, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
SA Union Pines Development II, LLC	Diana L. Gum	100 %
Chamberlain, Inc.	Diana L. Gum	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$640,106** Allocation over 10 Years: \$6,401,060  
 Credits Requested: \$706,232 Eligible Basis Amount: \$640,106 Equity/Gap Amount: \$706,256

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	3	7	6	0	0	16
50%	0	9	19	18	0	0	46
60%	0	16	38	36	0	0	90
MR	0	0	0	0	0	0	0
Total	0	28	64	60	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$8,844,057**  
 Gross Building Square Feet: 124,099  
 Total NRA SF: 121,008  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 796  
 Cost Per Net Rentable Square Foot: \$73.09  
 Credits per Low Income Unit: \$4,211

Total LI Units: 152  
 Owner/Employee Units: 0  
 Total Project Units: 152  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$926,362  
 Total Expenses: \$560,127  
 Net Operating Income: \$366,235  
 Estimated 1st Year Debt Coverage Ratio: 1.17

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: NA	Market Analyst: Mark Temple
Housing GC: G.G. MacDonald, Inc.	Originator/UW: Boston Capital Finance Company, LP
Infrastructure GC: NA	Appraiser: Joseph J. Blake & Associates, Inc.
Cost Estimator: NA	Attorney: J. Michael Pruitt
Architect: Larry K. Travis & Associates	Supp Services: Texas Inter-Faith Housing Corp.
Property Manager: Oriam Real Estate Services	Accountant: Reznick, Fedder & Silverman
Engineer: NA	
Syndicator: Boston Capital Partners, Inc.	Permanent Lender: Boston Capital Finance, LLC

**DEPARTMENT EVALUATION**

Points Awarded: 134 Site Review: Acceptable Underwriting Finding: AC

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

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: NC	Enrique "Kike" Martin, City Councilman #4, S
TX Rep.: Carlos I. Uresti, Dist. 118 S	
TX Sen.: Frank Madla, Dist. 19 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of architectural drawings for the proposed renovations to the clubhouse/office and inclusion of an additional bathroom in 60 of the two-bedroom units.

Receipt, review, and acceptance of an O&M plan to mitigate the asbestos containing materials described in the ESA I.

Receipt, review, and acceptance of documentation substantiating a continuation of the HAP contract at the rents of \$468, \$528 and \$584 for the one-, two- and three-bedroom, respectively, by or as part of the documentation substantiating the closing of the construction loan.

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

**Alternate Recommendation:**

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

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

Comment: This was one of the highest scoring developments in Region 8A.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

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

**Project ID #:** 02092

LIHTC 9%  LIHTC 4%

**Project Name:** SA Union Pines Apartments

HOME  HTF

**Project City:** San Antonio

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 05/22/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

**DATE:** June 12, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02092

**DEVELOPMENT NAME**

SA Union Pines II

**APPLICANT**

**Name:** SA Union Pines II, LP      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 19102 Boca Del Mar      **City:** San Antonio      **State:** TX  
**Zip:** 78258    **Contact:** Diana L Gum      **Phone:** (210) 384-8100    **Fax:** (210) 525-0058

**PRINCIPALS of the APPLICANT**

**Name:** SA Union Pines Development II, LLC    **(%):** 0.01    **Title:** Managing General Partner  
**Name:** Boston Capital Partners, Inc.    **(%):** 99.99    **Title:** Limited Partner  
**Name:** Chamberlain, Inc.    **(%):** N/A    **Title:** 91% owner GP  
**Name:** Diana L Gum    **(%):** N/A    **Title:** 9% owner GP; 100% owner Chamberlain

**GENERAL PARTNER**

**Name:** SA Union Pines Development II, LLC    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 19102 Boca Del Mar      **City:** San Antonio      **State:** TX  
**Zip:** 78258    **Contact:** Diana L Gum      **Phone:** (210) 384-8100    **Fax:** (210) 525-0058

**PROPERTY LOCATION**

**Location:** 1707 Pleasanton Road       QCT     DDA  
**City:** San Antonio      **County:** Bexar      **Zip:** 78223

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$706,232	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> Acquisition/Rehab <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 9.62 acres    419,004 square feet    **Zoning/ Permitted Uses:** R-3  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 152    **# Rental Buildings:** 30    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 34 yrs    **Vacant:** 8 at 01/ 31/ 2002

Number	Bedrooms	Bathroom	Size in SF
28	1	1	656
64	2	1	775
60	3	2	884

**Net Rentable SF:** 121,008    **Av Un SF:** 796    **Common Area SF:** 3,091    **Gross Bldg SF** 124,099

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 50% masonry/brick veneer/50% wood siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, laundry facilities, computer/business center, equipped children's play area, perimeter fencing

**Uncovered Parking:** 228 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**INTERIM to PERMANENT FINANCING**

**Source:** Boston Capital Finance, LLC    **Contact:** Thomas W Dixon  
**Principal Amount:** \$3,547,847    **Interest Rate:** Like-term US Treasury Rate + 250 bps; 7.75% as of commitment  
**Additional Information:** 24 month interim period  
**Amortization:** 30 yrs    **Term:** 18 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$305,006    **Lien Priority:** 1<sup>st</sup>    **Commitment Date**    02/ 28/ 2002

**LIHTC SYNDICATION**

**Source:** Boston Capital Partners, Inc.    **Contact:** Thomas W Dixon  
**Address:** One Boston Place    **City:** Boston  
**State:** MA    **Zip:** 02108    **Phone:** (617) 624-8900    **Fax:** (617) 624-8999  
**Net Proceeds:** \$5,296,210    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 75¢  
**Commitment**     Proposal     Firm     Conditional    **Date:** 02/ 28/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** N/A    **Source:** N/A

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

VALUATION INFORMATION					
APPRAISED VALUE					
<b>Land Only:</b>	\$600,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Existing Building: as is</b>	\$2,050,000*	<b>Date of Valuation:</b>	02/	14/	2002
<b>Total Property: as is</b>	\$2,650,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Appraiser:</b> <u>Joseph J Blake &amp; Associates</u>	<b>City:</b> <u>Dallas</u>	<b>Phone:</b>	(214)	<u>969-7477</u>	
* Calculated by Underwriter					
ASSESSED VALUE					
<b>Land: 9.619 acres</b>	\$628,500	<b>Assessment for the Year of:</b>	<u>2001</u>		
<b>Building:</b>	\$1,521,500	<b>Valuation by:</b>	<u>Bexar County Appraisal District</u>		
<b>Total Assessed Value:</b>	\$2,150,000	<b>Tax Rate:</b>	<u>3.019</u>		

**EVIDENCE of SITE or PROPERTY CONTROL**

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

**Contract Expiration Date:** 12/ 31/ 2002    **Anticipated Closing Date:** 12/ 31/ 2002

**Acquisition Cost:** \$ 2,645,000    **Other Terms/Conditions:** \$10 earnest money

**Seller:** Union Pines Apartments, Ltd.    **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Union Pines is a proposed acquisition and rehabilitation development of 152 units of affordable housing located in South San Antonio. The development was completed in 1968 and is comprised of 30 residential buildings housing one- to three-bedroom units. The development also includes an office/laundry facility that, according to the application, will be renovated to provide space for a community room and computer center.

**Existing Subsidies:** The development has all 152 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) Renewal Contract, which expires on September 30, 2002. According to a letter signed by a principle of the Applicant, they "will take any and all actions necessary in order to assure that the HUD assistance will continue to be provided to the development."

**Development Plan:** As of January 31, 2002, the buildings were 95% occupied and, according to the appraiser, in an average state. The submitted work write-up includes: handicap ramps, security lighting, sanitary sewer, seal coat and striping, and landscaping work, \$100K improvements to the community building, repair/replacement of stair treads, doors, exterior walls, roofing, tubs, toilets, sinks, water heaters, air conditioners, ceiling fans, windows, drywall, flooring, mini blinds, cabinets, range, refrigerator, disposal, fan/hood and smoke detectors, and painting. In addition, a second bathroom will be added to 60 units

The Applicant states, "Consistent with the goals and objectives of the HUD program, we will assure that we take all reasonable steps to minimize displacement. For example, if feasible, residential occupants of buildings to be rehabilitated shall be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building/complex following completion of the rehabilitation. To accomplish this goal, we will carry out the rehab in stages." In addition, HUD plans to assist by setting aside Housing Vouchers from the San Antonio Housing Authority strictly for the use of displaced tenants. Each resident will either receive a \$350 relocation payment or a moving expense and "dislocation allowance" based on actual, reasonable costs. The Applicant further states, "Upon completion of the rehabilitation, the original displaced residents will be given first right of refusal to return to live in the subject property based on their priority status on the waiting list." Although the relocation plan indicates that

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

\$200K has been set-aside to cover relocation expenses, neither the submitted Exhibit 102, Project Cost Schedule, nor the work write-up include a line-item for relocation expense.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Housing Corporation to provide the following supportive services to tenants: team sports for youth, drug and alcohol awareness classes, cooking classes, parenting classes, money management classes, religious studies, ESL courses, job training, computer literacy courses, mentoring and tutoring, and recreational activities. 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, and to pay a fee of \$9.30 per unit per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in January of 2003 and to be completed in November of 2003. The buildings are to be placed in service and substantially leased-up in December of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Sixteen of the units (10%) will be reserved for households earning 40% or less of AMGI, 46 of the units (30%) will be reserved for households earning 50% or less of AMGI and 90 units (60%) will be reserved for households earning 60% or less of AMGI. All of the units are currently restricted under a Housing Assistance Payment (HAP) contract through HUD.

**Special Needs Set-Asides:** Seven units (5% of the total) will be set-aside for households with handicapped/developmentally disabled individuals.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 18, 2002 and prepared by Mark C Temple highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Union Park Apartment’s is considered South San Antonio and is described by the following farthest boundaries: North- Interstate 10, South- Interstate 410, East- Interstate 410, and West- Interstate 35. In addition, it is viewed a very strong secondary market exists due to the site’s proximity to the remaining San Antonio area.” (p. I-2)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	65	1%
Resident Turnover (IREM 72.1%)	10,060	99%
<b>TOTAL ANNUAL DEMAND</b>	<b>10,125</b>	<b>100%</b>

Ref: p. IV-4

**Capture Rate:** “Based upon the income qualification banding methodology, the 152 Low Income Housing Tax Credit (LIHTC) rental units of the apartment development represents a 1.5 percent capture rate of all income appropriate rental households within the market area... However, the capture rate methodology does not take into consideration the fact that the subject development is presently 95% leased with only 8 vacant units.” (p. IV-3)

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects totaling 2,204 units in the market area.

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed*</b>	<b>HAP Contract*</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (40%)</b>	\$294	\$468	-\$174	\$452	-\$158
<b>1-Bedroom (50%)</b>	\$380	\$468	-\$88	\$452	-\$72
<b>1-Bedroom (60%)</b>	\$467	\$468	-\$1	\$452	+\$15
<b>2-Bedroom (40%)</b>	\$348	\$528	-\$180	\$589	-\$241
<b>2-Bedroom (50%)</b>	\$452	\$528	-\$76	\$589	-\$137
<b>2-Bedroom (60%)</b>	\$556	\$528	+\$28	\$589	-\$33
<b>3-Bedroom (40%)</b>	\$401	\$584	-\$183	\$781	-\$380
<b>3-Bedroom (50%)</b>	\$521	\$584	-\$63	\$781	-\$260
<b>3-Bedroom (60%)</b>	\$641	\$584	+\$57	\$781	-\$140

(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 proposed rents are within \$1 of the maximum tax credit rents; therefore, the current HAP contract rents are displayed in this chart

**Submarket Vacancy Rates:** “The occupancy level of the market area is presently 95.7%.” (p. III-1)

**Absorption Projections:** “According to San Antonio Chamber of Commerce and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the South San Antonio Market Area range from 15 to 20 units per month.” (p. IV-7)

**Known Planned Development:** “The Costa Dorada Apartments just recently began construction. The apartment development consists of a total of 248 units with 186 units designated as tax credit units.” (p. III-34)

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

An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Arturo Singer, MAI with Joseph J Blake and Associates. The appraiser’s conclusions for the value of the underlying land and total property appear to be reasonable and justified.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** San Antonio is located in Bexar County, approximately 80 miles southwest of Austin. The site is situated on Pleasanton Road, just north of Military Drive, in the southern area of the City.

**Population:** The estimated 2001 population of South San Antonio was 257,072 and is expected to increase by 1% to approximately 259,533 by 2006. Within the primary market area there were estimated to be 93,632 households in 2006.

**Adjacent Land Uses:** The area can be characterized as having an assortment of diverse uses ranging from commercial, single family residential, multifamily residential and vacant land. Specific uses include Brooks Air Force Base and several Parks. Adjacent land uses include:

- **North:** Commercial and single family residential
- **South:** Commercial and single family residential
- **East:** Commercial
- **West:** Single family residential

**Site Access:** The site is immediately accessed from Pleasanton Road. The City is served by four interstate highways, five US highways and numerous state highways.

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

**Shopping & Services:** The site is within two miles of two major grocery/pharmacies, a shopping center, and a variety of other retail establishments and restaurants. Schools, and hospitals and health care facilities are located within three miles of the site.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member on May 16, 2002. The inspector found the site to be acceptable for the proposed development. The inspector noted one building had been significantly damaged in a recent storm and that all of its tenants had been relocated to other units.

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

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

A Phase I Environmental Site Assessment (ESA I) report dated March 22, 2002 was prepared by ASTEX Environmental Services, Inc. and contained the following findings:

“Based on the review of the local, State and Federal databases there are no indications of facilities, incidents or problems that would pose a significant environmental impact on the subject property. The environmental risks associated with this property, either emanating from or migrating to the subject site, would be considered low.

A limited investigation and laboratory analysis of suspect building materials for the presence of asbestos identified the following asbestos containing materials throughout the subject property: (1) the original 12” floor tile and associated block mastic and (2) the cementitious, exterior soffit panels. These materials can be managed in place through the implementation of an Operations and Maintenance Plan(O&M).” (p. 16-17)

Receipt, review and acceptance of an O&M plan to mitigate the asbestos containing materials described in the ESA I is a condition of this report.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s potential gross rent income is based on the 2002 LIHTC gross rent limits. However, the development is currently subsidized through a Housing Assistance Payment (HAP) contract. It is the Underwriter’s understanding that the Applicant intends to keep HAP contract rents in place as long as they continue to be offered and, therefore, are the actual basis for the development’s rental income. Thus, the Underwriter’s estimate is derived from the current contract rents and the Applicant’s potential gross rent is understated by \$38K, or 4%. The Applicant utilized the Department’s established standards for secondary income and vacancy and collection loss and as a result, effective gross income was also understated by 8% when compared to the Underwriter’s estimate. The financial statement reflects that actual effective gross income has been even higher due to lower actual vacancy and collection loss. In fact, the Applicant’s proposed effective gross income is \$80K, or 8%, less than the historical actual twelve month period provided.

**Expenses:** The Applicant’s total operating expense estimate is 13% less than the Underwriter’s TDHCA database-derived estimate with adjustments made based on historical operating expenses. Furthermore, several of the Applicant’s line item expenses differ by over 10% or \$5,000 as compared to the Underwriter’s estimates, adjusted based on historical operating figures for the development. These include: general and administrative (\$22K lower), payroll (\$26K lower), repairs and maintenance (\$9K higher), utilities (\$12K lower), water, sewer and trash (\$12K lower) and property insurance (\$5K higher). In addition, reserve for replacements was \$27K lower than the Department’s \$300 standard for rehabilitation developments. Finally, the Applicant included mortgage insurance of \$6,800 as an operating expense and also built it in as a part of debt service.

**Conclusion:** The Applicant’s net operating income estimate is 9% higher than of the Underwriter’s estimate. Both proformas, however, result in a debt coverage ratio (DCR) that is within the Department’s guideline of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The acquisition price is assumed to be reasonable because the property sale is an arm’s-length transaction. However, the Underwriter has used the appraised land value of \$600,000 in calculating the development’s eligible basis, where only \$300,000 was indicated in the submitted development cost schedule for the Applicant’s eligible basis calculation. The Applicant provided no justification for this lower amount and the submitted tax assessment also suggests a higher value.

**Sitework Cost:** The Applicant’s sitework costs of \$2K per unit are considered to be reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant’s direct construction costs were substantiated with a work write-up signed by both the development’s general contractor and architect.

**Fees:** The Applicant’s contingency cost exceeds the 10% of sitework and direct construction guideline for rehabilitation developments by \$190,604; the excess was effectively removed to ineligible costs. Of that amount, \$140,000 was originally listed as unspecified other indirect costs. The Applicant’s developer fees

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

also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the Applicant's developer fee must be reduced by \$49,840. Moreover, the Applicant applied this entire fee to the rehabilitation construction eligible basis when a portion of it is actually calculated from the acquisition basis of the buildings. Therefore, the portion that is calculated from the acquisition basis is only eligible for the lower 4% credit amount. The amount removed from the 4% side is \$351,750. However, due to the understated land value and thus the overstated building value, this amount is further reduced to \$306,750.

**Conclusion:** Overall, the Applicant's total development cost is within 5% of the Underwriter's estimate. This is generally the case in rehabilitation developments since the only independent source of development cost is the work write-up prepared jointly by the Applicant and architect or contractor. Therefore, the Underwriter's total sources and uses eligible basis will be used as it accurately reflects the corrections for the miscalculations in the Applicant's eligible basis estimate. As such, the Underwriter will use an acquisition eligible basis of \$2,351,750 and a rehabilitation eligible basis of \$5,047,362 to determine a total credit allocation of \$640,106. It should also be noted that this calculation results from adjustments to the applicable percentages used by the Applicant which were 3.6% and 8.45% rather than the underwriting rate of 3.67% and 8.44%. The recommended annual credit amount is \$66,126 or 9% less than requested.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with two types of financing: a conventional interim to permanent loan and syndicated LIHTC equity.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Boston Capital Finance Company in the amount of \$3,547,847 during the interim and permanent periods. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the like-term US Treasury rate and 250 basis points, estimated by the lender to be 7.75% as of the date of the commitment.

**LIHTC Syndication:** Boston Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,296,210 based on a syndication factor of 75%. The funds would be disbursed in a six-phased pay-in schedule:

1. 40% upon receipt of tax credit allocation, closing of construction loan and commitment for permanent loan;
2. 30% upon 50% construction completion;
3. 15% upon 75% construction completion;
4. 5% upon construction completion and cost certification;
5. 9% upon initial 100% occupancy and closing of permanent mortgage; and
6. 1% upon receipt of tax return for year in which rental achievement occurred.

**Financing Conclusions:** As stated above, the Applicant's adjusted total development cost estimate was used to determine the recommended tax credit allocation of \$640,106 annually for ten years. This figure is \$66,126 per year less than requested and, based on the submitted syndication agreement, will result in syndication proceeds of \$4,800,313. The difference of \$495,897 can be funded from deferred developer fees. Deferred fees in this amount appear to be repayable from development cash flow within ten years of stabilized operation. Should the HAP contract not be renewed or be received at a higher rate, these conclusions would be significantly affected as the achievable debt amount would be altered. Therefore, receipt, review and acceptance of documentation substantiating a continuation of the HAP contract at the rents of \$468, \$528 and \$584 for the one-, two-, and three -bedroom, respectively, by or as part of the documentation substantiating the closing of the construction loan, is a condition of this report.

**REVIEW of ARCHITECTURAL DESIGN**

The units offered have livable floorplans with adequate storage and are of average size for the market area. The residential building exteriors are typical for late 1960s construction. They have combination brick and siding exteriors with mansard roofs. The application indicates that extensive renovations will be made to the existing office/laundry building and a floorplan showing the addition of a proposed community room and computer facility was provided. The work write-up also proposes an addition of a full bath to 60 of the two-bedroom unit. Receipt, review and acceptance of architectural drawings for the proposed inclusion of an

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

additional bathroom in the 60 two-bedroom units is a condition of this report.

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

**IDENTITIES of INTEREST**

The principle of the general contractor, GG MacDonald, Inc., is a business partner of Steve Ford, the principle who initially executed the agreement of sale as the purchaser. Mr. Ford has since assigned his interest in the agreement of sale/earnest money contract to the Applicant. These are common relationships in LIHTC transactions. Samuel Tijerina, contact for this application, is also the current management agent for the subject property and is involved as a principal in several other 2002 9% LIHTC transactions.

**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.
- Chamberlain, Inc., a principle of the general partner, submitted a financial statement as of February 28, 2002 reporting total assets of \$1.35M and consisting of cash, real property, and interest in Chamberlain, Inc. and Tahoe Partners, Inc. The statement indicated a net worth of \$1.2M , but did not detail the liabilities of the corporation.
- Diana Gum, principle of the general partner and owner of Chamberlain, Inc., also provided a personal financial statement.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Chamberlain, Inc. and its owner, Diana Gum, have indicated no previous experience in multifamily development.
- Although a previous participation form for the general contractor was not submitted, it is known to the Underwriter that GG MacDonald, Inc. has ample experience in multifamily development.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$640,106 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

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

**CONDITIONS**

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report; and
2. Receipt, review and acceptance of architectural drawings for the proposed renovations to the clubhouse/office and inclusion of an additional bathroom in 60 of the two-bedroom units;
3. Receipt, review and acceptance of an O&M plan to mitigate the asbestos containing materials described in the ESA I;
4. Receipt, review and acceptance of documentation substantiating a continuation of the HAP contract at the rents of \$468, \$528 and \$584 for the one-, two- and three-bedroom, respectively, by or as part of the documentation substantiating the closing of the construction loan; and
5. Should the terms of the proposed debt or key assumptions regarding the HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

**Credit Underwriting Supervisor:**

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

**Date:** June 12, 2002

**Director of Credit Underwriting:**

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

**Date:** June 12, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**SA Union Pines, San Antonio, LIHTC 02092**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
TC 40%	3	1	1	656	\$346	\$468	\$1,404	\$0.71	\$52.60	\$24.82
TC 50%	9	1	1	656	433	468	4,212	0.71	52.60	24.82
TC 60%	16	1	1	656	519	468	7,488	0.71	52.60	24.82
TC 40%	7	2	1	775	416	528	3,696	0.68	67.63	29.80
TC 50%	19	2	1	775	520	528	10,032	0.68	67.63	29.80
TC 60%	38	2	1	775	624	528	20,064	0.68	67.63	29.80
TC 40%	6	3	2	884	480	584	3,504	0.66	\$80.43	\$34.96
TC 50%	18	3	2	884	600	584	10,512	0.66	80.43	34.96
TC 60%	36	3	2	884	720	584	21,024	0.66	80.43	34.96
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>796</b>	<b>\$588</b>	<b>\$539</b>	<b>\$81,936</b>	<b>\$0.68</b>	<b>\$69.91</b>	<b>\$30.92</b>

**INCOME**

Total Net Rentable Sq Ft: 121,008

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	5.29%	\$322	\$0.40
Management	5.00%	305	0.38
Payroll & Payroll Tax	13.56%	826	1.04
Repairs & Maintenance	6.10%	372	0.47
Utilities	3.51%	214	0.27
Water, Sewer, & Trash	6.09%	371	0.47
Property Insurance	3.18%	194	0.24
Property Tax 3.019	9.40%	573	0.72
Reserve for Replacements	4.92%	300	0.38
Supp.serv/comp/security	3.41%	208	0.26
<b>TOTAL EXPENSES</b>	<b>60.47%</b>	<b>\$3,685</b>	<b>\$4.63</b>
<b>NET OPERATING INC</b>	<b>39.53%</b>	<b>\$2,409</b>	<b>\$3.03</b>

**DEBT SERVICE**

First Lien Mortgage	32.93%	\$2,007	\$2.52
Additional Financing	0.00%	\$0	\$0.00
Mortgage Insurance Premium	0.73%	\$45	\$0.06
<b>NET CASH FLOW</b>	<b>5.88%</b>	<b>\$358</b>	<b>\$0.45</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		30.98%	\$17,401	\$21.86
Off-Sites		0.00%	0	0.00
Sitework		3.30%	1,853	2.33
Direct Construction		31.77%	17,844	22.41
Contingency	10.00%	3.51%	1,970	2.47
General Requireme	6.00%	2.10%	1,182	1.48
Contractor's G &	2.00%	0.70%	394	0.49
Contractor's Prof	6.00%	2.10%	1,182	1.48
Indirect Construction		2.36%	1,326	1.67
Ineligible Expenses		3.96%	2,227	2.80
Developer's G & A	2.00%	1.51%	847	1.06
Developer's Profit	13.00%	9.80%	5,503	6.91
Interim Financing		5.56%	3,125	3.93
Reserves		2.34%	1,316	1.65
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$56,168</b>	<b>\$70.55</b>

**Recap-Hard Construction Costs**

**SOURCES OF FUNDS**

First Lien Mortgage	41.56%	\$23,341	\$29.32
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	62.03%	\$34,843	\$43.77
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Requir	-3.59%	(\$2,016)	(\$2.53)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
	\$983,232	\$945,432			
	18,240	18,240	\$10.00	Per Unit Per Month	
	0	0			
	\$1,001,472	\$963,672			
	(75,110)	(72,276)	-7.50%	of Potential Gross Rent	
	0	0			
	\$926,362	\$891,396			
	PER SQ FT	PER UNIT	% OF RGI		
	\$48,992	\$26,812	\$0.22	\$176 3.01%	
	46,318	44,570	0.37	293 5.00%	
	125,627	100,000	0.83	658 11.22%	
	56,548	65,740	0.54	433 7.37%	
	32,518	20,400	0.17	134 2.29%	
	56,397	43,865	0.36	289 4.92%	
	29,446	34,578	0.29	227 3.88%	
	87,080	105,000	0.87	691 11.78%	
	45,600	18,240	0.15	120 2.05%	
	31,600	31,600	0.26	208 3.55%	
<b>TOTAL EXPENSES</b>	<b>\$560,127</b>	<b>\$490,805</b>	<b>\$4.06</b>	<b>\$3,229 55.06%</b>	
<b>NET OPERATING INC</b>	<b>\$366,234</b>	<b>\$400,591</b>	<b>\$3.31</b>	<b>\$2,635 44.94%</b>	
	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of RGI
	\$305,007	\$338,041	\$2.79	\$2,224	37.92%
	0	0	\$0.00	\$0	0.00%
	6,800	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$54,428</b>	<b>\$62,550</b>	<b>\$0.52</b>	<b>\$412</b>	<b>7.02%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>	<b>1.17</b>	<b>1.19</b>			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>	<b>1.17</b>				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$2,645,000	\$2,645,000	\$21.86	\$17,401	29.91%
	0	0	0.00	0	0.00%
	281,600	172,000	1.42	1,132	1.94%
	2,712,360	2,821,960	23.32	18,566	31.91%
	299,396	490,000	4.05	3,224	5.54%
	179,638	179,638	1.48	1,182	2.03%
	59,879	59,879	0.49	394	0.68%
	179,638	179,638	1.48	1,182	2.03%
	201,500	201,500	1.67	1,326	2.28%
	338,500	338,500	2.80	2,227	3.83%
	128,680	138,792	1.15	913	1.57%
	836,421	942,150	7.79	6,198	10.65%
	475,000	475,000	3.93	3,125	5.37%
	200,000	200,000	1.65	1,316	2.26%
<b>TOTAL COST</b>	<b>\$8,537,612</b>	<b>\$8,844,057</b>	<b>\$73.09</b>	<b>\$58,185</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>	<b>\$3,712,510</b>	<b>\$3,903,115</b>	<b>\$32.26</b>	<b>\$25,678</b>	<b>44.13%</b>
	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$3,547,847	\$3,547,847	\$3,547,847		
	0	0	0		
	5,296,210	5,296,210	4,800,313		
	0	0	495,897		
	(306,445)	0	0		
<b>TOTAL SOURCES</b>	<b>\$8,537,612</b>	<b>\$8,844,057</b>	<b>\$8,844,057</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**SA Union Pines, San Antonio, LIHTC 02092**

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

**PAYMENT COMPUTATION**

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

<b>Primary</b>	\$3,547,847	Term	360
Int Rate	7.75%	DCR	1.20

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.20

<b>Additional</b>	\$5,296,210	Term	
Int Rate		Aggregate DCR	1.17

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$305,007
Secondary Debt Service	0
Mortgage Insurance Premium	6,800
<b>NET CASH FLOW</b>	<b>\$54,428</b>

<b>Primary</b>	\$3,547,847	Term	360
Int Rate	7.75%	DCR	1.20

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.20

<b>Additional</b>	\$5,296,210	Term	0
Int Rate	0.00%	Aggregate DCR	1.17

**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	\$983,232	\$1,012,729	\$1,043,111	\$1,074,404	\$1,106,636	\$1,282,895	\$1,487,227	\$1,724,103	\$2,317,051
Secondary Income	18,240	18,787	19,351	19,931	20,529	23,799	27,590	31,984	42,984
Other Support Income: (des)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,001,472	1,031,516	1,062,462	1,094,335	1,127,166	1,306,694	1,514,816	1,756,087	2,360,034
Vacancy & Collection Loss	(75,110)	(77,364)	(79,685)	(82,075)	(84,537)	(98,002)	(113,611)	(131,707)	(177,003)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$926,362	\$954,152	\$982,777	\$1,012,260	\$1,042,628	\$1,208,692	\$1,401,205	\$1,624,381	\$2,183,032
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$48,992	\$50,952	\$52,990	\$55,109	\$57,314	\$69,731	\$84,838	\$103,219	\$152,789
Management	46,318	47,708	49,139	50,613	52,131	60,435	70,060	81,219	109,152
Payroll & Payroll Tax	125,627	130,652	135,878	141,313	146,966	178,807	217,546	264,677	391,787
Repairs & Maintenance	56,548	58,810	61,163	63,609	66,154	80,486	97,924	119,139	176,355
Utilities	32,518	33,819	35,172	36,579	38,042	46,284	56,311	68,511	101,413
Water, Sewer & Trash	56,397	58,653	60,999	63,439	65,977	80,271	97,662	118,820	175,883
Insurance	29,446	30,624	31,849	33,123	34,448	41,911	50,991	62,038	91,832
Property Tax	87,080	90,563	94,186	97,953	101,871	123,942	150,794	183,464	271,572
Reserve for Replacements	45,600	47,424	49,321	51,294	53,346	64,903	78,964	96,072	142,211
Other	31,600	32,864	34,179	35,546	36,968	44,977	54,721	66,576	98,549
TOTAL EXPENSES	\$560,127	\$582,069	\$604,875	\$628,578	\$653,215	\$791,745	\$959,811	\$1,163,737	\$1,711,543
NET OPERATING INCOME	\$366,234	\$372,083	\$377,902	\$383,682	\$389,413	\$416,947	\$441,394	\$460,643	\$471,489
<b>DEBT SERVICE</b>									
First Lien Financing	\$305,007	\$305,007	\$305,007	\$305,007	\$305,007	\$305,007	\$305,007	\$305,007	\$305,007
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
NET CASH FLOW	\$54,428	\$60,277	\$66,096	\$71,875	\$77,606	\$105,140	\$129,587	\$148,837	\$159,682
DEBT COVERAGE RATIO	1.17	1.19	1.21	1.23	1.25	1.34	1.42	1.48	1.51

**LIHTC Allocation Calculation - SA Union Pines, San Antonio, LIHTC 02092**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$300,000	\$600,000				
Purchase of buildings	\$2,345,000	\$2,045,000	\$2,345,000	\$2,045,000		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$172,000	\$281,600			\$172,000	\$281,600
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation ha	\$2,821,960	\$2,712,360			\$2,821,960	\$2,712,360
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$59,879	\$59,879			\$59,879	\$59,879
Contractor profit	\$179,638	\$179,638			\$179,638	\$179,638
General requirements	\$179,638	\$179,638			\$179,638	\$179,638
<b>(5) Contingencies</b>	\$490,000	\$299,396			\$299,396	\$299,396
<b>(6) Eligible Indirect Fees</b>	\$201,500	\$201,500			\$201,500	\$201,500
<b>(7) Eligible Financing Fees</b>	\$475,000	\$475,000			\$475,000	\$475,000
<b>(8) All Ineligible Costs</b>	\$338,500	\$338,500				
<b>(9) Developer Fees</b>				\$306,750	\$658,352	\$658,352
Developer overhead	\$138,792	\$128,680				
Developer fee	\$942,150	\$836,421				
<b>(10) Development Reserves</b>	\$200,000	\$200,000				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$8,844,057</b>	<b>\$8,537,612</b>	<b>\$2,345,000</b>	<b>\$2,351,750</b>	<b>\$5,047,362</b>	<b>\$5,047,362</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$2,345,000</b>	<b>\$2,351,750</b>	<b>\$5,047,362</b>	<b>\$5,047,362</b>
High Cost Area Adjustment					130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$2,345,000</b>	<b>\$2,351,750</b>	<b>\$6,561,570</b>	<b>\$6,561,570</b>
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$2,345,000</b>	<b>\$2,351,750</b>	<b>\$6,561,570</b>	<b>\$6,561,570</b>
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$86,062</b>	<b>\$86,309</b>	<b>\$553,797</b>	<b>\$553,797</b>
<b>Syndication Proceeds</b>	<b>0.7499</b>		<b>\$645,397</b>	<b>\$647,254</b>	<b>\$4,153,059</b>	<b>\$4,153,059</b>
				<b>TOTAL TAX CREDITS</b>	<b>\$639,858</b>	<b>\$640,106</b>
				<b>TOTAL SYNDICATION PROCEEDS</b>	<b>\$4,798,455</b>	<b>\$4,800,313</b>

**TDHCA #**

**02093**

**Region 8A**

**At Risk  
Set-Aside**



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

Development Name: **SA Union Park Apartments**

TDHCA #: **02093**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8A LIHTC Primary Set Aside: AR  
 Site Address: 4622 S. Hackberry Additional Elderly Set Aside   
 City: San Antonio Purpose / Activity: ACQ/R  
 County: Bexar Development Type: Family  
 Zip Code: 78223  TTC  DDA  QCT

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

Special Needs: 5 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: SA Union Park II, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
SA Union Park Development II, LLC	Samuel Tijerina	100 %
		%
		%
		%
		%

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$300,006** Allocation over 10 Years: \$3,000,060  
 Credits Requested: \$321,873 Eligible Basis Amount: \$300,006 Equity/Gap Amount: \$321,841

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	0	0	0	0	0
50%	0	12	16	9	3	0	40
60%	0	16	24	15	5	0	60
MR	0	0	0	0	0	0	0
Total	0	28	40	24	8	0	

**BUILDING INFORMATION**

Total Development Cost: **\$4,986,231**  
 Gross Building Square Feet: 82,118  
 Total NRA SF: 78,816  
 Gross/Net Rentable: 1.04  
 Average Square Feet/Unit: 788  
 Cost Per Net Rentable Square Foot: \$63.26  
 Credits per Low Income Unit: \$3,000

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$638,916  
 Total Expenses: \$360,612  
 Net Operating Income: \$278,304  
 Estimated 1st Year Debt Coverage Ratio: 1.24

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: NA	Market Analyst: Mark Temple
Housing GC: G.G. MacDonald, Inc.	Originator/UW: Boston Capital Finance Company, LP
Infrastructure GC: NA	Appraiser: Joseph J. Blake & Associates, Inc.
Cost Estimator: G.G. MacDonald, Inc.	Attorney: J. Michael Pruitt
Architect: Larry K. Travis & Associates	Supp Services: Texas Inter-Faith Housing Corp.
Property Manager: Orion Real Estate Services, Inc.	Accountant: Reznick, Fedder & Silverman
Engineer: NA	
Syndicator: NA	Permanent Lender: Boston Capital Finance Company, LP

**DEPARTMENT EVALUATION**

Points Awarded: 114 Site Review: Acceptable Underwriting Finding: AC

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



## Compliance Status Summary

**Project ID #:** 02093

LIHTC 9%  LIHTC 4%

**Project Name:** SA Union Park Apartments

HOME  HTF

**Project City:** San Antonio

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 1

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 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** Lucy Trevino **Completed on** 05/23/2002

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

DATE: May 20, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02093

**DEVELOPMENT NAME**

SA Union Park Apartments

**APPLICANT**

**Name:** SA Union Park II, LP      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 4622 Hackberry      **City:** San Antonio      **State:** TX  
**Zip:** 78223    **Contact:** Samuel Tijerina    **Phone:** (210) 375-2100    **Fax:** (210) 949-1714

**PRINCIPALS of the APPLICANT**

**Name:** SA Union Park Development II, LLC    **(%):** 0.01    **Title:** Managing General Partner  
**Name:** Boston Capital    **(%):** 99.99    **Title:** Limited Partner  
**Name:** Vista Contractors, LLC    **(%):** N/A    **Title:** 91% owner GP  
**Name:** Samuel A Tijerina    **(%):** N/A    **Title:** 9% owner GP & 100% owner Vista Cont'r

**GENERAL PARTNER**

**Name:** SA Union Park Development II, LLC    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 4139 Gardendale #104      **City:** San Antonio      **State:** TX  
**Zip:** 78229    **Contact:** Samuel Tijerina    **Phone:** (210) 375-2100    **Fax:** (210) 949-1714

**PROPERTY LOCATION**

**Location:** 4622 S Hackberry       QCT     DDA  
**City:** San Antonio      **County:** Bexar      **Zip:** 78223

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$321,873	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> Acquisition/Rehab <b>Set-Aside:</b> <input checked="" type="checkbox"/> At Risk <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 7.853 acres    342,076 square feet    **Zoning/ Permitted Uses:** D/Apartment Residential District  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 100    **# Rental Buildings:** 22    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 34 yrs    **Vacant:** 7 at 02/ 28/ 2002

Number	Bedrooms	Bathroom	Size in SF
28	1	1	656
40	2	1	775
24	3	2	884
8	4	2	1,029

**Net Rentable SF:** 78,816    **Av Un SF:** 788    **Common Area SF:** 3,302    **Gross Bldg SF** 82,118

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 50% masonry/brick veneer/50% wood siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, laundry facilities, computer/business center, equipped children's play area, perimeter fencing

**Uncovered Parking:** 153 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**LONG TERM/PERMANENT FINANCING**

**Source:** Boston Capital Finance Company, LP    **Contact:** Thomas W Dixon

**Principal Amount:** \$2,572,425    **Interest Rate:** Like-term US Treasury Rate + 250 bps; 7.75% at commitment

**Additional Information:** \$2,508,057 construction loan for 24 months

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

**Annual Payment:** \$224,946    **Lien Priority:** 1st    **Commitment Date**    02/ 28/ 2002

**LIHTC SYNDICATION**

**Source:** Boston Capital Partners, Inc.    **Contact:** Tom Dixon

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

**State:** MA    **Zip:** 02108    **Phone:** (617) 624-8900    **Fax:** (617) 624-8999

**Net Proceeds:** \$2,413,806    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 75¢

**Commitment**     None     Firm     Conditional    **Date:** 02/ 28/ 2002

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

**APPLICANT EQUITY**

**Amount:** N/A    **Source:** N/A

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

VALUATION INFORMATION					
APPRAISED VALUE					
<b>Land Only:</b>	\$400,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Existing Building: as is</b>	\$1,250,000*	<b>Date of Valuation:</b>	02/	14/	2002
<b>Total Property: as is</b>	\$1,650,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Appraiser:</b> Joseph J Blake & Associates	<b>City:</b> Dallas	<b>Phone:</b>	(214)	969-7477	
* Calculated by Underwriter					
ASSESSED VALUE					
<b>Land: 10.0548 acres</b>	\$328,500	<b>Assessment for the Year of:</b>	2002		
<b>Building:</b>	\$1,239,500	<b>Valuation by:</b>	Bexar County Appraisal District		
<b>Total Assessed Value:</b>	\$1,568,000	<b>Tax Rate:</b>	2.9859		

EVIDENCE of SITE or PROPERTY CONTROL					
<b>Type of Site Control:</b>	Earnest money contract				
<b>Contract Expiration Date:</b>	12/	31/	2002	<b>Anticipated Closing Date:</b>	12/ 31/ 2002
<b>Acquisition Cost:</b>	\$ 1,330,000	<b>Other Terms/Conditions:</b>	\$1K earnest money		
<b>Seller:</b>	Union Park Apartments, Ltd.		<b>Related to Development Team Member:</b>	No	

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION
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**Description:** Union Park is a proposed acquisition and rehabilitation development of 100 units of affordable housing located in South San Antonio. The development was completed in 1968 and is comprised of 22 residential buildings housing one- to four-bedroom units. The development also includes an office/laundry facility that, according to the application, will be renovated to provide space for a community room and computer center.

**Existing Subsidies:** The development has all 100 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) Renewal Contract, which expired on March 29, 2002. According to a letter signed by a principle of the Applicant, they "will take any and all actions necessary in order to assure that the HUD assistance will continue to be provided to the development." HUD currently holds a first lien mortgage that is anticipated to be extinguished though the regulatory agreement under Section 223(c)/221(d)(3)M will be maintained in order to preserve the Section 8 rental assistance.

**Development Plan:** As of February 28, 2002, the buildings were 93% occupied and, according to the appraiser, in an average state. The submitted work write-up includes: handicap ramps, security lighting, seal coat and striping, and landscaping work, \$100K improvements to the community building, repair/replacement of stair treads, doors, exterior walls, roofing, tubs, toilets, sinks, water heaters, air conditioners, ceiling fans, windows, drywall, flooring, mini blinds, cabinets, range, refrigerator, disposal, fan/hood and smoke detectors, and painting. In addition, a second bathroom will be added to 32 units

The Applicant states, "Consistent with the goals and objectives of the HUD program, we will assure that we take all reasonable steps to minimize displacement. For example, if feasible, residential occupants of buildings to be rehabilitated shall be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building/complex following completion of the rehabilitation. To accomplish this goal, we will carry out the rehab in stages." In addition, HUD plans to assist by setting aside Housing Vouchers from the San Antonio Housing Authority strictly for the use of displaced tenants. Each resident will either receive a \$350 relocation payment or a moving expense and

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CREDIT UNDERWRITING ANALYSIS**

“dislocation allowance” based on actual, reasonable costs. The Applicant further states, “Upon completion of the rehabilitation, the original displaced residents will be given first right of refusal to return to live in the subject property based on their priority status on the waiting list.” Although the relocation plan indicates that \$200K has been set-aside to cover relocation expenses, neither the submitted Exhibit 102, Project Cost Schedule, nor the work write-up include a line-item for relocation expense.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Housing Corporation to provide the following supportive services to tenants: team sports for youth, drug and alcohol awareness classes, cooking classes, parenting classes, money management classes, religious studies, ESL courses, job training, computer literacy courses, mentoring and tutoring, and recreational activities. 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, and to pay a fee of \$10.05 per unit per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in January of 2003 and to be completed in November of 2003. The buildings are to be placed in service and substantially leased-up in December of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Forty of the units (40%) will be reserved for households earning 50% or less of AMGI and 60 units (60%) will be reserved for households earning 60% or less of AMGI. All of the units are currently restricted under a Housing Assistance Payment (HAP) contract through HUD.

**Special Needs Set-Asides:** Five units (5% of the total) will be set-aside for households with handicapped/developmentally disabled individuals.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 18, 2002 and prepared by Mark C Temple highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Union Park Apartment’s is considered South San Antonio and is described by the following farthest boundaries: North- Interstate 10, South- Interstate 410, East- Interstate 410, and West- Interstate 35. In addition, it is viewed a very strong secondary market exists due to the site’s proximity to the remaining San Antonio area.” (p. I-2)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	65	1%
Resident Turnover (IREM 72.1%)	10,060	99%
<b>TOTAL ANNUAL DEMAND</b>	<b>10,125</b>	<b>100%</b>

Ref: p. IV-4

**Capture Rate:** “Based upon the income qualification banding methodology, the 100 Low Income Housing Tax Credit (LIHTC) rental units of the apartment development represents a 1.0 percent capture rate of all income appropriate rental households within the market area...However, the capture rate methodology does not take into consideration the fact that the subject development is presently 95% leased with only 5 vacant units.” (p. IV-3)

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects totaling 2,204 units in the market area.

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<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed*</b>	<b>HAP Contract*</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$380	\$526	-\$146	\$452	-\$72
<b>1-Bedroom (60%)</b>	\$467	\$526	-\$59	\$452	+\$15
<b>2-Bedroom (50%)</b>	\$452	\$565	-\$113	\$589	-\$137
<b>2-Bedroom (60%)</b>	\$556	\$565	-\$9	\$589	-\$33
<b>3-Bedroom (50%)</b>	\$521	\$596	-\$75	\$781	-\$260
<b>3-Bedroom (60%)</b>	\$641	\$596	+\$45	\$781	-\$140
<b>4-Bedroom (50%)</b>	\$565	\$616	-\$51	N/A	N/A
<b>4-Bedroom (60%)</b>	\$699	\$616	+\$83	N/A	N/A

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

\* The proposed rents are within \$1 of the maximum tax credit rents; therefore, the current HAP contract rents are displayed in this chart

**Submarket Vacancy Rates:** “The occupancy level of the market area is presently 95.7%.” (p. III-1)

**Absorption Projections:** “According to San Antonio Chamber of Commerce and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the South San Antonio Market Area range from 15 to 20 units per month.” (p. IV-7)

**Known Planned Development:** “The Costa Dorada Apartments just recently began construction. The apartment development consists of a total of 248 units with 186 units designated as tax credit units.” (p. III-34)

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

An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Arturo Singer, MAI with Joseph J Blake and Associates. The appraiser’s conclusions for the value of the underlying land and total property appear to be reasonable and justified.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** San Antonio is located in Bexar County, approximately 80 miles southwest of Austin. The site is an irregularly-shaped parcel situated on South Hackberry Street, just west of Interstate 37, in the southern area of the City.

**Population:** The estimated 2001 population of South San Antonio was 257,072 and is expected to increase by 1% to approximately 259,533 by 2006. Within the primary market area there were estimated to be 93,632 households in 2006.

**Adjacent Land Uses:** The area can be characterized as having an assortment of diverse uses ranging from commercial, single family residential, multifamily residential and vacant land. Specific uses include Brooks Air Force Base and several Parks. Adjacent land uses include:

- **North:** Single family residential
- **South:** Commercial and single family residential
- **East:** Single family residential
- **West:** Vacant land and single family residential

**Site Access:** The site is immediately accessed from South Hackberry. The City is served by four interstate highways, five US highways and numerous state highways.

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

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

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

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**CREDIT UNDERWRITING ANALYSIS**

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

A Phase I Environmental Site Assessment (ESA I) report dated March 22, 2002 was prepared by ASTEX Environmental Services, Inc. and contained the following findings:

“Based on the review of the local, State and Federal databases there are no indications of facilities, incidents or problems that would pose a significant environmental impact on the subject property. The environmental risks associated with this property, either emanating from or migrating to the subject site, would be considered low.

A limited investigation and laboratory analysis of suspect building materials for the presence of asbestos identified the following asbestos containing materials throughout the subject property: (1) the original 12” floor tile and associated block mastic and (2) the cementitious, exterior soffit panels. These materials can be managed in place through the implementation of an Operations and Maintenance Plan(O&M).” (p. 1)

Receipt, review and acceptance of an O&M plan to mitigate the asbestos containing materials described in the ESA I is a condition of this report.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s potential gross rent income is based on the 2002 LIHTC gross rent limits. However, the development is currently subsidized through a Housing Assistance Payment (HAP) contract. It is the Underwriter’s understanding that the Applicant intends to keep HAP contract rents in place as long as they continue to be offered and, therefore, are the actual basis for the development’s rental income. Thus, the Underwriter’s estimate is derived from the current contract rents and the Applicant’s potential gross rent is understated by \$53K, or 8%. The Applicant utilized the Department’s established standards for secondary income and vacancy and collection loss and as a result, effective gross income was also understated by 8% when compared to the Underwriter’s estimate. The financial statement reflects that actual effective gross income has been even higher due to lower actual vacancy and collection loss. In fact, the Applicant’s proposed effective gross income is \$75K, or 13%, less than the historical actual twelve month period provided.

**Expenses:** The Applicant’s total operating expense estimate is 10% less than the Underwriter’s TDHCA database-derived estimate. Furthermore, several of the Applicant’s line item expenses differ by over 10% or \$3,000 as compared to the Underwriter’s estimates, adjusted based on historical operating figures for the development. These include: general and administrative (\$15K lower), payroll (\$9K lower), utilities (\$12K lower), and property insurance (\$3K lower); in all four instances, the historical figures were equal or higher than the Underwriter’s estimates. In addition, reserve for replacements was \$18K lower than the Department’s \$300 standard for rehabilitation developments. Finally, the Applicant included mortgage insurance of \$3,252 as an operating expense and also built it in as a part of debt service.

**Conclusion:** The Applicant’s net operating income estimate is 5% less than of the Underwriter’s estimate. Both proformas, however, result in a debt coverage ratio (DCR) that is within the Department’s guideline of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The acquisition price is assumed to be reasonable because the property sale is an arm’s-length transaction. However, the Underwriter has used the appraised land value of \$400,000 in calculating the development’s eligible basis, while maintaining the \$200,000 indicated in the submitted development cost schedule for the Applicant’s eligible basis calculation. The Applicant provided no justification for this lower amount and the submitted tax assessment also suggests a higher value.

**Sitework Cost:** The Applicant’s sitework costs of \$2K per unit are considered to be reasonable for a rehabilitation development.

**Direct Construction Cost:** The Applicant’s direct construction costs were substantiated with a work write-up signed by both the development’s general contractor and architect.

**Fees:** The Applicant’s contingency cost exceeds the 10% of sitework and direct construction guideline for rehabilitation developments by \$15,400; the excess was effectively removed to ineligible costs. The Applicant also included \$40,000 in other construction loan costs, but did not describe the use for this

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contingency and, therefore, it was added to the ineligible contingency excess. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the Applicant's developer fee must be reduced by \$8,310. Moreover, the Applicant applied this entire fee to the rehabilitation construction eligible basis when a portion of it is actually calculated from the acquisition basis of the buildings. Therefore, the portion that is calculated from the acquisition basis is only eligible for the lower 4% credit amount. The amount removed from the 4% side is \$169,500. However, due to the understated land value and thus the overstated building value, this amount is further reduced to \$139,500.

**Conclusion:** Overall, the Applicant's total development cost is within 5% of the Underwriter's estimate. This is generally the case in rehabilitation developments since the only independent source of development cost is the work write-up prepared jointly by the Applicant and architect or contractor. Therefore, the Underwriter's total sources and uses eligible basis will be used as it accurately reflects the corrections for the miscalculations in the Applicant's eligible basis estimate. As such, the Underwriter will use an acquisition eligible basis of \$3,089,521 to determine a total credit allocation of \$300,006. It should also be noted that this calculation results from adjustments to the applicable percentages used by the Applicant which were 3.6% and 8.45% rather than the underwriting rate of 3.67% and 8.44%. The recommended annual credit amount is \$21,867 or 7% less than requested.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with two types of financing: a conventional interim to permanent loan and syndicated LIHTC equity.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Boston Capital Finance Company in the amount of \$2,508,057 during the interim period and \$2,572,425 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the like-term US Treasury rate and 250 basis points, estimated by the lender to be 7.75% as of the date of the commitment.

**LIHTC Syndication:** Boston Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$2,413,806 based on a syndication factor of 75%. The funds would be disbursed in a six-phased pay-in schedule:

1. 40% upon receipt of tax credit allocation, closing of construction loan and commitment for permanent loan;
2. 30% upon 50% construction completion;
3. 15% upon 75% construction completion;
4. 5% upon construction completion and cost certification;
5. 9% upon initial 100% occupancy and closing of permanent mortgage; and
6. 1% upon receipt of tax return for year in which rental achievement occurred.

**Financing Conclusions:** As stated above, the Applicant's adjusted total development cost estimate was used to determine the recommended tax credit allocation of \$300,006 annually for ten years. This figure is \$21,867 per year less than requested and, based on the submitted syndication agreement, will result in syndication proceeds of \$2,249,822. The difference of \$163,984 can be funded from deferred developer fees. Deferred fees in this amount appear to be repayable from development cash flow within three years of stabilized operation. Should the HAP contract not be renewed or be received at a higher rate, these conclusions would be significantly affected as the achievable debt amount would be altered. Therefore, receipt, review and acceptance of documentation substantiating a continuation of the HAP contract at the rents of \$526, \$596 and \$611 for the one-, two-, three- and four-bedroom, respectively, by or as part of the documentation substantiating the closing of the construction loan, is a condition of this report.

**REVIEW of ARCHITECTURAL DESIGN**

The units offered have livable floorplans with adequate storage and are of average size for the market area. The residential building exteriors are typical for late 1960s construction. They have combination brick and siding exteriors with mansard roofs. The application indicates that extensive renovations will be made to the existing office/laundry building and a floorplan showing the addition of a proposed community room and computer facility was provided. The work write-up also proposes an addition of a full bath to each two-

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bedroom unit. Receipt, review and acceptance of architectural drawings for the proposed inclusion of an additional bathroom in the 32 two-bedroom units is a condition of this report.

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CREDIT UNDERWRITING ANALYSIS**

**IDENTITIES of INTEREST**

The principle of the general contractor, GG MacDonald, Inc., is a business partner of Steve Ford, the principle who initially executed the agreement of sale as the purchaser. Mr. Ford has since assigned his interest in the agreement of sale/earnest money contract to the Applicant. These are common relationships in LIHTC transactions. Samuel Tijerina, principal of the Applicant, is also the current management agent for the subject property and has indicated he has the authority to sign as the owner's agent on HUD management documents. This is not considered to be identity of interest for purposes of the property sale agreement under LIHTC rules. However, it may call into question the developer fee for the acquisition portion of the transaction. Therefore, receipt, review and acceptance of a letter from a third party Certified Public Accountant certifying that sufficient due diligence work can be documented in support of the eligible acquisition portion of the developer fee is a condition of this report.

**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.
- Vista Contractors, LLC, a principle of the general partner, submitted a financial statement as of February 28, 2002 reporting total assets of \$27.5K and consisting of cash, receivables and real property. Liabilities totaled \$5.1K, resulting in a net worth of \$22.3K.
- Samuel Tijerina, principle of the general partner and owner of Vista Contractors, also provided a personal financial statement.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Vista Contractors, LLC has participated in one LIHTC development totaling 76 units that is currently under construction.
- Although a previous participation form for the general contractor was not submitted, it is known to the Underwriter that GG MacDonald, Inc. has ample experience in multifamily development.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$300,006 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

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

**CONDITIONS**

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report; and
2. Receipt, review and acceptance of architectural drawings for the proposed inclusion of an additional bathroom in the 32 two-bedroom units;
3. Receipt, review and acceptance of an O&M plan to mitigate the asbestos containing materials described in the ESA I;
4. receipt, review and acceptance of a letter from a third party Certified Public Accountant certifying that sufficient due diligence work can be documented in support of the eligible acquisition portion of the developer fee;
5. Receipt, review and acceptance of documentation substantiating a continuation of the HAP contract at the rents of \$526, \$596 and \$611 for the one-, two-, three- and four-bedroom, respectively, by or as part of the documentation substantiating the closing of the construction loan; and
6. Should the terms of the proposed debt or key assumptions regarding the HAP contract or syndication be altered, the conclusions, recommendations and conditions of this report should be re-evaluated by the Underwriter.

**Credit Underwriting Supervisor:**

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

**Date:** May 20, 2002

**Director of Credit Underwriting:**

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

**Date:** May 20, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**SA Union Park, San Antonio, LIHTC 02093**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
>TC 50%	12	1	1	656	\$433	\$526	\$6,312	\$0.80	\$52.60	\$24.82
>TC 60%	16	1	1	656	519	526	8,416	0.80	52.60	24.82
>TC 50%	16	2	1	775	520	565	9,040	0.73	67.63	29.80
>TC 60%	24	2	1	775	624	565	13,560	0.73	67.63	29.80
>TC 50%	9	3	2	884	600	596	5,364	0.67	80.43	34.96
<TC 60%	15	3	2	884	720	596	8,940	0.67	\$80.43	\$34.96
>TC 50%	3	4	2	1,029	670	616	1,848	0.60	105.19	40.46
<TC 60%	5	4	2	1,029	804	616	3,080	0.60	105.19	40.46
<b>TOTAL:</b>	<b>100</b>		<b>AVERAGE:</b>	<b>788</b>	<b>\$590</b>	<b>\$566</b>	<b>\$56,560</b>	<b>\$0.72</b>	<b>\$69.50</b>	<b>\$30.50</b>

**INCOME** Total Net Rentable Sq Ft: **78,816**

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

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

	TDHCA	APPLICANT		
	\$678,720	\$625,224		
	12,000	12,000	\$10.00	Per Unit Per Month
	0	0		
	\$690,720	\$637,224		
	(51,804)	(47,796)	-7.50%	of Potential Gross Rent
	0	0		
	\$638,916	\$589,428		

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.73%	\$302	\$0.38
Management	5.00%	319	0.41
Payroll & Payroll Tax	12.87%	822	1.04
Repairs & Maintenance	5.54%	354	0.45
Utilities	3.33%	213	0.27
Water, Sewer, & Trash	5.38%	344	0.44
Property Insurance	4.07%	260	0.33
Property Tax 2.985865	7.33%	468	0.59
Reserve for Replacements	4.70%	300	0.38
Supp.Serv/Comp/Sec/MIP	3.50%	224	0.28
<b>TOTAL EXPENSES</b>	<b>56.44%</b>	<b>\$3,606</b>	<b>\$4.58</b>
<b>NET OPERATING INC</b>	<b>43.56%</b>	<b>\$2,783</b>	<b>\$3.53</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$30,199	\$15,500	\$0.20	\$155	2.63%
	31,946	29,472	0.37	295	5.00%
	82,240	73,000	0.93	730	12.38%
	35,386	35,850	0.45	359	6.08%
	21,267	9,000	0.11	90	1.53%
	34,393	32,800	0.42	328	5.56%
	26,003	22,506	0.29	225	3.82%
	46,818	70,000	0.89	700	11.88%
	30,000	12,000	0.15	120	2.04%
	22,360	25,612	0.32	256	4.35%
	\$360,612	\$325,740	\$4.13	\$3,257	55.26%
	\$278,304	\$263,688	\$3.35	\$2,637	44.74%

**DEBT SERVICE**

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	34.61%	\$2,212	\$2.81
Mortgage Insurance Premium	0.51%	\$33	\$0.04
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>8.44%</b>	<b>\$539</b>	<b>\$0.68</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
	\$221,150	\$224,946	\$2.85	\$2,249	38.16%
	3,252	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$53,902	\$38,742	\$0.49	\$387	6.57%

AGGREGATE DEBT COVERAGE RATIO  
 ALTERNATIVE DEBT COVERAGE RATIO

	1.24	1.17
	1.24	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		26.96%	\$13,300	\$16.87
Off-Sites		0.00%	0	0.00
Sitework		4.08%	2,013	2.55
Direct Construction		33.34%	16,447	20.87
Contingency	10.00%	3.74%	1,846	2.34
General Requireme	6.00%	2.25%	1,108	1.41
Contractor's G &	2.00%	0.75%	369	0.47
Contractor's Prof	6.00%	2.25%	1,108	1.41
Indirect Construction		2.71%	1,335	1.69
Ineligible Expenses		3.52%	1,735	2.20
Developer's G & A	2.00%	1.47%	723	0.92
Developer's Profit	13.00%	9.53%	4,702	5.97
Interim Financing		5.35%	2,640	3.35
Reserves		4.05%	2,000	2.54
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$49,325</b>	<b>\$62.58</b>
<b>Recap-Hard Construction Costs</b>		<b>46.41%</b>	<b>\$22,890</b>	<b>\$29.04</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,330,000	\$1,330,000	\$16.87	\$13,300	26.67%
	0	0	0.00	0	0.00%
	201,300	201,300	2.55	2,013	4.04%
	1,644,700	1,644,700	20.87	16,447	32.98%
	184,600	200,000	2.54	2,000	4.01%
	110,760	110,760	1.41	1,108	2.22%
	36,920	36,920	0.47	369	0.74%
	110,760	110,760	1.41	1,108	2.22%
	133,500	133,500	1.69	1,335	2.68%
	173,500	173,500	2.20	1,735	3.48%
	72,331	77,439	0.98	774	1.55%
	470,150	503,352	6.39	5,034	10.09%
	264,000	264,000	3.35	2,640	5.29%
	200,000	200,000	2.54	2,000	4.01%
	\$4,932,521	\$4,986,231	\$63.26	\$49,862	100.00%
	\$2,289,040	\$2,304,440	\$29.24	\$23,044	46.22%

**SOURCES OF FUNDS**

	% of TOTAL	PER UNIT	PER SQ FT
First Lien Mortgage	52.15%	\$25,724	\$32.64
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	48.94%	\$24,138	\$30.63
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Required	-1.09%	(\$537)	(\$0.68)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
	\$2,572,425	\$2,572,425	\$2,572,425
	0	0	0
	2,413,806	2,413,806	2,249,822
	0	0	131,230
	(53,710)	0	32,755
	\$4,932,521	\$4,986,231	\$4,986,231

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**SA Union Park, San Antonio, LIHTC 02093**

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

**PAYMENT COMPUTATION**

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

<b>Primary</b>	\$2,572,425	Term	360
Int Rate	7.75%	DCR	1.26

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.24

<b>Additional</b>	\$2,413,806	Term	
Int Rate		Aggregate DCR	1.24

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$221,150
Secondary Debt Service	3,252
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$53,902</b>

<b>Primary</b>	\$2,572,425	Term	360
Int Rate	7.75%	DCR	1.26

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.24

<b>Additional</b>	\$2,413,806	Term	0
Int Rate	0.00%	Aggregate DCR	1.24

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME</b>										
POTENTIAL GROSS RENT		\$678,720	\$699,082	\$720,054	\$741,656	\$763,905	\$885,576	\$1,026,625	\$1,190,140	\$1,599,448
Secondary Income		12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (desc)		0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>		<b>690,720</b>	<b>711,442</b>	<b>732,785</b>	<b>754,768</b>	<b>777,411</b>	<b>901,233</b>	<b>1,044,776</b>	<b>1,211,182</b>	<b>1,627,727</b>
Vacancy & Collection Loss		(51,804)	(53,358)	(54,959)	(56,608)	(58,306)	(67,592)	(78,358)	(90,839)	(122,080)
Employee or Other Non-Rents		0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>		<b>\$638,916</b>	<b>\$658,083</b>	<b>\$677,826</b>	<b>\$698,161</b>	<b>\$719,106</b>	<b>\$833,640</b>	<b>\$966,418</b>	<b>\$1,120,343</b>	<b>\$1,505,647</b>
<b>EXPENSES</b>	at 4.00%									
General & Administrative		\$30,199	\$31,407	\$32,663	\$33,970	\$35,329	\$42,983	\$52,295	\$63,625	\$94,181
Management		31,946	32,904	33,891	34,908	35,955	41,682	48,321	56,017	75,282
Payroll & Payroll Tax		82,240	85,530	88,951	92,509	96,209	117,054	142,413	173,268	256,479
Repairs & Maintenance		35,386	36,802	38,274	39,805	41,397	50,366	61,277	74,553	110,357
Utilities		21,267	22,117	23,002	23,922	24,879	30,269	36,827	44,805	66,323
Water, Sewer & Trash		34,393	35,769	37,199	38,687	40,235	48,952	59,558	72,461	107,260
Insurance		26,003	27,043	28,125	29,250	30,420	37,010	45,029	54,784	81,094
Property Tax		46,818	48,691	50,639	52,664	54,771	66,637	81,074	98,639	146,010
Reserve for Replacements		30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other		22,360	23,254	24,185	25,152	26,158	31,825	38,720	47,109	69,733
<b>TOTAL EXPENSES</b>		<b>\$360,612</b>	<b>\$374,717</b>	<b>\$389,377</b>	<b>\$404,613</b>	<b>\$420,449</b>	<b>\$509,477</b>	<b>\$617,465</b>	<b>\$748,468</b>	<b>\$1,100,279</b>
<b>NET OPERATING INCOME</b>		<b>\$278,304</b>	<b>\$283,366</b>	<b>\$288,449</b>	<b>\$293,548</b>	<b>\$298,657</b>	<b>\$324,164</b>	<b>\$348,953</b>	<b>\$371,875</b>	<b>\$405,369</b>
<b>DEBT SERVICE</b>										
First Lien Financing		\$221,150	\$221,150	\$221,150	\$221,150	\$221,150	\$221,150	\$221,150	\$221,150	\$221,150
Second Lien		3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252
Other Financing		0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>		<b>\$53,902</b>	<b>\$58,964</b>	<b>\$64,047</b>	<b>\$69,146</b>	<b>\$74,255</b>	<b>\$99,762</b>	<b>\$124,551</b>	<b>\$147,473</b>	<b>\$180,967</b>
<b>DEBT COVERAGE RATIO</b>		<b>1.24</b>	<b>1.26</b>	<b>1.29</b>	<b>1.31</b>	<b>1.33</b>	<b>1.44</b>	<b>1.56</b>	<b>1.66</b>	<b>1.81</b>

**LIHTC Allocation Calculation - SA Union Park, San Antonio, LIHTC 02093**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$200,000	\$400,000				
Purchase of buildings	\$1,130,000	\$930,000	\$1,130,000	\$930,000		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$201,300	\$201,300			\$201,300	\$201,300
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation ha	\$1,644,700	\$1,644,700			\$1,644,700	\$1,644,700
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$36,920	\$36,920			\$36,920	\$36,920
Contractor profit	\$110,760	\$110,760			\$110,760	\$110,760
General requirements	\$110,760	\$110,760			\$110,760	\$110,760
<b>(5) Contingencies</b>	\$200,000	\$184,600			\$184,600	\$184,600
<b>(6) Eligible Indirect Fees</b>	\$133,500	\$133,500			\$133,500	\$133,500
<b>(7) Eligible Financing Fees</b>	\$264,000	\$264,000			\$264,000	\$264,000
<b>(8) All Ineligible Costs</b>	\$173,500	\$173,500				
<b>(9) Developer Fees</b>			\$169,500	\$139,500	\$402,981	\$402,981
Developer overhead	\$77,439	\$72,331				
Developer fee	\$503,352	\$470,150				
<b>(10) Development Reserves</b>	\$200,000	\$200,000				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$4,986,231</b>	<b>\$4,932,521</b>	<b>\$1,299,500</b>	<b>\$1,069,500</b>	<b>\$3,089,521</b>	<b>\$3,089,521</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$1,299,500	\$1,069,500	\$3,089,521	\$3,089,521
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$1,299,500	\$1,069,500	\$3,089,521	\$3,089,521
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,299,500	\$1,069,500	\$3,089,521	\$3,089,521
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$47,692	\$39,251	\$260,756	\$260,756
<b>Syndication Proceeds</b>	<b>0.7499</b>		<b>\$357,652</b>	<b>\$294,350</b>	<b>\$1,955,471</b>	<b>\$1,955,471</b>
				<b>TOTAL TAX CREDITS</b>	<b>\$308,447</b>	<b>\$300,006</b>
				<b>TOTAL SYNDICATION PROCEEDS</b>	<b>\$2,313,123</b>	<b>\$2,249,822</b>

**TDHCA #**

**02094**

**Region 8A**

**At Risk  
Set-Aside**

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**Development Name: SA Ridgecrest Apartments****TDHCA #: 02094****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8A LIHTC Primary Set Aside: AR  
 Site Address: 8222 Gault Lane Additional Elderly Set Aside   
 City: San Antonio Purpose / Activity: ACQ/R  
 County: Bexar Development Type: Family  
 Zip Code: 78209  TTC  DDA  QCT

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

**Special Needs:** 7 Units for Handicapped/Developmentally Disabled**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: SA Ridgecrest II, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
SA Ridgecrest Development II, LLC	Samuel Tijerina	100 %
Vista Contractors LLC		91 %
Samuel Tijerina	Samuel Tijerina	9 %
		%
		%

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$458,769** Allocation over 10 Years: \$4,587,690  
 Credits Requested: \$494,845 Eligible Basis Amount: \$468,054 Equity/Gap Amount: \$558,204

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	0	0	0	0	0
50%	0	9	24	11	3	0	47
60%	0	19	56	25	5	0	105
MR	0	0	0	0	0	0	0
Total	0	28	80	36	8	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$8,022,578</b>
Gross Building Square Feet:	127,612
Total NRA SF:	120,412
Gross/Net Rentable:	1.06
Average Square Feet/Unit:	792
Cost Per Net Rentable Square Foot:	\$66.63
Credits per Low Income Unit	\$3,018

Total LI Units: 152  
 Owner/Employee Units: 0  
 Total Project Units: 152  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$918,101
Total Expenses:	\$547,847
Net Operating Income:	\$370,254
Estimated 1st Year Debt Coverage Ratio:	1.10

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: NA	Market Analyst: Mark Temple
Housing GC: G.G. MacDonald, Inc.	Originator/UW: Boston Capital Finance Company, LP
Infrastructure GC: NA	Appraiser: Joseph J. Blake & Assoc., Inc.
Cost Estimator: G.G. MacDonald, Inc.	Attorney: J. Michael Pruitt
Architect: Larry K. Travis & Assoc.	Supp Services: Texas Inter-Faith Housing Corp.
Property Manager: Orion Real Estate Services, Inc.	Accountant: Reznick, Fedder & Silverman
Engineer: NA	
Syndicator: NA	Permanent Lender: Boston Capital Finance Company, LP

**DEPARTMENT EVALUATION**

Points Awarded: 91 Site Review: Acceptable Underwriting Finding: AC

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

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

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

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: NC	Carroll W. Schubert, City Councilman, District 9, S
TX Rep.: Michael "Mike" Villareal, Dist. 115 S	
TX Sen.: Leticia Van De Putte, Dist. 26 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

- Receipt, review, and acceptance of an Asbestos Operations and Maintenance Plan prepared by a qualified engineer.
- Receipt, review, and acceptance of architectural drawings for the proposed addition to the office/laundry building and the floor plans for the proposed inclusion of an additional bathroom in the 44 units.
- Receipt, review, and acceptance of a HAP Renewal Contract indicating an increase in contract rents of at least 10% above the current rent limits OR a letter from the applicant indicating that the HAP Contract will not be renewed ( this condition should be met by construction loan closing).
- Receipt, review, and acceptance of documentation from the general contractor acknowledging the potential deferral of up to \$142,007 in contractor fees with payment of same to come from cash flow of the HAP Contract is maintained at less than the maximum tax credit rents.
- Receipt, review, and acceptance of documentation on how the IRP will remain in effect, should it stay in place, and certification by a third party CPA as to the acceptability of methodology and calculation used to maintain the IRP and/or IRP loan from reducing eligible basis or applicable percentage (This condition should be met by or as part of the documentation substantiating the closing of the construction loan.)
- Receipt and acceptance of revised permanent loan commitment(s) reflecting a reduction in the total debt service to not more than \$336,583, to be reviewed by the Underwriter.
- Receipt, review, and acceptance of a letter from a third party CPA certifying that sufficient due diligence work can be documented in support of the eligible acquisition portion of the developer fee or removal of the fee and reduction of the credit in proportion to the undocumented support.
- Since the structure of the financing is dependent on the negotiation of the HAP Contract and IRP maintenance, this application should be re-evaluated by the Underwriter at or before construction loan closing to revise the conditions of this report and potentially reduce the credit allocation recommendation.

**Alternate Recommendation:**

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

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

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

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

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

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

\_\_\_\_\_  
Date

## Compliance Status Summary

**Project ID #:** 02094

LIHTC 9%  LIHTC 4%

**Project Name:** SA Ridgecrest Apartments

HOME  HTF

**Project City:** San Antonio

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 1

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 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 Henrickson **Completed on** 05/17/2002

2002 Development Profile and Board Summary (Continued)

Project Name: SA Ridgecrest Apartments

Project Number: 02094

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

Approved Credit Amount:  Date of Determination:

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

\_\_\_\_\_  
Date

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

**DATE:** May 21, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02094

**DEVELOPMENT NAME**

SA Ridgecrest Apartments

**APPLICANT**

**Name:** SA Ridgecrest II, LP      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 8222 Gault Lane      **City:** San Antonio      **State:** TX  
**Zip:** 78209    **Contact:** Samuel Tijerina      **Phone:** (210) 375-2100    **Fax:** (210) 949-1714

**PRINCIPALS of the APPLICANT**

**Name:** SA Ridgecrest Development II, LLC    **(%):** 0.01    **Title:** Managing General Partner  
**Name:** Boston Capital    **(%):** 99.99    **Title:** Limited Partner  
**Name:** Vista Contractors, LLC (VC)    **(%):** N/A    **Title:** 91% owner GP  
**Name:** Samuel A Tijerina    **(%):** N/A    **Title:** 9% owner GP & 100% owner VC

**GENERAL PARTNER**

**Name:** SA Ridgecrest Development II, LLC    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 4139 Gardendale #104      **City:** San Antonio      **State:** TX  
**Zip:** 78229    **Contact:** Samuel Tijerina      **Phone:** (210) 375-2100    **Fax:** (210) 949-1714

**PROPERTY LOCATION**

**Location:** 8222 Gault Lane       QCT     DDA  
**City:** San Antonio      **County:** Bexar      **Zip:** 78209

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$494,845	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> Acquisition/Rehab <b>Set-Aside:</b> <input checked="" type="checkbox"/> At Risk <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 10.089 acres    439477 square feet    **Zoning/ Permitted Uses:** R-3  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 152    **# Rental Buildings:** 30    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 33 yrs    **Vacant:** 6 at 02/ 04/ 2002

Number	Bedrooms	Bathroom	Size in SF
28	1	1	657
80	2	1	775
36	3	2	884
8	4	2	1,024

**Net Rentable SF:** 120,412    **Av Un SF:** 792    **Common Area SF:** 7,200    **Gross Bldng SF:** 127,612

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% masonry/brick veneer/25% wood siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, laundry facilities, computer/business center, central mailroom, equipped children's play area, perimeter fencing

**Uncovered Parking:** 228 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**LONG TERM/PERMANENT FINANCING**

**Source:** Boston Capital Finance Company, LP    **Contact:** Thomas W Dixon  
**Principal Amount:** \$4,311,612    **Interest Rate:** Like-term US Treasury Rate + 250 bps; 7.75% at commitment  
**Additional Information:** \$4,311,612 construction loan for 24 months  
**Amortization:** 30 yrs    **Term:** 18 yrs    **Commitment:**     None     Firm     Conditional  
**Annual Payment:** \$379,542    **Lien Priority:** 1st    **Commitment Date:** 02/ 28/ 2002

**LIHTC SYNDICATION**

**Source:** Boston Capital Partners, Inc.    **Contact:** William Fazzano  
**Address:** One Boston Place    **City:** Boston  
**State:** MA    **Zip:** 02108    **Phone:** (617) 624-8900    **Fax:** (617) 624-8999  
**Net Proceeds:** \$3,710,966    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 75¢  
**Commitment:**     None     Firm     Conditional    **Date:** 02/ 28/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** N/A    **Source:** N/A

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

VALUATION INFORMATION					
APPRAISED VALUE					
<b>Land Only:</b>	\$760,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Existing Building: as is</b>	\$2,290,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Existing Building: as renovated</b>	\$3,640,000	<b>Date of Valuation:</b>	02/	14/	2002
<b>Appraiser:</b> Joseph J Blake & Associates	<b>City:</b> Dallas	<b>Phone:</b>	(214)	969-7477	
ASSESSED VALUE					
<b>Land: 8.6813 acres</b>	\$850,900	<b>Assessment for the Year of:</b>	2001		
<b>Building:</b>	\$709,100	<b>Valuation by:</b>	Bexar County Appraisal District		
<b>Total Assessed Value:</b>	\$1,560,000	<b>Tax Rate:</b>	2.864		

EVIDENCE of SITE or PROPERTY CONTROL					
<b>Type of Site Control:</b>	Earnest money contract				
<b>Contract Expiration Date:</b>	12/	31/	2002	<b>Anticipated Closing Date:</b>	12/ 31/ 2002
<b>Acquisition Cost:</b>	\$ 2,540,000	<b>Other Terms/Conditions:</b>	\$1K earnest money		
<b>Seller:</b>	Ridgecrest Properties, Ltd.			<b>Related to Development Team Member:</b>	No

REVIEW of PREVIOUS UNDERWRITING REPORTS
No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Ridgecrest is a proposed acquisition and rehabilitation development of 152 units of affordable housing located in North Central San Antonio. The development was completed in 1969 and is comprised of 30 residential buildings housing one- to four-bedroom units. The development also includes an office/laundry facility that, according to the application, will be renovated to provide space for a community room and computer center.

The purchase price higher than the current appraised value which may be due to the proposed conversion from a HUD-financed development to an LIHTC development. The Applicant received preference based on the development's categorization as an At-Risk development, one that is at-risk of being converted to a market rate development. Based on the development's age and need for rehabilitation, it is unlikely that the rent levels would increase sufficiently, if converted to a market rate development, to service the new source of funds for the acquisition and rehabilitation required to achieve higher rents. Without the rehabilitation work, the likelihood of the rent levels to reach or exceed the LIHTC net rent limits declines. Thus the development is less at risk for converting to market than it is for further deterioration and ultimate decommission.

**Existing Subsidies:** The development has all 152 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) Renewal Contract, which expires on August 31, 2002. The development also receives an interest rate reduction payment in the amount of \$11,288 per month, or \$135,457 annually through the Section 236 program.

According to a letter signed by a principle of the Applicant and submitted as an application exhibit, they "will take any and all actions necessary in order to assure that the HUD assistance will continue to be provided to the development." However, a letter sent on May 14, 2002 in response to an underwriting deficiencies request states, "It is the Partnership's intention (per the QAP) to maintain the affordable nature of the property through one or more programs. The first way is per the application. The current regulatory agreement with HUD that is expiring would be eliminated and the property would be a standard LIHTC property with the rent and income restrictions indicated in the application. The property would still accept vouchers and should HUD desire to increase the Section 8 contract rents to the LIHTC levels we would

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entertain entering into a new contract.” On average, the proposed LIHTC rents represent a 40% increase in gross rent and there is no guarantee that HUD will accept the rents as proposed by the Applicant.

Contract rent adjustments can be made on an annual basis using the operating cost adjustment factor (OCAF) or based on the budget. The latter is at the request of the Owner, based on the budget of the development, as approved by the contract administrator in accordance with HUD rules. Comparability adjustments can also be made if the contract has been renewed pursuant to Section 524(a) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 or at expiration of each five-year period of the Renewal Contract term. At this time, it is not known what the Applicant’s basis for Contract rent adjustments will be; only that the Applicant may not renew the HAP Contract and, therefore, forfeit the Interest Rate Reduction Payment (IRP) should the HAP Contract rent adjustments not reach the maximum 2002 net LIHTC rent limits.

It should be noted that the current HAP Contract rents of \$345 to \$357 for one-bedroom units, \$380 to \$394 for two-bedroom units, \$386 for three-bedroom units and \$439 for four-bedroom units are significantly lower than the 2002 net LIHTC rent limits. In addition, under the HAP contract, tenants pay only 30% of their monthly income for rent. The difference between the tenant payments and the HAP Contract rents is provided to the development in the form of a subsidy payment. Should the Applicant decide not to renew the HAP contract and, instead, make the development a standard LIHTC property, it is very likely that the current residents will not qualify or be able to afford to live in the rehabilitated development. It is anticipated that the 236 mortgage will be extinguished, but the IRP could be maintained through a decoupling program if the HAP Contract is continued.

**Development Plan:** As of February 4, 2002, the buildings were 96% occupied and, according to the appraiser, in an average state. The submitted work write-up includes: handicap ramps, security lighting, seal coat and striping, and landscaping work, \$187.5K improvements to the community building, repair/replacement of stair treads, doors, exterior walls, roofing, tubs, toilets, sinks, water heaters, air conditioners, ceiling fans, windows, drywall, flooring, mini blinds, cabinets, range, refrigerator, disposal, fan/hood and smoke detectors, and painting. In addition, a second bathroom will be added to 44 units.

The Applicant states, “Consistent with the goals and objectives of the HUD program, we will assure that we take all reasonable steps to minimize displacement. For example, if feasible, residential occupants of buildings to be rehabilitated shall be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building/complex following completion of the rehabilitation. To accomplish this goal, we will carry out the rehab in stages.” In addition, HUD plans to assist by setting aside Housing Vouchers from the San Antonio Housing Authority strictly for the use of displaced tenants. Each resident will either receive a \$350 relocation payment or a moving expense and “dislocation allowance” based on actual, reasonable costs. The Applicant further states, “Upon completion of the rehabilitation, the original displaced residents will be given first right of refusal to return to live in the subject property based on their priority status on the waiting list.” Although the relocation plan indicates that \$200K has been set-aside to cover relocation expenses, neither the submitted Exhibit 102, Project Cost Schedule, nor the work write-up include a line-item for relocation expense.

**Supportive Services:** The Applicant has contracted with Texas Inter-Faith Housing Corporation to provide the following supportive services to tenants: team sports for youth, drug and alcohol awareness classes, cooking classes, parenting classes, money management classes, religious studies, ESL courses, job training, computer literacy courses, mentoring and tutoring, and recreational activities. 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, and to pay a fee of \$9.30 per unit per month for these support services.

**Schedule:** The Applicant anticipates construction to begin in January of 2003 and to be completed in November of 2003. The buildings are to be placed in service and substantially leased-up in December of 2003.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Forty-seven of the units (31%) will be reserved for households earning 50% or less of AMGI and 105 units will be reserved for

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households earning 60% or less of AMGI. The development rents are currently restricted under a Housing Assistance Payment (HAP) Contract. It should be noted that the current HAP Contract rents of \$345 to \$357 for one-bedroom units, \$380 to \$394 for two-bedroom units, \$386 for three-bedroom units and \$439 for four-bedroom units are significantly lower than the 2002 net LIHTC rent limits.

**Special Needs Set-Asides:** Seven units (5% of the total) will be set-aside for households with handicapped/developmentally disabled individuals.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 18, 2002 and prepared by Mark C Temple highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Ridgecrest Apartments is considered North Central San Antonio and is described by the following farthest boundaries: North- Interstate 410, South- Hildebrand Avenue, East- Harry Wurzbach Highway, and West- Interstate 10. In addition, it is viewed a very strong secondary market exists due to the site’s proximity to the remaining San Antonio area.” (p. I-2)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	128	1%
Resident Turnover (IREM 72.1%)	11,404	99%
<b>TOTAL ANNUAL DEMAND</b>	<b>11,532</b>	<b>100%</b>

Ref: p. IV-4

**Capture Rate:** “Based upon the income qualification banding methodology, the 152 Low Income Housing Tax Credit (LIHTC) rental units of the apartment development represents a 1.3 percent capture rate of all income appropriate rental households within the market area...However, the capture rate methodology does not take into consideration the fact that the subject development is presently 98% leased with only 2 vacant units.” (p. IV-3)

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 1,753 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed*	HAP Contract*	Differential	Market	Differential
<b>1-Bedroom (50%)</b>	\$380	\$345/\$357	+\$/-\$23	\$602	-\$222
<b>1-Bedroom (60%)</b>	\$467	\$345/\$357	+\$/-\$110	\$602	-\$135
<b>2-Bedroom (50%)</b>	\$452	\$380/\$394	+\$/-\$58	\$860	-\$408
<b>2-Bedroom (60%)</b>	\$556	\$380/\$394	+\$/-\$100	\$860	-\$304
<b>3-Bedroom (50%)</b>	\$521	\$386	+\$/-\$135	\$1,218	-\$697
<b>3-Bedroom (60%)</b>	\$641	\$386	+\$/-\$255	\$1,218	-\$577
<b>4-Bedroom (50%)</b>	\$565	\$439	+\$/-\$120	N/A	N/A
<b>4-Bedroom (60%)</b>	\$699	\$439	+\$/-\$260	N/A	N/A

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

\* The proposed rents are within \$1 of the maximum LIHTC rent limits; therefore, the current HAP Contract rents are displayed in this chart.

**Submarket Vacancy Rates:** “The occupancy level of the market area is presently 95.9%.” (p. III-1)

**Absorption Projections:** “According to San Antonio Chamber of Commerce and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the South San Antonio Market Area range from 15 to 20 units per month.” (p. IV-7)

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CREDIT UNDERWRITING ANALYSIS**

**Known Planned Development:** None noted by market analyst.

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

An appraisal was also provided to substantiate the value of the buildings versus land for the acquisition. The appraisal was performed by Arturo Singer, MAI with Joseph J Blake and Associates. The appraiser's conclusions for the value of the underlying land and total property appear to be reasonable and justified.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** San Antonio is located in Bexar County, approximately 80 miles southwest of Austin. The site is situated on Gault Lane, just south of Interstate 410, in the northern area of the City.

**Population:** The estimated 2001 population of South San Antonio was 262,607 and is expected to increase by 3% to approximately 269,329 by 2006. Within the primary market area there were estimated to be 115,119 households in 2006.

**Adjacent Land Uses:** The area can be characterized as having an assortment of diverse uses ranging from commercial, single family residential, multifamily residential and vacant land. Specific uses include the McNay Art Institute and Olmos Park. Adjacent land uses include:

- **North:** Multifamily residential, commercial and vacant land
- **South:** Single family residential
- **East:** Commercial and vacant land
- **West:** Single family residential

**Site Access:** The site is immediately accessed from Gault. The City is served by four interstate highways, five US highways and numerous state highways.

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

**Shopping & Services:** The site is within two miles of two major grocery/pharmacies, two shopping centers, and a variety of other retail establishments and restaurants. Churches, and hospitals and health care facilities are located within a short driving distance from the site. The neighborhood is served by Alamo Height Independent School District.

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

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

A Phase I Environmental Site Assessment report dated March 22, 2002 was prepared by ASTEX Environmental Services, Inc. and contained the following findings:

“Based on the review of the local, State and Federal databases there are no indications of facilities, incidents or problems that would pose a significant environmental impact on the subject property. The environmental risks associated with this property, either emanating from or migrating to the subject site, would still be considered low even with the presence of asbestos containing materials.”

Receipt, review and acceptance of an Asbestos Operations and Maintenance Plan prepared by a qualified engineer is a condition of this report.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's potential gross rent assumption is in line with the 2002 net LIHTC rent limits. It should be noted that the current HAP Contract rents of \$345 to \$357 for one-bedroom units, \$380 to \$394 for two-bedroom units, \$386 for three-bedroom units and \$439 for four-bedroom units are significantly lower than the 2002 net LIHTC rent limits. In addition, under the HAP contract, tenants pay only 30% of their monthly income for rent. The difference between the tenant payments and the HAP Contract rents is provided to the development in the form of a subsidy payment. Should the Applicant decide not to renew the HAP contract and, instead, make the development a standard LIHTC property, it is very likely that the current residents will not qualify or be able to afford to live in the rehabilitated development. The proposed LIHTC rents represent an overall increase in rent of 40% over the current HAP Contract rents. Although the development currently receives an Interest Rate Reduction Payment (IRP) in the amount of \$135,457 annually, the Applicant did not include the IRP as a source of income. Should the Applicant decide to do

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**CREDIT UNDERWRITING ANALYSIS**

away with the HAP Contract, the development would no longer qualify for an IRP. Therefore, without a commitment from HUD accepting the higher rents, this source of income is considered to be speculative at this point in time.

**Expenses:** The Applicant's total operating expense figure is \$50K, or 9%, lower than the Underwriter's TDHCA database-derived estimate, adjusted based on the development's 2002 operating statement and based on higher LIHTC maximum rents. The Underwriter also evaluated expenses under the current HAP Contract limited rents, which resulted in expenses that were within 1% of the Applicant's estimate. Several of the Applicant's line-item expenses differed by more than 5% or \$3,000 as compared to the Underwriter's estimates under both rent scenarios. These include: general and administrative (\$22K lower), payroll (\$13K lower), repairs and maintenance (\$9K higher), utilities (\$12K lower), water, sewer and trash (\$3K higher), and reserves (\$27K lower). The Applicant included a \$6,800 Mortgage Insurance Premium (MIP) as an operating expense, while the Underwriter categorized this cost as a part of debt service. Two additional line items differed significantly when the lower rents were used. Management fee, which is a function of rent, was \$6K lower under the existing HAP contract rent scenario and property taxes were \$50K lower. Under this scenario, property taxes were based on the existing assessed value since the economic value of the property would not change. The Underwriter's tax estimate under the maximum LIHTC rent scenario increases significantly so that the difference from the Applicant's estimate is reduced to \$8K.

**Conclusion:** Under both rent scenarios, the Applicant's net operating income estimate is more than 5% outside the Underwriter's verifiable range. Therefore, the Underwriter's proforma should be used to determine the development's ability to service debt. Based on the Underwriter's proforma and the proposed financing structure, the development's debt coverage ratio (DCR) falls below the Department's DCR minimum guideline of 1.10. In order to reach a minimum DCR of 1.10, the development's annual debt service including the MIP of \$6,800 should be limited to \$336,583 under the maximum tax credit rent scenario. The actual amount of debt will depend significantly on whether HUD agrees to the higher rents and allows the IRP to stay in place. Even with the IRP in place, however, the maximum debt service calculated here will not change since this source of income will go directly to service debt on a dollar for dollar basis. If the HAP Contract is maintained, the Underwriter's analysis suggests that a minimum 10% overall increase in approved HAP rents plus the continuance of the IRP would be required in order for this transaction to be minimally feasible. Because there is so much uncertainty with regard to the HAP rents and IRP, it is a condition of this report that this application be re-evaluated at or before construction loan closing.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The acquisition price is assumed to be reasonable for purposes of recommending a LIHTC award since the acquisition is an arm's-length transaction. However, the sales price is higher than either the "as-is" appraised value or the tax assessed value suggesting that the Applicant may be overpaying for the property. The Applicant utilized \$540,000 for the land value, but did not provide any justification for this amount. Both the appraiser and tax assessment indicate the land is more valuable. The Underwriter utilized the well-documented appraised value for purposes of calculating the eligible acquisition costs. This has the effect of reducing the acquisition eligible basis by \$220,000.

**Site Work Cost:** The Applicant's claimed site work costs of \$2,481 per unit are considered reasonable for an existing development. The Applicant included \$187,500 of community room rehabilitation in site work costs however and that should have been included in direct construction costs.

**Direct Construction Cost:** The Applicant's direct construction costs at \$15K per unit are considered to be reasonable as presented. The development cost schedule and work write-up are consistent and the latter was also signed by the project architect.

**Fees:** The Applicant's contractor's general and administrative fees exceed the 2% maximum allowed by LIHTC guidelines based on their own construction costs and contingency exceeds the 10% maximum guideline for rehabilitation developments. The Applicant also included \$40K in unspecified other construction loan costs, but this appears to be additional contingency. 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 portion of the Applicant's developer fee must be reduced by \$9,025. Moreover, the Applicant applied the entire fee to the rehabilitation construction eligible basis when a portion of it is actually calculated from the acquisition

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**CREDIT UNDERWRITING ANALYSIS**

basis of the buildings. The portion that is calculated from the acquisition basis is eligible for only the lower 4% credit amount. This amount, \$300,000, was therefore removed to the 4% side of eligible basis. However, due to the understated land value and thus the overstated building value, this amount is further reduced to \$267,000 in the Underwriter's eligible basis calculation.

**Conclusion:** Overall, the Applicant's total development cost is within 5% of the Underwriter's total estimate. This is generally the case in rehabilitation developments since the only independent source of development cost is the work write-up prepared jointly by the Applicant and architect or contractor. In this case, the Applicant miscalculated several fee limits, a significant amount of developer fee and land costs. Therefore, the Underwriter's revised acquisition basis of \$2,047,000 and rehabilitation basis of \$4,545,548 should be used to determine the maximum recommended annual tax credits of \$458,769. It should also be noted that the Applicant used slightly different applicable percentages of 3.60% and 8.44% which were the underwriting rates set for the month the application was submitted. The maximum recommended credit is \$36,076 or 7% less than requested.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with two types of financing: a conventional interim to permanent loan and syndicated LIHTC equity.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Boston Capital Finance Company in the amount of \$4,311,612. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the like-term US Treasury rate and 250 basis points, estimated by the lender to be 7.75% as of the date of the commitment. It is unclear from the commitment as to whether this considers the IRP or not. The IRP could provide a significant, albeit short term, portion of the debt service if it is not extinguished with the 236 loan. The final loan amount, therefore, may be dependent on the IRP as much as it is dependent on confirmation of an increase in the HAP Contract rents.

The Underwriter's evaluation has indicated that, along with the IRP remaining, the minimum increase in HAP rents should be 10% to keep the transaction feasible. In addition, the final interest rate on a combined IRP/new funds loan may depend in part on the effect the IRP funds will have on eligible basis. Since the IRP is a federal loan subsidy, it and/or any loan proceeds derived from it will be regarded as federal below market rate funds. As such, they will either need to be reduced from basis or will limit the credit for the whole transaction to the 4% credits (3.67% applicable percentage). The IRP derived funds may be regarded as non-below market rate if the overall effective rate on the total new debt is above AFR (Applicable Federal Rate) at the time the transaction closes. However, this method of avoiding the federal taint of the IRP has yet to be tested and accepted by the IRS. Therefore, it remains possible that the IRP portion of any loan must be removed from eligible basis in which case a further reduction in credits would be required. Receipt, review and acceptance of documentation on how the IRP will remain in effect, should it stay in place, and final commitments for the permanent financing is a condition of this report. This condition should be addressed by or with documentation substantiating the construction loan closing. In addition, certification by a third party CPA as to the methodology and calculation used to maintain the IRP and/or IRP loan from reducing eligible basis or applicable percentage should be required.

**LIHTC Syndication:** Boston Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,710,966 based on a syndication factor of 75%. The funds would be disbursed in a six-phased pay-in schedule:

1. 40% upon receipt of tax credit allocation, closing of construction loan and commitment for permanent loan;
2. 30% upon 50% construction completion;
3. 15% upon 75% construction completion;
4. 5% upon construction completion and cost certification;
5. 9% upon initial 100% occupancy and closing of permanent mortgage; and
6. 1% upon receipt of tax return for year in which rental achievement occurred.

**Financing Conclusions:** As stated above, the Underwriter's total development cost, adjusted for overstated fees, was used to determine the development's eligible basis and recommended annual tax credit allocation of \$458,769. This amount is \$36,076 less than the Applicant's request due to the adjustment in eligible basis for

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CREDIT UNDERWRITING ANALYSIS**

the overstated fees and the Applicant's use of incorrect applicable percentages.

Also as noted above, the Underwriter's proforma and the proposed financing structure results in a DCR, which falls below the Department's minimum DCR guideline of 1.10. In order to reach a minimum DCR of 1.10, the development's annual debt service including the MIP of \$6,800 should be limited to \$336,583 if the maximum tax credit rents are used, but \$314,592 if the minimum feasible HAP rent increase (10%) is used. Therefore, upon receipt of final loan commitments, HAP Contract and IRP documentation, this development should be re-evaluated by the underwriter and a final credit recommendation made.

Based on both rent scenarios, permanent financing assumptions and syndication commitments, the reduction in the maximum annual debt service and recommended annual tax credit allocation results in a significant net reduction in anticipated sources of funds. This amount can be funded with deferred developer's fees and may be repaid from cashflow in 15 years of stabilized operation in both cases. In the 10% rent increase case, however, a portion of the deferral of \$142,007 must come from contractor fees and, therefore, documentation accepting deferral of contractor fees of up to this amount is a condition of this report.

**REVIEW of ARCHITECTURAL DESIGN**

The units offered have livable floorplans with adequate storage and are of average size for the market area. The residential building exteriors are typical for late 1960s construction. They have combination brick and siding exteriors with pitched roofs. Although the application indicates that extensive renovations will be made to the existing office/laundry building, a floorplan showing the addition of a proposed community room and computer facility was not provided. Receipt, review and acceptance of architectural drawings for the addition to the office/laundry building is a condition of this report. The work write-up also proposes an addition of a full bath to each two-bedroom unit. Receipt, review and acceptance of architectural drawings for the proposed inclusion of an additional bathroom in the 44 units proposed is a condition of this report.

**IDENTITIES of INTEREST**

The principle of the general contractor, GG MacDonald, Inc., is a business partner of Steve Ford, the principle who initially executed the agreement of sale as the purchaser. Mr. Ford has since assigned his interest in the agreement of sale/earnest money contract to the Applicant. These are common relationships in LIHTC transactions. Samuel Tijerina, principal of the Applicant, is also the current management agent for the subject property and has indicated he has the authority to sign as the owner's agent on HUD management documents. This is not considered to be identity of interest for purposes of the property sale agreement under LIHTC rules. However, it may call into question the developer fee for the acquisition portion of the transaction. Therefore, receipt, review and acceptance of a letter from a third party CPA certifying that sufficient due diligence work can be documented in support of the eligible acquisition portion of the developer fee or removal of the fee and reduction of the credit in proportion to the undocumented support is a condition of this report.

**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.
- Vista Contractors, LLC, a principle of the general partner, submitted a financial statement as of February 28, 2002 reporting total assets of \$27.5K and consisting of cash, receivables and real property. Liabilities totaled \$5.1K, resulting in a net worth of \$22.3K.
- Samuel Tijerina, principle of the general partner and owner of Vista Contractors, also provided a personal financial statement.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Vista Contractors, LLC has participated in one LIHTC development totaling 76 units that is currently under construction.
- Although a previous participation form for the general contractor was not submitted, it is known that GG MacDonald, Inc. has ample experience in multifamily development.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$458,769 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report;
2. Receipt, review and acceptance of an Asbestos Operations and Maintenance Plan prepared by a qualified engineer;
3. Receipt, review and acceptance of architectural drawings for the proposed addition to the office/laundry building and the floor plans for the proposed inclusion of an additional bathroom in the 44 units;
4. Receipt, review and acceptance of a HAP Renewal Contract indicating an increase in contract rents of at least 10% above the current rent limits OR a letter from the Applicant indicating that the HAP Contract will not be renewed (this condition should be met by construction loan closing);
5. Receipt, review and acceptance of documentation from the general contractor acknowledging the potential deferral of up to \$142,007 in contractor fees with payment of same to come from cashflow if the HAP Contract is maintained at less than the maximum tax credit rents;
6. Receipt, review and acceptance of documentation on how the IRP will remain in effect, should it stay in place, and certification by a third party CPA as to the acceptability of methodology and calculation used to maintain the IRP and/or IRP loan from reducing eligible basis or applicable percentage (This condition should be met by or as part of the documentation substantiating the closing of the construction loan.);
7. Review of this application's score for including 50% of AMGI-restricted units as the underwriting has determined that more than 50% of the anticipated developer fees will be deferred;
8. Receipt and acceptance of revised permanent loan commitment(s) reflecting a reduction in the total debt service to not more than \$336,583, to be reviewed by the Underwriter;
9. Receipt, review and acceptance of a letter from a third party CPA certifying that sufficient due diligence work can be documented in support of the eligible acquisition portion of the developer fee or removal of the fee and reduction of the credit in proportion to the undocumented support; and,
10. Since the structure of the financing is dependent on the negotiation of the Hap Contract and IRP maintenance, this application should be re-evaluated by the Underwriter at or before construction loan closing to revise the conditions of this report and potentially reduce the credit allocation recommendation.

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**CREDIT UNDERWRITING ANALYSIS**

**Credit Underwriting Supervisor:**

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

**Date:** May 21, 2002

**Director of Credit Underwriting:**

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

**Date:** May 21, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**SA Ridgcrest, San Antonio, LIHTC 02094 LIHTC RENTS**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
TC 50%	9	1	1	657	\$433	\$380	\$3,424	\$0.58	\$52.60	\$24.82
TC 60%	19	1	1	657	519	466	8,862	0.71	52.60	24.82
TC 50%	24	2	1	775	520	452	10,857	0.58	67.63	29.80
TC 60%	56	2	1	775	624	556	31,157	0.72	67.63	29.80
TC 50%	11	3	2	884	600	520	5,715	0.59	80.43	34.96
TC 60%	25	3	2	884	720	640	15,989	0.72	\$80.43	\$34.96
TC 50%	3	4	2	1,024	670	565	1,694	0.55	105.19	40.46
TC 60%	5	4	2	1,024	804	699	3,494	0.68	105.19	40.46
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>792</b>	<b>\$604</b>	<b>\$534</b>	<b>\$81,192</b>	<b>\$0.67</b>	<b>\$69.87</b>	<b>\$30.67</b>

**INCOME** Total Net Rentable Sq Ft: 120,412

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

Other Support Income:

POTENTIAL GROSS INCOME

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

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

	TDHCA	APPLICANT		
	\$974,302	\$974,676		
	18,240	18,240	\$10.00	Per Unit Per Month
	0	0		
	\$992,542	\$992,916		
	(74,441)	(74,472)	-7.50%	of Potential Gross Rent
	0	0		
	\$918,101	\$918,444		

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.25%	\$317	\$0.40
Management	5.00%	302	0.38
Payroll & Payroll Tax	13.65%	824	1.04
Repairs & Maintenance	6.14%	371	0.47
Utilities	3.54%	214	0.27
Water, Sewer, & Trash	4.97%	300	0.38
Property Insurance	3.99%	241	0.30
Property Tax 2.864	9.46%	572	0.72
Reserve for Replacements	4.97%	300	0.38
Supp.Serv/Comp/Sec/MIP	2.70%	163	0.21
<b>TOTAL EXPENSES</b>	<b>59.67%</b>	<b>\$3,604</b>	<b>\$4.55</b>
<b>NET OPERATING INC</b>	<b>40.33%</b>	<b>\$2,436</b>	<b>\$3.07</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$48,167	\$26,812	\$0.22	\$176	2.92%
	45,905	45,922	0.38	302	5.00%
	125,320	112,000	0.93	737	12.19%
	56,413	65,740	0.55	433	7.16%
	32,498	20,400	0.17	134	2.22%
	45,646	48,160	0.40	317	5.24%
	36,624	34,397	0.29	226	3.75%
	86,875	95,000	0.79	625	10.34%
	45,600	18,240	0.15	120	1.99%
	24,800	31,600	0.26	208	3.44%
	\$547,847	\$498,271	\$4.14	\$3,278	54.25%
	\$370,254	\$420,173	\$3.49	\$2,764	45.75%

**DEBT SERVICE**

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	40.37%	\$2,439	\$3.08
Mortgage Insurance Premium	0.74%	\$45	\$0.06
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>-0.79%</b>	<b>(\$47)</b>	<b>(\$0.06)</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
	\$370,667	\$379,542	\$3.15	\$2,497	41.32%
	6,800	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	(\$7,213)	\$40,631	\$0.34	\$267	4.42%

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

	0.98	1.11
	1.10	

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		32.27%	\$16,711	\$21.09
Off-Sites		0.00%	0	0.00
Sitework		2.41%	1,247	1.57
Direct Construction		31.32%	16,219	20.47
Contingency	10.00%	3.37%	1,747	2.20
General Requirem	6.00%	2.02%	1,048	1.32
Contractor's G &	2.00%	0.67%	349	0.44
Contractor's Prof	6.00%	2.02%	1,048	1.32
Indirect Construction		2.24%	1,161	1.47
Ineligible Expenses		4.05%	2,095	2.65
Developer's G & A	2.00%	1.46%	754	0.95
Developer's Profit	13.00%	9.47%	4,903	6.19
Interim Financing		6.15%	3,184	4.02
Reserves		2.54%	1,316	1.66
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$51,783</b>	<b>\$65.37</b>
<b>Recap-Hard Construction Costs</b>		<b>41.83%</b>	<b>\$21,659</b>	<b>\$27.34</b>

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$2,540,000	\$2,540,000	\$21.09	\$16,711	31.66%
	0	0	0.00	0	0.00%
	189,600	377,100	3.13	2,481	4.70%
	2,465,360	2,277,860	18.92	14,986	28.39%
	265,496	300,000	2.49	1,974	3.74%
	159,298	159,298	1.32	1,048	1.99%
	53,099	128,099	1.06	843	1.60%
	159,298	159,298	1.32	1,048	1.99%
	176,500	176,500	1.47	1,161	2.20%
	318,500	318,500	2.65	2,095	3.97%
	114,653	121,643	1.01	800	1.52%
	745,245	780,280	6.48	5,133	9.73%
	484,000	484,000	4.02	3,184	6.03%
	200,000	200,000	1.66	1,316	2.49%
	\$7,871,048	\$8,022,578	\$66.63	\$52,780	100.00%
	\$3,292,150	\$3,401,655	\$28.25	\$22,379	42.40%

**SOURCES OF FUNDS**

	% OF TOTAL	PER UNIT	PER SQ FT
First Lien Mortgage	54.78%	\$28,366	\$35.81
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	47.15%	\$24,414	\$30.82
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Requir	-1.93%	(\$997)	(\$1.26)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT	RECOMMENDED
	\$4,311,612	\$4,311,612	\$3,836,050
	0	0	0
	3,710,966	3,710,966	3,510,056
	0	0	676,472
	(\$151,530)	0	0
	\$7,871,048	\$8,022,578	\$8,022,578

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**SA Ridgcrest, San Antonio, LIHTC 02094 LIHTC RENTS**

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

**PAYMENT COMPUTATION**

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

<b>Primary</b>	\$4,311,612	Term	360
Int Rate	7.75%	DCR	1.00

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	0.98

<b>Additional</b>	\$3,710,966	Term	
Int Rate		Aggregate DCR	0.98

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$329,783
Secondary Debt Service	6,800
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$33,670</b>

<b>Primary</b>	\$3,836,050	Term	360
Int Rate	7.75%	DCR	1.12

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

<b>Additional</b>	\$3,710,966	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$974,302	\$1,003,531	\$1,033,637	\$1,064,646	\$1,096,585	\$1,271,243	\$1,473,719	\$1,708,444	\$2,296,006
Secondary Income	18,240	18,787	19,351	19,931	20,529	23,799	27,590	31,984	42,984
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	992,542	1,022,318	1,052,987	1,084,577	1,117,114	1,295,042	1,501,308	1,740,428	2,338,989
Vacancy & Collection Loss	(74,441)	(76,674)	(78,974)	(81,343)	(83,784)	(97,128)	(112,598)	(130,532)	(175,424)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$918,101	\$945,644	\$974,013	\$1,003,234	\$1,033,331	\$1,197,914	\$1,388,710	\$1,609,896	\$2,163,565
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$48,167	\$50,094	\$52,097	\$54,181	\$56,349	\$68,557	\$83,410	\$101,481	\$150,216
Management	45,905	47,282	48,701	50,162	51,667	59,896	69,436	80,495	108,178
Payroll & Payroll Tax	125,320	130,333	135,546	140,968	146,607	178,370	217,014	264,031	390,830
Repairs & Maintenance	56,413	58,669	61,016	63,457	65,995	80,293	97,688	118,853	175,931
Utilities	32,498	33,798	35,150	36,556	38,018	46,255	56,276	68,468	101,349
Water, Sewer & Trash	45,646	47,472	49,371	51,346	53,399	64,968	79,044	96,169	142,354
Insurance	36,624	38,089	39,613	41,197	42,845	52,127	63,421	77,161	114,217
Property Tax	86,875	90,350	93,964	97,722	101,631	123,650	150,439	183,032	270,932
Reserve for Replacements	45,600	47,424	49,321	51,294	53,346	64,903	78,964	96,072	142,211
Other	24,800	25,792	26,824	27,897	29,012	35,298	42,946	52,250	77,343
<b>TOTAL EXPENSES</b>	<b>\$547,847</b>	<b>\$569,302</b>	<b>\$591,601</b>	<b>\$614,779</b>	<b>\$638,868</b>	<b>\$774,316</b>	<b>\$938,637</b>	<b>\$1,138,011</b>	<b>\$1,673,561</b>
<b>NET OPERATING INCOME</b>	<b>\$370,254</b>	<b>\$376,342</b>	<b>\$382,412</b>	<b>\$388,455</b>	<b>\$394,463</b>	<b>\$423,597</b>	<b>\$450,073</b>	<b>\$471,884</b>	<b>\$490,004</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$329,783	\$329,783	\$329,783	\$329,783	\$329,783	\$329,783	\$329,783	\$329,783	\$329,783
Second Lien	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$33,670</b>	<b>\$39,759</b>	<b>\$45,829</b>	<b>\$51,872</b>	<b>\$57,879</b>	<b>\$87,014</b>	<b>\$113,490</b>	<b>\$135,301</b>	<b>\$153,421</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.15</b>	<b>1.17</b>	<b>1.26</b>	<b>1.34</b>	<b>1.40</b>	<b>1.46</b>

**LIHTC Allocation Calculation - SA Ridgecrest, San Antonio, LIHTC 02094 LIHTC RENTS**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$540,000	\$760,000				
Purchase of buildings	\$2,000,000	\$1,780,000	\$2,000,000	\$1,780,000		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$377,100	\$189,600			\$377,100	\$189,600
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation ha	\$2,277,860	\$2,465,360			\$2,277,860	\$2,465,360
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$128,099	\$53,099			\$53,099	\$53,099
Contractor profit	\$159,298	\$159,298			\$159,298	\$159,298
General requirements	\$159,298	\$159,298			\$159,298	\$159,298
<b>(5) Contingencies</b>	\$300,000	\$265,496			\$265,496	\$265,496
<b>(6) Eligible Indirect Fees</b>	\$176,500	\$176,500			\$176,500	\$176,500
<b>(7) Eligible Financing Fees</b>	\$484,000	\$484,000			\$484,000	\$484,000
<b>(8) All Ineligible Costs</b>	\$318,500	\$318,500				
<b>(9) Developer Fees</b>			\$300,000	\$267,000	\$592,898	\$592,898
Developer overhead	\$121,643	\$114,653				
Developer fee	\$780,280	\$745,245				
<b>(10) Development Reserves</b>	\$200,000	\$200,000				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$8,022,578</b>	<b>\$7,871,048</b>	<b>\$2,300,000</b>	<b>\$2,047,000</b>	<b>\$4,545,548</b>	<b>\$4,545,548</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$2,300,000	\$2,047,000	\$4,545,548	\$4,545,548
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$2,300,000	\$2,047,000	\$4,545,548	\$4,545,548
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$2,300,000	\$2,047,000	\$4,545,548	\$4,545,548
Applicable Percentage			3.67%	3.67%	8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$84,410	\$75,125	\$383,644	\$383,644
<b>Syndication Proceeds</b>	<b>0.7499</b>		<b>\$633,012</b>	<b>\$563,380</b>	<b>\$2,877,044</b>	<b>\$2,877,044</b>
				<b>TOTAL TAX CREDITS</b>	<b>\$468,054</b>	<b>\$458,769</b>
				<b>TOTAL SYNDICATION PROCEEDS</b>	<b>\$3,510,056</b>	<b>\$3,440,425</b>

**TDHCA #**

**02146**

**Region 8A**

**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: **Bexar Creek**TDHCA #: **02146****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8A LIHTC Primary Set Aside: G  
 Site Address: 411 North General McMullen Additional Elderly Set Aside   
 City: San Antonio Purpose / Activity: NC  
 County: Bexar Development Type: Family  
 Zip Code: 78237  TTC  DDA  QCT

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

Special Needs: 8 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Bexar Creek Group, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
YBOR VI Group, Inc.	Thomas J. McMullen, JR.	51 %
Casner Engineering	R. Anne Casner	49 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$614,528** Allocation over 10 Years: \$6,145,280  
 Credits Requested: \$621,995 Eligible Basis Amount: \$614,528 Equity/Gap Amount: \$669,777

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	0	0	0	0	0
50%	0	0	6	11	8	0	25
60%	0	0	8	16	12	0	36
MR	0	0	2	5	4	0	11
Total	0	0	16	32	24	0	

**BUILDING INFORMATION**

Total Development Cost: **\$7,436,954**  
 Gross Building Square Feet: 88,952  
 Total NRA SF: 85,752  
 Gross/Net Rentable: 1.04  
 Average Square Feet/Unit: 1,191  
 Cost Per Net Rentable Square Foot: \$86.73  
 Credits per Low Income Unit: \$10,074

Total LI Units: 61  
 Owner/Employee Units: 0  
 Total Project Units: 72  
 Applicable Fraction: 85.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$487,908  
 Total Expenses: \$237,600  
 Net Operating Income: \$250,308  
 Estimated 1st Year Debt Coverage Ratio: 1.15

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Citizens Housing Development Company Market Analyst: National Realty Consultants  
 Housing GC: JenCra, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: Citizens Housing Development Company Attorney: Shaw Pittman  
 Architect: Harvey & Associates Supp Services: National Development Foundation  
 Property Manager: Reliance Management Services Accountant: Stapleton & Smith  
 Engineer: Casner Engineering  
 Syndicator: Midland Equity Corporation Permanent Lender: MuniMae Midland, LLC

**DEPARTMENT EVALUATION**

Points Awarded: 132 Site Review: Acceptable Underwriting Finding: AC

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





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

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

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

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

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

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

**DATE:** June 5, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02146

**DEVELOPMENT NAME**

Bexar Creek

**APPLICANT**

**Name:** Bexar Creek Group, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 2109 East Palm Avenue, Suite 206      **City:** Tampa      **State:** FL  
**Zip:** 33605    **Contact:** Thomas J. McMullen, Jr.    **Phone:** (813) 247-2828    **Fax:** (813) 247-3326

**PRINCIPALS of the APPLICANT**

**Name:** Ybor VI Group, Inc.      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** MuniMae Midland, Inc.      **(%):** 99.99      **Title:** Limited Partner  
**Name:** Thomas J. McMullen, Jr.      **Title:** 51% Owner of MGP  
**Name:** R. Anne Casner dba Casner Engineering      **Title:** 49% Owner of MGP

**GENERAL PARTNER**

**Name:** Ybor VI Group, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 2109 East Palm Avenue, Suite 206      **City:** Tampa      **State:** FL  
**Zip:** 33605    **Contact:** Thomas J. McMullen, Jr.    **Phone:** (813) 247-2828    **Fax:** (813) 247-3326

**PROPERTY LOCATION**

**Location:** Approximately 411 North General McMullen       **QCT**     **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78237

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$621,995	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 7.13 acres    310,583 square feet    **Zoning/ Permitted Uses:** C & JJ/Multifamily  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 72    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
16	2	1.5	935
32	3	2	1,175
24	4	2	1,383

**Net Rentable SF:** 85,752    **Av Un SF:** 1,191    **Common Area SF:** 3,200    **Gross Bldng SF:** 88,952

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 25% brick veneer/75% stucco, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

3,200 SF community building with furnished community room, residential kitchen, laundry room, public restrooms and telephone, computer room, play area with playground equipment, basketball court, swimming pool, car wash area

**Uncovered Parking:** 156 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** MuniMae Midland, LLC    **Contact:** Michael Mikkola

**Principal Amount:** \$3,767,257    **Interest Rate:** 100 Basis Points over the WSJ Prime Rate or 9% minimum

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

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

**LONG TERM/PERMANENT FINANCING**

**Source:** MuniMae Midland, LLC    **Contact:** Michael Mikkola

**Principal Amount:** \$2,414,300    **Interest Rate:** 40 Basis Points over Lender's Index Rate; Underwritten at 8.25%

**Additional Information:** 1.15 DCR requirement

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

**Annual Payment:** \$217,654    **Lien Priority:** 1st    **Commitment Date:** 2/ 28/ 2002

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

**LIHTC SYNDICATION**

**Source:** MuniMae Midland, LLC **Contact:** Michael Mikkola  
**Address:** 33 North Garden Avenue, Suite 1200 **City:** Clearwater  
**State:** FL **Zip:** 38755 **Phone:** (727) 461-4801 **Fax:** (727) 443-6067  
**Net Proceeds:** \$4,664,496 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 75¢  
**Commitment**  None  Firm  Conditional **Date:** 2/ 28/ 2002  
**Additional Information:** Commitment letter reflects proceeds of \$4,664,496 based on credits of \$6,219,950.

**APPLICANT EQUITY**

**Amount:** \$358,158 **Source:** Deferred developer fee

**VALUATION INFORMATION  
ASSESSED VALUE**

**Land: 3 sites, 7,126 acres** \$310,100 **Assessment for the Year of:** 2001  
**Building:** N/A **Valuation by:** Bexar County Appraisal District  
**Total Assessed Value:** \$310,100 **Tax Rate:** 2.8945

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract (7.126 acres)  
**Contract Expiration Date:** 10/ 15/ 2002 **Anticipated Closing Date:** 10/ 15/ 2002  
**Acquisition Cost:** \$ 495,000 **Other Terms/Conditions:** \$1,000 earnest money  
**Seller:** McMullen Investment, Inc. **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

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

1. Receipt, review, and acceptance of an updated acceptable site inspection report;
2. Receipt, review, and acceptance of documentation confirming compliance with all Phase I ESA recommendations; namely:
  - o Removal of all trash, used tires and concrete debris from the property;
  - o Conducting a visual inspection for any possible environmental concerns during land clearing and excavation; and
  - o Determining the nature of any landfill activities which may have taken place on the property or in the area.; and,
3. Receipt, review, and acceptance of a revised site plan and floor plans for the eight proposed accessible units showing how they will be fully accessible to tenants who are mobility impaired;

The project did not receive an allocation of \$609,659 in the 2001 year cycle.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bexar Creek is a proposed new construction project of 72 units of mixed income housing located in San Antonio. The project is comprised of 10 residential buildings as follows:

- (2) Building Style A with eight 2-bedroom units;
- (4) Building Style B with eight 3-bedroom units; and,
- (4) Building Style C with six 4-bedroom units.

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

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and playground located near the entrance to the site. The 3,200-square foot community building is planned to have three management offices, a spacious meeting room, computer room, public restrooms, maintenance/storage room and laundry room, both with exterior access.

**Supportive Services:** The Applicant has contracted with National Development Foundation, Inc. to provide the following supportive services to tenants: job training, computer literacy classes, financial budgeting, family planning and counseling, preventative medical care and outreach information, and referral services to tenants. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, and to pay a one-time startup fee of \$5,000 plus a \$250 administration fee and reimbursement for each class and/or meeting held quarterly and a \$300 monthly maintenance fee. This totals \$4,600 while the Applicant has estimated \$3,600 in the operating budget. Thus, according to the service agreement, the Underwriter has increased this expense by \$1,000 in the underwriting analysis.

**Schedule:** The Applicant anticipates construction to begin in March of 2003, to be completed in March of 2004, to be placed in service in March of 2004, and to be substantially leased-up in November 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. Twenty-five of the units (35% of the tax credit total) will be reserved for households earning 50% or less of AMGI, 36 units (50%) will be reserved for households earning 60% or less of AMGI, and the remaining 11 units will be offered at market rents.

**Special Needs Set-Asides:** Eight units (11%) will be handicapped-accessible.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 1, 2002 was prepared by National Realty Consultants and highlighted the following findings:

**Definition of Market/Submarket :** “The apartment projects within the market area are scattered throughout the near west market and it is our opinion that the market area from which the subject property draws is probably within a five mile radius.” (p. 44)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	137	1%	123	2%
Resident Turnover	9,819	99%	7,344	98%
<b>TOTAL ANNUAL DEMAND</b>	<b>9,956</b>	<b>100%</b>	<b>7,467</b>	<b>100%</b>

Ref: p. 45

**Capture Rate:** The Underwriter calculated a concentration capture rate of 2% based upon a revised supply of unstabilized comparable affordable units of 172 divided by a revised demand of 7,467

**Market Rent Comparables:** The market analyst surveyed 10 comparable apartment projects totaling 1,589 units in the market area. (p. 47)

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

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (50%)</b>	\$450	\$450	\$0	\$675	-\$225
<b>2-Bedroom (60%)</b>	\$554	\$554	\$0	\$675	-\$121
<b>2-Bedroom (MR)</b>	\$582	N/A		\$675	-\$93
<b>3-Bedroom (50%)</b>	\$516	\$516	\$0	\$755	-\$239
<b>3-Bedroom (60%)</b>	\$636	\$636	\$0	\$755	-\$119
<b>3-Bedroom (MR)</b>	\$668	N/A		\$755	-\$87
<b>4-Bedroom (50%)</b>	\$561	\$561	\$0	\$810	-\$249
<b>4-Bedroom (60%)</b>	\$695	\$695	\$0	\$810	-\$115
<b>4-Bedroom (MR)</b>	\$730	N/A		\$810	-\$80

(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 majority of the projects surveyed have remained in the mid to high 90% occupancy range over the past 12 to 24 months. Based on our in-house survey of comparable projects in close proximity to the subject property, we have estimated a stabilized vacancy and collection loss factor of 7.5% over the estimated holding period for the subject” (p. 56)

**Absorption Projections:** “The current supply of quality safe affordable housing units for the low income tenant in the subject neighborhood is inadequate to meet the current demand. Therefore, it is our opinion that the subject property’s units will likely be absorbed within a 12 month period of completion of the improvements.” (p. 58)

**Known Planned Development:** McMullen Square Apartments was given an allocation last year in the 2001 cycle for a planned 100 units. It will be located at 537 North General McMullen just one block north of the subject’s location.

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** San Antonio is located in the center of South Texas approximately 200 miles west of Houston, 275 miles south of Dallas and 140 miles northwest of the Gulf of Mexico in Bexar County. San Antonio is the county seat of Bexar County. The site is a rectangular-shaped parcel located in the west area of the city approximately 5 miles from the central business district.

**Population:** The estimated 2000 population of a 3-mile radius of the site was 188,349 and is expected to increase by 4.5% to approximately 197,312 by 2005. Within the primary market area (or a five mile radius) there were estimated to be 128,865 households in 2000.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed with vacant land, light industrial/commercial, parks and some older single family. Adjacent land uses include:

- **North:** a public school and a medical care building
- **South:** a park and vacant land
- **East:** a commercial auto service development
- **West:** single family residential

**Site Access:** Access to the property is from the east along North General McMullen Drive. The project is to have one main entry.

**Public Transportation:** Public transportation is available in the greater San Antonio area however the proximity to the nearest bus stop from the site is unknown.

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

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

Edgewood Independent School District.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member this year, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report. The site was inspected for an application submitted in the 1999 LIHTC cycle. The inspector at that time found the site to be marginally acceptable to acceptable based on it being in a somewhat industrial neighborhood and next to a busy street.

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

A Phase I Environmental Site Assessment report dated March 2002 was prepared by Environmental Technologies Incorporated and contained the following findings and recommendations:

- Removal of all trash, used tires and concrete debris from the property;
- Conducting a visual inspection for any possible environmental concerns during land clearing and excavation; and
- Determining the nature of any landfill activities which may have taken place on the property or in the area.

It is a condition of this report that all Phase I ESA recommendations are addressed.

**OPERATING PROFORMA ANALYSIS**

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

**Expenses:** The Applicant's total expense estimate of \$3,300 per unit is 3% less than the TDHCA database-derived estimate of \$3,414 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: repairs and maintenance (\$12.8K lower), utilities (\$10.6K lower), and property tax (\$14.6K higher).

**Conclusion:** The Applicant's estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. Both the Applicant's and the Underwriter's proformas result in debt coverage ratios (DCR) that are within the Department's DCR guideline of 1.10 to 1.25.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$495,000 or \$69,424/acre is substantiated through an earnest money contract. Although the seller of the property, McMullen Investments, Inc. and the principal of the Applicant bear the same name, this appears to be coincidental as the application clearly indicates that the seller is not affiliated with the Applicant, principal, sponsor or development team member and signatures and addresses appear to be different. Thus, as this appears to be an arm's length transaction, the acquisition cost is taken as is.

**Sitework Cost:** The Applicant's claimed sitework cost of \$6,500 per unit is at the top of the range, but considered to be reasonable compared to historical sitework cost for multifamily projects.

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

**Fees:** Because the Underwriter added \$45K for field supervision and \$5K for field general & administrative costs to the Applicant's contractor's general and administrative fees, these fees exceed the 2% maximum allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$6,619.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis

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

and determine the LIHTC allocation. As a result an eligible basis of \$6,626,921 is used to determine a credit allocation of \$614,528 from this method or \$7,467 less than requested. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

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

**Interim to Permanent Loan:** The Applicant intends to use MuniMae Midland, LLC for all facets of financing. The interim construction loan of \$3,767,257 will be provided for a term of 24 months and at an interest rate of 100 basis points over the Wall Street Journal Prime rate. The permanent loan of \$2,414,300 will be provided for a term of 18 years at an interest rate of 40 basis points over the Lender's Index Rate. The loan will be amortized over a 30 year period. The Lender's underwriting rate of 8.25% is higher than the 8% maximum interest rate guideline being used for this application cycle so the Underwriter used 8% in this analysis. MuniMae Midland is also the Syndicator for the low-income housing tax credits.

**LIHTC Syndication:** MuniMae Midland, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,664,496 based on a syndication factor of 75%. The funds would be disbursed in a five-phased pay-in schedule:

1. 40% (Part A) at the later of: (i) admission of the Investment Partnership to the Operating Partnership; or (ii) closing of the construction loan and Project land acquisition;
2. 20% (Part B) at the later of: (i) satisfaction of the stated conditions for Part A above; or (ii) fifty percent completion (50%) as evidenced by MEC's inspection architect;
3. 20% Within thirty (30) days of the later of: (i) completion of the Project; or (ii) receipt by the Investment Partnership of the cost and credit certification from the independent accountants;
4. 10% Within thirty (30) days of the later of: (i) closing of the permanent loan; or (ii) receipt of the application for the Form 8699; or (iii) 90% physical occupancy for a period of three (3) consecutive calendar months; or (iv) 1.15 Debt Service Coverage for a period of ninety (90) days;
5. 10% Within thirty (30) days of the later of: (i) satisfaction of the stated conditions for the funding of the Third Installment; or (ii) receipt of the form 8609.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$358,158 amount to 41% of the total proposed fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$618,040 annually for ten years, resulting in syndication proceeds of approximately \$4,634,836. The projected syndication proceeds are \$30K less than anticipated by the Applicant due to overstated fees and the Applicant's use of a slightly overstated applicable percentage rate. Based on this analysis, the Applicant's deferred developer fee will be increased to \$414,156. This amounts to 48% of qualified developer fees and appears to be repayable from cashflow within 10 years of stabilized operation.

**REVIEW of ARCHITECTURAL DESIGN**

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

**IDENTITIES of INTEREST**

The developer, cost estimator and engineer are related to principals of the Applicant. These are typical relationships in LIHTC projects.

**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.

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

- The Developer and Cost Estimator, Citizens Housing Development Co., submitted an unaudited financial statement as of February 28, 2002 reporting total assets of \$2M and consisting of \$36K in cash, \$1.6M in receivables, \$322K in other assets, and \$4.4K in machinery, equipment, and fixtures. Liabilities totaled \$446K, resulting in a net worth of \$1.5M.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- A principal of the General Partner, Thomas J. McMullen Jr., has completed 7 LIHTC housing projects in various states totaling 655 units since 1994, and has 2 projects currently under construction.
- A principal of the General Partner, R. Anne Casner, has one housing project (King Fisher Creek) totaling 35 units currently under construction. It should be noted that both developer principles have been involved in King Fisher Creek and the King Fisher Creek has missed several development milestones and has had to request several extensions from the Department.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Items identified in previous reports have not been satisfactorily addressed.
- The Principles of the Applicant do not appear to have the development experience or financial capacity to support the project if needed.

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$614,528 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of documentation confirming compliance with all Phase I ESA recommendations; namely:
  - o Removal of all trash, used tires and concrete debris from the property,
  - o Conducting a visual inspection for any possible environmental concerns during land clearing and excavation, and
  - o Determining the nature of any landfill activities which may have taken place on the property or in the area.
3. Receipt, review, and acceptance of documentation reflecting the inclusion of another development partner possessing financial resources sufficient to provide required guarantee during the construction period of this project and confirmation from the lender that they will accept the new guarantor to fulfill its guarantee requirement.

**Underwriter:**

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

**Date:** June 5, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Lisa Vecchiatti*

**Date:** June 5, 2002

**Director of Credit Underwriting:**

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

**Date:** June 5, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Bexar Creek, San Antonio, LIHTC #02146**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
LIHTC (50%)	6	2	1.5	935	\$520	\$450	\$2,700	\$0.48	\$69.97	\$10.50
LIHTC (60%)	8	2	1.5	935	624	554	4,432	0.59	69.97	10.50
MR	2	2	1.5	935		582	1,164	0.62	69.97	10.50
LIHTC (50%)	11	3	2	1,175	600	516	5,674	0.44	84.16	10.50
LIHTC (60%)	16	3	2	1,175	720	636	10,173	0.54	84.16	10.50
MR	5	3	2	1,175		668	3,340	0.57	84.16	10.50
LIHTC (50%)	8	4	2	1,383	670	561	4,490	0.41	108.76	10.50
LIHTC (60%)	12	4	2	1,383	804	695	8,343	0.50	108.76	10.50
MR	4	4	2	1,383		730	2,920	0.53	108.76	10.50
<b>TOTAL:</b>	<b>72</b>		<b>AVERAGE:</b>	<b>1,191</b>	<b>\$573</b>	<b>\$601</b>	<b>\$43,237</b>	<b>\$0.50</b>	<b>\$89.21</b>	<b>\$10.50</b>

**INCOME**

Total Net Rentable Sq Ft: 85,752

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

Employee or Other Non-Rental Units or Concessions

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.44%	\$301	\$0.25	\$21,643	\$22,034	\$0.26	\$306	4.52%
Management	6.20%	420	0.35	30,229	29,274	0.34	407	6.00%
Payroll & Payroll Tax	11.85%	803	0.67	57,816	60,780	0.71	844	12.46%
Repairs & Maintenance	6.38%	432	0.36	31,131	18,355	0.21	255	3.76%
Utilities	4.03%	273	0.23	19,654	9,076	0.11	126	1.86%
Trash	1.86%	126	0.11	9,072	8,640	0.10	120	1.77%
Property Insurance	2.81%	191	0.16	13,720	13,325	0.16	185	2.73%
Property Tax 2.8945	6.75%	457	0.38	32,928	47,520	0.55	660	9.74%
Reserve for Replacements	2.95%	200	0.17	14,400	14,400	0.17	200	2.95%
Other Expenses: Supportive Se	3.11%	211	0.18	15,196	14,196	0.17	197	2.91%
<b>TOTAL EXPENSES</b>	<b>50.37%</b>	<b>\$3,414</b>	<b>\$2.87</b>	<b>\$245,789</b>	<b>\$237,600</b>	<b>\$2.77</b>	<b>\$3,300</b>	<b>48.70%</b>
<b>NET OPERATING INC</b>	<b>49.63%</b>	<b>\$3,363</b>	<b>\$2.82</b>	<b>\$242,133</b>	<b>\$250,308</b>	<b>\$2.92</b>	<b>\$3,477</b>	<b>51.30%</b>

**DEBT SERVICE**

MuniMae Midland, LLC	44.61%	\$3,023	\$2.54	\$217,654	\$217,654	\$2.54	\$3,023	44.61%
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%
<b>NET CASH FLOW</b>	<b>5.02%</b>	<b>\$340</b>	<b>\$0.29</b>	<b>\$24,479</b>	<b>\$32,654</b>	<b>\$0.38</b>	<b>\$454</b>	<b>6.69%</b>

**AGGREGATE DEBT COVERAGE RATIO**

1.11      1.15

**ALTERNATIVE DEBT COVERAGE RATIO**

1.15

**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)		6.70%	\$6,875	\$5.77	\$495,000	\$495,000	\$5.77	\$6,875	6.66%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.33%	6,500	5.46	468,000	468,000	5.46	6,500	6.29%
Direct Construction		46.20%	47,415	39.81	3,413,847	3,406,304	39.72	47,310	45.80%
Contingency	2.49%	1.31%	1,344	1.13	96,800	96,800	1.13	1,344	1.30%
General Requirem	5.99%	3.15%	3,228	2.71	232,400	232,400	2.71	3,228	3.12%
Contractor's G &	2.00%	1.05%	1,078	0.91	77,637	127,400	1.49	1,769	1.71%
Contractor's Pro	5.99%	3.15%	3,228	2.71	232,400	232,400	2.71	3,228	3.12%
Indirect Construction		9.48%	9,724	8.16	700,150	700,150	8.16	9,724	9.41%
Ineligible Costs		1.14%	1,167	0.98	84,000	84,000	0.98	1,167	1.13%
Developer's G & A	2.00%	1.56%	1,603	1.35	115,405	0	0.00	0	0.00%
Developer's Profit	13.00%	10.15%	10,418	8.75	750,130	871,000	10.16	12,097	11.71%
Interim Financing		7.43%	7,625	6.40	549,000	549,000	6.40	7,625	7.38%
Reserves		2.36%	2,424	2.03	174,500	174,500	2.03	2,424	2.35%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$102,629</b>	<b>\$86.17</b>	<b>\$7,389,269</b>	<b>\$7,436,954</b>	<b>\$86.73</b>	<b>\$103,291</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>61.18%</b>	<b>\$62,793</b>	<b>\$52.72</b>	<b>\$4,521,084</b>	<b>\$4,563,304</b>	<b>\$53.22</b>	<b>\$63,379</b>	<b>61.36%</b>

**SOURCES OF FUNDS**

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT
MuniMae Midland, LLC	32.67%	\$33,532	\$28.15	\$2,414,300	\$2,414,300	\$2,414,300
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	63.13%	\$64,785	\$54.40	4,664,496	4,664,496	4,608,498
Deferred Developer Fees	4.85%	\$4,974	\$4.18	358,158	358,158	414,156
Additional (excess) Funds Requi	-0.65%	(\$662)	(\$0.56)	(47,685)	0	0
<b>TOTAL SOURCES</b>				<b>\$7,389,269</b>	<b>\$7,436,954</b>	<b>\$7,436,954</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Bexar Creek, San Antonio, LIHTC #02146**

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

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.35	\$3,803,101
<b>Adjustments</b>				
Exterior Wall Finis:	1.75%		\$0.78	\$66,554
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(191,227)
Floor Cover			2.43	208,377
Porches/Balconies	\$28.10	9400	3.08	264,140
Plumbing	\$675	56	0.44	37,800
Built-In Appliances	\$2,000	72	1.68	144,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	156,926
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$56.34	3,200	2.10	180,274
Other:			0.00	0
<b>SUBTOTAL</b>			<b>54.46</b>	<b>4,669,946</b>
Current Cost Multiplier	1.04		2.18	186,798
Local Multiplier	0.86		(7.62)	(653,792)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.01</b>	<b>\$4,202,951</b>
Plans, specs, survy, bl:	3.90%		(\$1.91)	(\$163,915)
Interim Construction In	3.38%		(1.65)	(141,850)
Contractor's OH & Profi	11.50%		(5.64)	(483,339)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.81</b>	<b>\$3,413,847</b>

<b>Primary</b>	\$2,414,300	Term	360
Int Rate	8.25%	DCR	1.11

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$4,664,496	Term	
Int Rate		Aggregate DCR	1.11

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$217,654
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$24,479</b>

<b>Primary</b>	\$2,414,300	Term	360
Int Rate	8.25%	DCR	1.15

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

<b>Additional</b>	\$4,664,496	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME</b>	<b>at 3.00%</b>									
POTENTIAL GROSS RENT		\$518,832	\$534,397	\$550,429	\$566,942	\$583,950	\$676,958	\$784,780	\$909,775	\$1,222,662
Secondary Income		8,640	8,899	9,166	9,441	9,724	11,273	13,069	15,150	20,361
Other Support Income: (de		0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>		<b>527,472</b>	<b>543,296</b>	<b>559,595</b>	<b>576,383</b>	<b>593,674</b>	<b>688,231</b>	<b>797,849</b>	<b>924,925</b>	<b>1,243,022</b>
Vacancy & Collection Loss		(39,564)	(40,747)	(41,970)	(43,229)	(44,526)	(51,617)	(59,839)	(69,369)	(93,227)
Employee or Other Non-Rent		0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>		<b>\$487,908</b>	<b>\$502,549</b>	<b>\$517,625</b>	<b>\$533,154</b>	<b>\$549,149</b>	<b>\$636,614</b>	<b>\$738,010</b>	<b>\$855,556</b>	<b>\$1,149,796</b>
<b>EXPENSES</b>	<b>at 4.00%</b>									
General & Administrative		\$22,034	\$22,915	\$23,832	\$24,785	\$25,777	\$31,361	\$38,156	\$46,422	\$68,716
Management		29,274	31,135	32,069	33,031	34,022	39,441	45,723	53,005	71,235
Payroll & Payroll Tax		60,780	63,211	65,740	68,369	71,104	86,509	105,251	128,054	189,552
Repairs & Maintenance		18,355	19,089	19,853	20,647	21,473	26,125	31,785	38,671	57,243
Utilities		9,076	9,439	9,817	10,209	10,618	12,918	15,717	19,122	28,305
Water, Sewer & Trash		8,640	8,986	9,345	9,719	10,108	12,297	14,962	18,203	26,945
Insurance		13,325	13,858	14,412	14,989	15,588	18,966	23,075	28,074	41,556
Property Tax		47,520	49,421	51,398	53,454	55,592	67,636	82,289	100,117	148,198
Reserve for Replacements		14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other		14,196	14,764	15,354	15,969	16,607	20,205	24,583	29,909	44,272
<b>TOTAL EXPENSES</b>		<b>\$237,600</b>	<b>\$247,794</b>	<b>\$257,394</b>	<b>\$267,369</b>	<b>\$277,734</b>	<b>\$335,954</b>	<b>\$406,476</b>	<b>\$491,917</b>	<b>\$720,931</b>
<b>NET OPERATING INCOME</b>		<b>\$250,308</b>	<b>\$254,755</b>	<b>\$260,231</b>	<b>\$265,785</b>	<b>\$271,415</b>	<b>\$300,660</b>	<b>\$331,534</b>	<b>\$363,639</b>	<b>\$428,865</b>
<b>DEBT SERVICE</b>										
First Lien Financing		\$217,654	\$217,654	\$217,654	\$217,654	\$217,654	\$217,654	\$217,654	\$217,654	\$217,654
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>		<b>\$32,654</b>	<b>\$37,101</b>	<b>\$42,577</b>	<b>\$48,131</b>	<b>\$53,761</b>	<b>\$83,006</b>	<b>\$113,880</b>	<b>\$145,985</b>	<b>\$211,211</b>
<b>DEBT COVERAGE RATIO</b>		<b>1.15</b>	<b>1.17</b>	<b>1.20</b>	<b>1.22</b>	<b>1.25</b>	<b>1.38</b>	<b>1.52</b>	<b>1.67</b>	<b>1.97</b>

**LIHTC Allocation Calculation - Bexar Creek, San Antonio, LIHTC #02146**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$495,000	\$495,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$468,000	\$468,000	\$468,000	\$468,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$3,406,304	\$3,413,847	\$3,406,304	\$3,413,847
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$127,400	\$77,637	\$77,486	\$77,637
Contractor profit	\$232,400	\$232,400	\$232,400	\$232,400
General requirements	\$232,400	\$232,400	\$232,400	\$232,400
<b>(5) Contingencies</b>				
	\$96,800	\$96,800	\$96,800	\$96,800
<b>(6) Eligible Indirect Fees</b>				
	\$700,150	\$700,150	\$700,150	\$700,150
<b>(7) Eligible Financing Fees</b>				
	\$549,000	\$549,000	\$549,000	\$549,000
<b>(8) All Ineligible Costs</b>				
	\$84,000	\$84,000		
<b>(9) Developer Fees</b>				
			\$864,381	
Developer overhead		\$115,405		\$115,405
Developer fee	\$871,000	\$750,130		\$750,130
<b>(10) Development Reserves</b>				
	\$174,500	\$174,500		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$7,436,954</b>	<b>\$7,389,269</b>	<b>\$6,626,921</b>	<b>\$6,635,769</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$6,626,921</b>	<b>\$6,635,769</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$8,614,997</b>	<b>\$8,626,500</b>
Applicable Fraction			84.52%	84.52%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$7,281,136</b>	<b>\$7,290,857</b>
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$614,528</b>	<b>\$615,348</b>
<b>Syndication Proceeds</b>		<b>0.7499</b>	<b>\$4,608,498</b>	<b>\$4,614,651</b>

**TDHCA #**

**02011**

**Region 8B**

**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: **Aransas Pass Retirement Center**

TDHCA #: **02011**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region:	8B	LIHTC Primary Set Aside:	R
Site Address:	2100 Block West Wheeler	Additional Elderly Set Aside	<input checked="" type="checkbox"/>
City:	Aransas Pass	Purpose / Activity:	NC
County:	San Patricio	Development Type:	Elderly
Zip Code:	78336	<input checked="" type="checkbox"/> TTC	<input type="checkbox"/> DDA
		<input checked="" type="checkbox"/> QCT	

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

Special Needs: 6 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Community Retirement Center of Aransas Pass, LP

Principal Names:	Principal Contact:	Percentage Ownership:
Community Retirement Centre, Inc.	Charles Holcomb	75 %
Integrity Management	Star Nolley	25 %
		%
		%
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation:	<b>\$416,498</b>	Allocation over 10 Years:	\$4,164,980
Credits Requested:	\$414,031	Eligible Basis Amount:	\$416,498
		Equity/Gap Amount:	\$438,856

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	1	1	0	0	0	2
40%	0	14	2	0	0	0	16
50%	0	27	4	0	0	0	31
60%	0	24	3	0	0	0	27
MR	0	0	0	0	0	0	0
Total	0	66	10	0	0	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$4,227,406</b>
Gross Building Square Feet:	54,062
Total NRA SF:	52,112
Gross/Net Rentable:	1.04
Average Square Feet/Unit:	686
Cost Per Net Rentable Square Foot:	\$81.12
Credits per Low Income Unit	\$5,480

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$321,090
Total Expenses:	\$229,972
Net Operating Income:	\$91,118
Estimated 1st Year Debt Coverage Ratio:	1.12

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Community Retirement Centre, Inc.	Market Analyst:	Ipsier & Associates
Housing GC:	Alpha Construction Company	Originator/UW:	Midland Mortgage Investment Corp.
Infrastructure GC:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Steven Golvach
Architect:	Holcomb, Musemeche Associates	Supp Services:	North Bay Hospital
Property Manager:	Integrity Management, Inc.	Accountant:	Novogradac & Company, LLP
Engineer:	NA		
Syndicator:	Midland Equity Corporation	Permanent Lender:	Midland Mortgage Investment Corporation

**DEPARTMENT EVALUATION**

Points Awarded:	142	Site Review:	Acceptable	Underwriting Finding:	AC
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Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommended







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

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

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

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

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



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

SITE DESCRIPTION			
<b>Size:</b>	7.5	acres	326,700 square feet
			<b>Zoning/ Permitted Uses:</b> General Business, multifamily permitted
<b>Flood Zone Designation:</b>	Zone C	<b>Status of Off-Sites:</b>	Partially Improved

DESCRIPTION of IMPROVEMENTS			
<b>Total Units:</b>	76	<b># Rental Buildings:</b>	10
		<b># Common Area Bldgs:</b>	1
		<b># of Floors:</b>	1
		<b>Age:</b>	0 yrs
		<b>Vacant:</b>	N/A at / /

Number	Bedrooms	Bathroom	Size in SF
66	1	1	662
10	2	1	842

**Net Rentable SF:** 52,112    **Av Un SF:** 686    **Common Area SF:** 1,950    **Gross Bldng SF:** 54,062

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

CONSTRUCTION SPECIFICATIONS
<b>STRUCTURAL MATERIALS</b>
Wood frame on a post-tensioned concrete slab on grade, 76% brick veneer/24% vinyl siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing
<b>APPLIANCES AND INTERIOR FEATURES</b>
Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters
<b>ON-SITE AMENITIES</b>
1,950-SF community building with activity room, management offices, fitness facilities, kitchen, restrooms, nursing station; swimming pool, laundry facilities in residential buildings, perimeter fencing with limited access gate, monitored security
<b>Uncovered Parking:</b> 76 spaces <b>Carports:</b> 0 spaces <b>Garages:</b> 0 spaces

OTHER SOURCES of FUNDS
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>
<b>Source:</b> Midland Mortgage Investment Corporation <b>Contact:</b> John Mullaney
<b>Principal Amount:</b> \$1,108,782 <b>Interest Rate:</b> Wall Street Journal prime rate + 1%, 6% minimum, variable
<b>Additional Information:</b> Commitment amount \$1,738,046
<b>Amortization:</b> N/A yrs <b>Term:</b> 2 yrs <b>Commitment:</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>LONG TERM/PERMANENT FINANCING</b>
<b>Source:</b> Midland Mortgage Investment Corporation <b>Contact:</b> John Mullaney
<b>Principal Amount:</b> \$892,100 <b>Interest Rate:</b> 40 basis points over unspecified index rate, minimum 6.75%, maximum 9.125%, fixed, estimated & underwritten at 8%
<b>Additional Information:</b> Index & interest rate to be determined by lender at rate lock
<b>Amortization:</b> 30 yrs <b>Term:</b> 15 yrs <b>Commitment:</b> <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b> \$77,645 <b>Lien Priority:</b> 1st <b>Commitment Date:</b> 2/ 4/ 2002

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CREDIT UNDERWRITING ANALYSIS**

**LIHTC SYNDICATION**

**Source:** Midland Equity Corporation **Contact:** Mark George  
**Address:** 33 N. Garden Avenue, Suite 1200 **City:** Clearwater  
**State:** FL **Zip:** 33755 **Phone:** (727) 461-4801 **Fax:** (727) 443-6067  
**Net Proceeds:** \$3,146,320 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 76¢  
**Commitment**  None  Firm  Conditional **Date:** 2/ 4/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$103,486 **Source:** Deferred developer fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:** Parcel "A": \$91,800 **Assessment for the Year of:** 2001  
Parcel "B": \$20,312 (prorated from larger 4.394-acre tract)  
**Building:** \$1,000 **Valuation by:** San Patricio County Appraisal District  
**Total Assessed Value:** \$113,112 **Tax Rate:** 3.01675

**EVIDENCE of SITE or PROPERTY CONTROL**

**Parcel "A"**

**Seller:** C. R. Yang **Related to Development Team Member:** No  
**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 8/ 29/ 2002 **Anticipated Closing Date:** 8/ 29/ 2002  
**Acquisition Cost:** \$ 139,400 **Other Terms/Conditions:** \$2,500 earnest money

**Parcel "B"**

**Seller:** Martha Truitt **Related to Development Team Member:** No  
**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 11/ 20/ 2002 **Anticipated Closing Date:** 8/ 29/ 2002  
**Acquisition Cost:** \$ 37,100 **Other Terms/Conditions:** \$2,500 earnest money

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Aransas Pass Retirement Center is a proposed new construction development of 76 units of affordable elderly housing located in northwestern Aransas Pass. The development is comprised of ten residential buildings as follows:

- Eight Building Type A with seven one-bedroom units and one two-bedroom unit;
- Two Building Type B with five one-bedroom units and one two-bedroom unit.

Based on the site plan the apartment buildings are arranged in two rows down the length of the site, with parking around the site perimeter. The community building and swimming pool are to be located near the

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entrance to the site. The 1,950-square foot community building plan includes the management offices, a 430-square foot community room, exercise room, kitchen, restrooms, and a nursing station. Each of the residential buildings will have a 270-square foot interior sitting area, laundry facility, and a 500-square foot covered patio.

**Supportive Services:** The Applicant has contracted with North Bay Hospital to provide the following supportive services to tenants: health screening, recreational services, and coordination with state workforce development and welfare program agencies. These services will be provided at no cost to tenants. The hospital will also provide meals at reduced prices in its dining facility, and the Applicant intends to purchase a van to provide transportation services. Meal service is possible in the community building given sufficient tenant interest, but the Developer’s experience with similar developments has been that few tenants will want to subscribe to this service. The Applicant also proposes establishing a “meal card” for residents which would be honored by local restaurants to provide discounted meals. The services contract requires the Applicant to provide facilities for provision of the services and to pay \$750 per year (for 75 residents) for these support services.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% 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, 16 units (21%) will be reserved for households earning 40% or less of AMGI, 31 units (40%) will be reserved for households earning 50% or less of AMGI, and the remaining 27 units (35%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Four units (5%) will be handicapped-accessible and two units will be equipped for tenants with hearing or visual impairments.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 25, 2002 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** All of San Patricio County (p. 2-5)

**Total Local/Submarket Demand for Rental Units:** “...a demand analysis (based on projected growth, existing households, income limits, and turnover) indicates a figure of 135 income-qualified households with a person 55 or older in the next year (2002-2003) in San Patricio County.” (p. 3-4)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	6	4%
Resident Turnover	121	89%
Other Sources	8	5%
<b>TOTAL ANNUAL DEMAND</b>	<b>135</b>	<b>100%</b>

Ref: Exhibit N-1

**Capture Rate:** “The proposed project’s 76 LIHTC units represent a 56.3% capture of the estimated 135 income-qualified households.” (p. 3-4) Since this is considered a rural location a capture rate up to 100% is acceptable. Based on this market analysis there would be room for an additional 59 units of affordable elderly units in this county and still be within the Department’s concentration capture policy limits.

**Local Housing Authority Waiting List Information:** “Ingleside Housing Authority has 20 names on its waiting list (two are elderly/disabled persons), and the Aransas Pass Housing Authority has eight names on the waiting list (a total of 20 including twelve applicants at Loftin, the elderly location). The existing Section 8 Program has a waiting list containing 42 names, ten of which are elderly or disabled applicants (23.8%),

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however, the Section 8 waiting list has been closed since September 2001.” (p. 2-21)

**Market Rent Comparables:** “I&A surveyed three elderly/retirement facilities [totaling 100 units] in the market area...Two of the three elderly/retirement facilities are RD-USDA complexes, while the other low-income housing elderly project is a public housing complex managed by the Aransas Pass Housing Authority...Besides the three elderly/retirement locations, I&A surveyed 14 multifamily apartment complexes [totaling 678 units], five of which are located in Aransas Pass, eight in Ingleside, and one in Rockport.” (p. 2-18, Ex. I-2)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$197	\$197	\$0	\$565	-\$368
<b>1-Bedroom (40%)</b>	\$276	\$276	\$0	\$565	-\$289
<b>1-Bedroom (50%)</b>	\$355	\$355	\$0	\$565	-\$210
<b>1-Bedroom (60%)</b>	\$434	\$434	\$0	\$565	-\$131
<b>2-Bedroom (30%)</b>	\$230	\$230	\$0	\$602	-\$372
<b>2-Bedroom (40%)</b>	\$325	\$325	\$0	\$602	-\$277
<b>2-Bedroom (50%)</b>	\$420	\$420	\$0	\$602	-\$182
<b>2-Bedroom (60%)</b>	\$515	\$515	\$0	\$602	-\$87

Ref: p. 2-22

(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:** “Physical occupancy, among a total of 678 units in Aransas Pass, Ingleside, and Rockport, was 96.3% and the economic occupancy was 97.6% leased, with four off-line units reported...Occupancy in 100 elderly/retirement units at three locations was 86%, however, two of the three elderly complexes are rental-assisted locations, which reported an overall occupancy rate of 100% in a total of 66 units.” (p. 3-2)

**Absorption Projections:** “Average absorption for the subject is estimated at 12 to 15 units per month. It is expected that a five-month lease-up period will be required to achieve 92.5% occupancy of the 76 units.” (p. 2-23)

**Known Planned Development:** No information provided.

**Effect on Existing Housing Stock:** “The proposed project, with its superior amenities, is expected to have some initial impact on existing rental properties. Elderly tenants who currently rent in the conventional apartments, including householders aged 55 and over, are expected to relocate to the new affordable housing, and any vacancies created should be readily filled.” (p. 3-3)

The Underwriter found the market study to be acceptable.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Aransas Pass is located in on the Gulf coast, approximately 20 miles northeast of Corpus Christi in San Patricio County. The site is a rectangularly-shaped parcel located in the northwestern area of the city, approximately two miles from the central business district. The site is situated on the southwest side of West Wheeler Avenue (State Highway 35 Business).

**Population:** The estimated 2000 population of Aransas Pass was 8,138 and is expected to increase by 6% to approximately 8,698 by 2005. The estimated 2000 population of San Patricio County was 67,138 and is expected to increase by 7% to approximately 71,863 by 2005. The estimated 2000 elderly population of San Patricio County was 12,473 and is expected to increase by 9% to approximately 13,582 by 2005.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed, with vacant land, retail, light industrial/manufacturing, and older single family and apartment complexes. Adjacent land uses include:

- **Northeast:** West Wheeler Avenue with retail beyond
- **Southeast:** Retail and self storage units
- **Southwest:** Demory Lane with a public middle school beyond

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- **Northwest:** Single-family residence on a large vacant lot with a drainage ditch and Gillespie Avenue beyond

**Site Access:** Access to the property is from the southeast or northwest along West Wheeler Avenue. The project is to have main entry from Wheeler Avenue. Wheeler Avenue provides connections to all other major roads serving the Aransas Pass area as well as Corpus Christi and other surrounding communities.

**Public Transportation:** Public transportation to the area is not available in Aransas Pass.

**Shopping & Services:** The site is within three miles of all the services and facilities available in Aransas Pass. A senior citizens' community center is located approximately one mile southeast.

**Special Adverse Site Characteristics:** The title commitment lists an abstract of judgment in the amount of \$575.31 that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of this issue 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 21, 2002 was prepared by Raba-Kistner Consultants, Inc. and contained the following findings and recommendations:

**Findings:** "Based on the information reviewed, there was no evidence that the site or adjacent properties are currently under environmental regulatory review or enforcement action. R-K's site reconnaissance, review of readily available public records and databases, and interviews with knowledgeable sources revealed no recognized environmental conditions involving the site with the exception of the following items:

- Abandoned septic tank system located behind the house foundation remnants.
- Two abandoned, uncapped domestic water wells located to the south of the house foundation. Open wells can provide a conduit for contaminants to impact ground water." (p. 14)

**Recommendations:** "Based on the information as presented herein, no further environmental assessment activities of the site are deemed warranted at this time with exception to the following:

- It is recommended that the abandoned septic tank system be removed and properly disposed of.
- It is recommended that the two uncapped domestic wells be properly abandoned in accordance with Chapter 76 of the Texas Water Code." (p. 14)

It is a condition of this report that the Applicant provide evidence that the environmental analyst's recommendations have been satisfactorily accomplished.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and should be attainable 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 1.3% lower than the Underwriter's 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 (\$2.7K lower), management (\$4K lower), payroll (\$13.5K higher), water, sewer, and trash (\$4.2K lower), and property tax (\$8.8K lower).

**Debt Service:** The Applicant's proforma did not include any debt service for the requested Housing Trust Fund loan, which the Underwriter estimates at \$2,980/year.

**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 \$175,300 (\$0.54/SF or \$23,347/acre) is substantiated by the tax assessed value

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of \$112K and is assumed be reasonable since the two acquisition contracts appear to be arm's-length transactions.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,419 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 understated. The Applicant did not appear to include all of the covered patio and porch area in the application.

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

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. Though it may not have been required, the Applicant deducted the amount of the proposed HTF loan and SECO grant (\$85.5K) from eligible basis as a below market rate loan and grant proceeds. As a result an eligible basis of \$3,796,012 is used to determine a credit allocation of \$416,498 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with six types of financing from five sources: a conventional interim to permanent loan, a Housing Trust Fund loan, a State Energy Conservation Office (SECO) grant, syndicated LIHTC equity, and deferred developer's fees.

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through Midland Mortgage Investment Corporation in the amount of \$1,738,046 during the interim period and \$892,100 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent, with a 30-year amortization schedule. The variable interest rate during the interim period is to be 1% above the Wall Street Journal prime rate, with a minimum of 6%. The permanent loan interest rate will be fixed at 40 basis points above an unspecified index to be selected at rate lock by the lender, with a minimum of 6.75%, a maximum of 9.125%, and a collar spread of 125 basis points. The Underwriter used an estimated interest rate of 8% in this analysis per the commitment.

**Housing Trust Fund (HTF) Loan:** The Applicant has requested a loan of \$58,900 from the HTF to subsidize the development's two 30% AMI units. The Applicant requested an interest rate of from 1%-3% in the LIHTC application, and the Underwriter used a rate of 3% in this analysis. The HTF application appears to meet the program's threshold requirements but as of the date of this report, it is unknown if its score will be high enough to recommend it for funding.

**SECO Grant:** The Applicant has requested a grant of \$26,600 in SECO funds to apply toward energy efficiency features. Likewise it is unknown as of the date of this underwriting if these funds will be recommended for allocation to this development.

**LIHTC Syndication:** Midland Equity Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$3,146,320 based on a syndication factor of 76%. The funds would be disbursed in a three-phased pay-in schedule:

1. 60% upon the later of: admission to the partnership, closing of the construction loan, or land acquisition;
2. 20% within 30 days of the later of: completion of construction or receipt of cost certification;
3. 20% within 30 days of the later of: closing of the permanent mortgage loan, receipt of IRS Forms 8609, 90% physical occupancy for three consecutive months, or attainment of a 1.15 DCR for 90 days.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$103,486 during the permanent phase amount to 20% of the total fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$416,498 annually for ten years. This is \$2,467 more than the requested amount due to the Applicants use of a lower 8% applicable percentage rather than the 8.44% underwriting rate as of the application submission date. The resulting syndication proceeds of approximately \$3,165,071 is \$18,751

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more than the Applicant included in their sources of funds. The Applicant's HTF and SECO requests are in compliance with programmatic threshold requirements and may score high enough to be funded, but these funds are not required for the feasibility of the development as sufficient developer fee exists for deferral to substitute for these sources. If HTF program staff elects to award the funds in the amounts requested, the HTF loan should bear an interest rate of 3% and have a term and amortization schedule of 30 years. With the HTF and SECO funds, the Applicant's deferred developer fee will be reduced to \$84,735, which amounts to approximately 17% of available fees and should be repayable within seven years. Alternatively, without the HTF and SECO funds the deferred developer fee would increase to approximately \$170,235 or 34% of the available fees, which would likely not be repayable until after year 10 but can be projected to be repaid in 15 years. It should be noted that the 30-year proforma reflects a downturn in debt coverage by year 15 and a debt coverage ratio below 1.10 by year 20 and below 1.00 by year 30. While this is a concern, it is a result of a relatively high expense-to-income ratio common in rural developments. It is also reflective of the proforma expectation that income will rise by 3% annually while expenses will rise by 4% every year for the period, where a more realistic expectation might not include such a large spread between the two rates, especially in a smaller rural development. Nonetheless, it does indicate that this development will need to be closely managed over the long term, especially if Housing Trust Funds are allocated to it.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple and attractive, with pitched and hipped roofs and covered patios. The units are of average size for market rate and LIHTC units, and have both exterior entries from the patios and interior entries shared with the building's other units off an interior corridor.

**IDENTITIES of INTEREST**

The Developer, Community Retirement Centre, Inc., is also the 75% Co-General Partner. The 25% Co-General Partner, I-Integrity Management, Inc. is also the Property Manager. In addition, the principal of the majority general partner is also an employee of the architect. These are acceptable relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- The 75% Co-General Partner, Community Retirement Centre, Inc., submitted an unaudited financial statement as of February 15, 2002 reporting total assets of \$179K and consisting of \$3.3K in cash, \$98K in real property, \$66K in machinery, equipment, and fixtures, and \$11.6K in partnership interests. Liabilities totaled \$147K, resulting in a net worth of \$32.3K.
- I-Integrity Management, Inc., the 25% Co-General Partner, submitted an unaudited financial statement as of February 6, 2002 reporting total assets of \$14.7K and consisting of \$3.5K in cash, \$9.1K in receivables, and \$2K in other assets. Liabilities totaled \$1.6K, resulting in net equity of \$13K.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- Charles Holcomb, the sole owner of the 75% Co-General Partner, listed participation as general partner or developer/owner on six previous affordable housing developments totaling 499 units since 1978.
- Star Nolley, sole owner of the 25% Co-General Partner, listed no previous experience in housing development.
- The General Contractor, Alpha Construction Company, provided a TDHCA certificate of experience as evidence of having previously completed residential or comparable commercial property.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- Should the HTF/SECO funds not be awarded to this development, the recommended amount of deferred

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developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$416,498 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- IF THIS APPLICATION MEETS HTF PROGRAM SELECTION SCORING CONSTRAINTS FOR FUNDING, APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$58,900, STRUCTURED AS A 30-YEAR TERM, FULLY AMORTIZING PERMANENT LOAN OVER A 30-YEAR PERIOD AT 3% INTEREST AFTER A NORMAL AND CUSTOMARY CONSTRUCTION LOAN PERIOD AND APPROVAL OF A GRANT OF STATE ENERGY CONSERVATION OFFICE FUNDS NOT TO EXCEED \$26,600 IS RECOMMENDED

**CONDITIONS**

1. Receipt, review, and acceptance of evidence of removal and proper disposal of the abandoned septic tank system, prior to cost certification;
2. Receipt, review, and acceptance of evidence of proper disposition of the two abandoned domestic wells, prior to cost certification;
3. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
4. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title, prior to carryover certification.
5. Should the HTF/SECO funds not be allocated to this development the remaining recommendations and conditions will remain unchanged

Credit Underwriting Supervisor:

\_\_\_\_\_  
*Jim Anderson*

Date: May 11, 2002

Director of Credit Underwriting:

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

Date: May 11, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Aransas Pass Retirement Center, 9% LIHTC #02011**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
TC (30%)	1	1	1	662	\$238	\$197	\$197	\$0.30	\$41.00	\$42.00
TC (40%)	14	1	1	662	317	276	3,864	0.42	41.00	42.00
TC (50%)	27	1	1	662	396	355	9,585	0.54	41.00	42.00
TC (60%)	24	1	1	662	475	434	10,416	0.66	41.00	42.00
TC (30%)	1	2	1	842	286	230	230	0.27	56.00	46.00
TC (40%)	2	2	1	842	381	325	650	0.39	56.00	46.00
TC (50%)	4	2	1	842	476	420	1,680	0.50	56.00	46.00
TC (60%)	3	2	1	842	571	515	1,545	0.61	56.00	46.00
<b>TOTAL:</b>	<b>76</b>		<b>AVERAGE:</b>	<b>686</b>	<b>\$414</b>	<b>\$371</b>	<b>\$28,167</b>	<b>\$0.54</b>	<b>\$42.97</b>	<b>\$42.53</b>

<b>INCOME</b>				Total Net Rentable Sq Ft: 52,112		<b>TDHCA</b>	<b>APPLICANT</b>			
<b>POTENTIAL GROSS RENT</b>						\$338,004	\$338,004			
Secondary Income		Per Unit Per Month:	\$10.00			9,120	9,120	\$10.00		Per Unit Per Month
Other Support Income: (describe)						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$347,124	\$347,124			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(26,034)	(26,040)	-7.50%		of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$321,090	\$321,084			
<b>EXPENSES</b>										
		% OF EGI	PER UNIT	PER SQ FT				PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.71%	\$283	\$0.41		\$21,531	\$18,800	\$0.36	\$247	5.86%
Management		6.36%	269	0.39		20,409	16,342	0.31	215	5.09%
Payroll & Payroll Tax		18.22%	770	1.12		58,492	72,006	1.38	947	22.43%
Repairs & Maintenance		7.03%	297	0.43		22,586	24,000	0.46	316	7.47%
Utilities		3.11%	131	0.19		9,994	12,000	0.23	158	3.74%
Water, Sewer, & Trash		9.59%	405	0.59		30,801	26,605	0.51	350	8.29%
Property Insurance		3.14%	132	0.19		10,068	9,921	0.19	131	3.09%
Property Tax	3.01675	10.71%	453	0.66		34,391	25,549	0.49	336	7.96%
Reserve for Replacements		4.73%	200	0.29		15,200	15,200	0.29	200	4.73%
Other: spt svcs, compl., sec, cable		2.02%	86	0.12		6,500	6,500	0.12	86	2.02%
<b>TOTAL EXPENSES</b>						\$229,972	\$226,923	\$4.35	\$2,986	70.67%
<b>NET OPERATING INC</b>						\$91,118	\$94,161	\$1.81	\$1,239	29.33%
<b>DEBT SERVICE</b>										
First Lien Mortgage		24.46%	\$1,034	\$1.51		\$78,551	\$77,645	\$1.49	\$1,022	24.18%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
Housing Trust Fund Loan		0.93%	\$39	\$0.06		2,980	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>						\$9,587	\$16,516	\$0.32	\$217	5.14%
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.12	1.21			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>							1.15			

<b>CONSTRUCTION COST</b>						<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT						
Acquisition Cost (site or bldg)		4.01%	\$2,307	\$3.36		\$175,300	\$175,300	\$3.36	\$2,307	4.15%
Off-Sites		0.00%	\$0	0.00		0	0	0.00	\$0	0.00%
Sitework		9.43%	5,419	7.90		411,860	411,860	7.90	5,419	9.74%
Direct Construction		53.12%	30,544	44.54		2,321,310	2,179,020	41.81	28,671	51.55%
Contingency	3.39%	2.12%	1,218	1.78		92,563	92,563	1.78	1,218	2.19%
General Requiremen	5.59%	3.50%	2,011	2.93		152,843	152,843	2.93	2,011	3.62%
Contractor's G & A	1.86%	1.17%	670	0.98		50,948	50,948	0.98	670	1.21%
Contractor's Profi	5.59%	3.50%	2,011	2.93		152,843	152,843	2.93	2,011	3.62%
Indirect Construction		4.01%	2,308	3.37		175,400	175,400	3.37	2,308	4.15%
Ineligible Expenses		1.24%	716	1.04		54,394	54,394	1.04	716	1.29%
Developer's G & A	3.41%	2.75%	1,579	2.30		120,000	120,000	2.30	1,579	2.84%
Developer's Profit	10.97%	8.83%	5,079	7.41		385,968	385,968	7.41	5,079	9.13%
Interim Financing		3.66%	2,106	3.07		160,067	160,067	3.07	2,106	3.79%
Reserves		2.66%	1,529	2.23		116,200	116,200	2.23	1,529	2.75%
<b>TOTAL COST</b>						\$4,369,696	\$4,227,406	\$81.12	\$55,624	100.00%
<b>Recap-Hard Construction Costs</b>						\$3,182,367	\$3,040,077	\$58.34	\$40,001	71.91%

<b>SOURCES OF FUNDS</b>						<b>RECOMMENDED</b>		<b>ALTERNATIVE</b>	
First Lien Mortgage		20.42%	\$11,738	\$17.12		\$892,100	\$892,100	\$892,100	\$892,100
LIHTC Syndication Proceeds		72.00%	\$41,399	\$60.38		3,146,320	3,146,320	3,165,071	3,165,071
Housing Trust Fund Loan		1.35%	\$775	\$1.13		58,900	58,900	58,900	
SECO Grant						26,600	26,600	26,600	
Deferred Developer Fees		2.37%	\$1,362	\$1.99		103,486	103,486	84,735	170,235
Additional (excess) Funds Required		3.26%	\$1,872	\$2.73		142,290	0	0	0
<b>TOTAL SOURCES</b>						\$4,369,696	\$4,227,406	\$4,227,406	\$4,227,406

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Aransas Pass Retirement Center, 9% LIHTC #02011**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.51	\$2,267,141
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.72	\$141,696
Elderly	5.00%		2.18	113,357
Roofing			0.00	0
Subfloor			(1.96)	(102,140)
Floor Cover			1.82	94,844
Porches/Balconies	\$28.10	5,472	2.95	153,763
Plumbing	\$585		0.00	0
Built-In Appliances	\$1,550	76	2.26	117,800
Stairs/Fireplaces	\$1,400	1	0.03	1,400
Floor Insulation			0.00	0
Heating/Cooling			1.41	73,478
Corridors	\$28.10	12,268	6.62	344,731
Comm &/or Aux Bldgs	\$60.02	1,950	2.25	117,041
Other:			0.00	0
<b>SUBTOTAL</b>			<b>63.77</b>	<b>3,323,112</b>
Current Cost Multiplier	1.04		2.55	132,924
Local Multiplier	0.82		(11.48)	(598,160)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$54.84</b>	<b>\$2,857,876</b>
Plans, specs, survy, bld	3.90%		(\$2.14)	(\$111,457)
Interim Construction Inte	3.38%		(1.85)	(96,453)
Contractor's OH & Profit	11.50%		(6.31)	(328,656)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$44.54</b>	<b>\$2,321,310</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$892,100	Term	360
Int Rate	8.00%	DCR	1.16
<b>Secondary</b>	\$3,146,320	Term	
Int Rate	0.00%	Subtotal DCR	1.16
<b>Additional</b>	\$58,900	Term	360
Int Rate	3.00%	Aggregate DCR	1.12

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$78,551
Secondary Debt Service	0
Additional Debt Service	2,980
<b>NET CASH FLOW</b>	<b>\$9,587</b>

<b>Primary</b>	\$892,100	Term	360
Int Rate	8.00%	DCR	1.20
<b>Secondary</b>	\$3,146,320	Term	0
Int Rate	0.00%	Subtotal DCR	1.20
<b>Additional</b>	\$58,900	Term	360
Int Rate	3.00%	Aggregate DCR	1.15

**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	\$338,004	\$348,144	\$358,588	\$369,346	\$380,426	\$441,019	\$511,261	\$592,692	\$796,529
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: (descr	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>347,124</b>	<b>357,538</b>	<b>368,264</b>	<b>379,312</b>	<b>390,691</b>	<b>452,918</b>	<b>525,056</b>	<b>608,684</b>	<b>818,020</b>
Vacancy & Collection Loss	(26,034)	(26,815)	(27,620)	(28,448)	(29,302)	(33,969)	(39,379)	(45,651)	(61,352)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$321,090</b>	<b>\$330,722</b>	<b>\$340,644</b>	<b>\$350,863</b>	<b>\$361,389</b>	<b>\$418,949</b>	<b>\$485,677</b>	<b>\$563,033</b>	<b>\$756,669</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$21,531	\$22,392	\$23,288	\$24,219	\$25,188	\$30,645	\$37,285	\$45,362	\$67,147
Management	20,409	21,022	21,652	22,302	22,971	26,630	30,871	35,788	48,096
Payroll & Payroll Tax	58,492	60,831	63,265	65,795	68,427	83,252	101,289	123,233	182,415
Repairs & Maintenance	22,586	23,489	24,429	25,406	26,422	32,147	39,112	47,585	70,438
Utilities	9,994	10,394	10,809	11,242	11,692	14,225	17,306	21,056	31,168
Water, Sewer & Trash	30,801	32,033	33,314	34,647	36,033	43,839	53,337	64,893	96,058
Insurance	10,068	10,471	10,890	11,325	11,778	14,330	17,435	21,212	31,399
Property Tax	34,391	35,767	37,197	38,685	40,233	48,949	59,554	72,457	107,253
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	6,500	6,760	7,030	7,312	7,604	9,252	11,256	13,695	20,271
<b>TOTAL EXPENSES</b>	<b>\$229,972</b>	<b>\$238,967</b>	<b>\$248,315</b>	<b>\$258,031</b>	<b>\$268,129</b>	<b>\$324,902</b>	<b>\$393,765</b>	<b>\$477,305</b>	<b>\$701,648</b>
<b>NET OPERATING INCOME</b>	<b>\$91,118</b>	<b>\$91,756</b>	<b>\$92,329</b>	<b>\$92,832</b>	<b>\$93,260</b>	<b>\$94,047</b>	<b>\$91,912</b>	<b>\$85,728</b>	<b>\$55,020</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$78,551	\$78,551	\$78,551	\$78,551	\$78,551	\$78,551	\$78,551	\$78,551	\$78,551
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980	2,980
<b>NET CASH FLOW</b>	<b>\$9,587</b>	<b>\$10,225</b>	<b>\$10,798</b>	<b>\$11,301</b>	<b>\$11,729</b>	<b>\$12,516</b>	<b>\$10,381</b>	<b>\$4,197</b>	<b>(\$26,510)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.12</b>	<b>1.13</b>	<b>1.13</b>	<b>1.14</b>	<b>1.14</b>	<b>1.15</b>	<b>1.13</b>	<b>1.05</b>	<b>0.67</b>



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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Pueblo de Paz Apartments**TDHCA #: **02033****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: G  
 Site Address: Mayberry Street north of Mile 2 North Road Additional Elderly Set Aside   
 City: Mission Purpose / Activity: NC  
 County: Hidalgo Development Type: Family  
 Zip Code: 78572  TTC  DDA  QCT

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

Special Needs: 10 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Pueblo de Paz Apartments, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Pueblo De Paz Apartments I, LLC	John Pitts	100 %
Bozrah International Ministries, Inc.	John Pitts	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$862,724** Allocation over 10 Years: \$8,627,240  
 Credits Requested: \$869,606 Eligible Basis Amount: \$862,724 Equity/Gap Amount: \$975,695

**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	16	16	0	0	32
50%	0	0	16	48	0	0	64
60%	0	0	48	16	0	0	64
MR	0	0	20	20	0	0	40
Total	0	0	100	100	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$13,537,504**  
 Gross Building Square Feet: 207,048  
 Total NRA SF: 205,000  
 Gross/Net Rentable: 1.01  
 Average Square Feet/Unit: 1,025  
 Cost Per Net Rentable Square Foot: \$66.04  
 Credits per Low Income Unit: \$5,392

Total LI Units: 160  
 Owner/Employee Units: 0  
 Total Project Units: 200  
 Applicable Fraction: 80.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$1,023,766  
 Total Expenses: \$463,137  
 Net Operating Income: \$560,629  
 Estimated 1st Year Debt Coverage Ratio: 1.10

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Pueblo de Paz Apartments, LP	Market Analyst: Apartment Market Data Research
Housing GC: Texas Regional Construction, Inc.	Originator/UW: NA
Infrastructure GC: NA	Appraiser: NA
Cost Estimator: Texas Regional Construction	Attorney: Mike Pruitt
Architect: The Clerkley Group	Supp Services: Hidalgo County Headstart
Property Manager: Texas Regional Asset Mgmt.	Accountant: Novogradac & Company, LLP
Engineer: Melden and Hunt	
Syndicator: The Richman Group Capital Corp.	Permanent Lender: PNC Bank

**DEPARTMENT EVALUATION**

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

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

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **3** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Gen Long, Mayor Pro Tem, S	Jose Eloy Pulido, Hidalgo County Judge, S
TX Rep.: Kino Flores, Dist. 36 S	
TX Sen.: Carlos Truan, Dist. 20 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service amount not exceeding \$509,632. Should the terms of the proposed debt be altered, the previous conditions and recommendations should be re-evaluated.

**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 higher scoring developments in Region 8B.

\_\_\_\_\_  
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

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Brooke Boston, Acting LIHTC Co-Manager

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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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 #:** 02033

LIHTC 9%  LIHTC 4%

**Project Name:** Pueblo De Paz Apartments

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 2

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 05/28/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

DATE: June 10, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02033

**DEVELOPMENT NAME**

Pueblo de Paz Apartments

**APPLICANT**

**Name:** Pueblo de Paz Apartments, L.P.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 16420 Park Ten Place, Suite 220      **City:** Houston      **State:** TX  
**Zip:** 77084    **Contact:** John Pitts      **Phone:** (281) 599-1655    **Fax:** (281) 599-1656

**PRINCIPALS of the APPLICANT**

**Name:** Pueblo de Paz Apartments I, L.L.C.      **(%):** .01      **Title:** Managing General Partner  
**Name:** Columbia Housing Partners L.P.      **(%):** 99.99      **Title:** Initial Limited Partner  
**Name:** Bozrah International Ministries, Inc. (BIMI)      **(%):** N/A      **Title:** 100% owner of M.G.P.  
**Name:** John Pitts      **(%):** N/A      **Title:** President of BIMI  
**Name:** Rowan Smith      **(%):** N/A      **Title:** General contractor & guarantor

**GENERAL PARTNER**

**Name:** Pueblo de Paz Apartments I, L.L.C.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 16420 Park Ten Place, Suite 220      **City:** Houston      **State:** TX  
**Zip:** 77084    **Contact:** John Pitts      **Phone:** (281) 599-1655    **Fax:** (281) 599-1656

**PROPERTY LOCATION**

**Location:** Mayberry Street approximately 1,000 feet north of Mile 2 Road       QCT     DDA  
**City:** Mission ETJ      **County:** Hidalgo      **Zip:** 78572

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$869,606	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New construction <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 14.68 acres    639,461 square feet      **Zoning/ Permitted Uses:** No zoning in ETJ  
**Flood Zone Designation:** Zone X      **Status of Off-Sites:** Partially Improved

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**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 200    **# Rental Buildings:** 13    **# Common Area Bldgs:** 3    **# of Floors:** 2    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
100	2	2	900
100	3	2	1,150

**Net Rentable SF:** 205,000    **Av Un SF:** 1,025    **Common Area SF:** 2,048\*    **Gross Bldg SF** 207,048

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

\*There are also 2,889-square foot day care & 1,040-square foot laundry facilities.

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 85% cement siding/15% cultured stone veneer 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, individual water heaters

**ON-SITE AMENITIES**

2,048-SF community building with activity room, management offices, fitness, kitchen, and restrooms; 2,889-SF daycare facility; 1,040-SF laundry facility; central mail kiosk, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate, monitored security

**Uncovered Parking:** 266 spaces    **Carports:** 200 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** PNC Bank    **Contact:** Edward Denny

**Principal Amount:** \$6,476,747    **Interest Rate:** Prime floating as determined by lender

**Additional Information:** Interest-only payments

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

**LONG TERM/PERMANENT FINANCING**

**Source:** PNC Bank    **Contact:** Edward Denny

**Principal Amount:** \$6,476,747    **Interest Rate:** 15-year swap rate + 180 basis points, estimated & underwritten at 7.75%

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

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

**Annual Payment:** \$556,803    **Lien Priority:** 1st    **Commitment Date** 12/ 19/ 2001

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**LIHTC SYNDICATION**

<b>Source:</b>	The Richman Group Capital Corporation		<b>Contact:</b>	Phillip Corbett		
<b>Address:</b>	532 Page Street		<b>City:</b>	Stoughton		
<b>State:</b>	MA	<b>Zip:</b>	02072	<b>Phone:</b>	(781) 344-3151	<b>Fax:</b> (781) 344-2859
<b>Net Proceeds:</b>	\$6,476,747		<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC)	78 ¢		
<b>Commitment</b>	<input type="checkbox"/> None	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	<b>Date:</b>	2/ 1/	2002
<b>Additional Information:</b>						

**APPLICANT EQUITY**

<b>Amount:</b>	\$299,725	<b>Source:</b>	Deferred developer fee
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**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	\$146,800	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Hidalgo County Appraisal District
<b>Total Assessed Value:</b>	\$146,800		

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest money contract					
<b>Contract Expiration Date:</b>	10/	1/	2002	<b>Anticipated Closing Date:</b>	10/	1/ 2002
<b>Acquisition Cost:</b>	\$ 366,500	<b>Other Terms/Conditions:</b>	\$100 earnest money			
<b>Seller:</b>	Robert Van Raden			<b>Related to Development Team Member:</b>	No	

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Pueblo de Paz Apartments is a proposed new construction development of 200 units of mixed income housing located in the City of Mission's ETJ. The development is comprised of 13 residential buildings as follows:

- One Building Type I with four two-bedroom units and four three-bedroom units; and
  - Twelve Building Type II with eight two-bedroom units and eight three-bedroom units.
- Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, daycare center, laundry building, mailboxes, and swimming pool located near the entrance to the site. The 2,048-square foot community building plan includes the management offices, an 800-square foot community room, kitchen, and restrooms. The 2,889-SF daycare center is to include three classrooms, a kitchen and lounge area, four bathrooms, and a utility room. There are also to be a 1,040-SF laundry and maintenance building, a 450-SF pavilion, and a 240-SF mail kiosk.

**Supportive Services:** The Applicant has contracted with the Hidalgo County Head Start Program to provide comprehensive child development services to children three to five years of age and their families. The Head Start program provides education, health, dental, mental health, and physical disability and family social services, as well as a literacy program for parents, English as a second language, adult basic education, and GED classes. The program will use federal funding to provide these services, and therefore no services expense appears in the Applicant's budget. The services provider has agreed to lease the child care facility

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from the Applicant for \$10/year.

**Schedule:** The Applicant anticipates construction to begin in February of 2003, to be completed and placed in service in March of 2004, and to be substantially leased-up in September 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. 160 of the units (80% of the total) will be reserved for low-income tenants. 32 of the units (16%) will be reserved for households earning 40% or less of AMGI, 64 units (32%) will be reserved for households earning 50% or less of AMGI, 64 units (32%) will be reserved for households earning 60% or less of AMGI, and the remaining 40 units will be offered at market rents.

**Special Needs Set-Asides:** Ten units (5%) 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 January 2, 2002 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** “For this analysis, we defined the primary market area as Hidalgo County.” (p. 31) The current population of this area, at 585,618, is over twice the suggested maximum market size of 250,000 suggested in the TDHCA market study guidelines.

**Total Local/Submarket Demand for Rental Units:** “Hidalgo County has experienced an explosion of employment growth over the past decade. Over the past three years, the county has experienced an employment growth rate averaging 4.3% per year. Given current economic trends and the international trade created by NAFTA, we expect this trend to continue in the coming years.” (p. 72)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	429	8%	285	3.2%
Resident Turnover	4,828	92%	8,536	96.8%
<b>TOTAL ANNUAL DEMAND</b>	<b>5,257</b>	<b>100%</b>	<b>8,821</b>	<b>100%</b>

Ref: p. 41

**Capture Rate:** Calculated by the analyst to be 16.7%, which includes the potential construction of another, higher-scoring, 144-unit 2002 9% LIHTC development. (p. 42) The Underwriter calculated a concentration capture rate of 10% based upon the Underwriter’s demand calculation and without considering potential 2002 allocations. In this funding cycle there appear to be four potential new developments in this county totaling 708 units, of which 588 are tax credit units (including the subject’s units). In addition, there are up to an additional 722 units (579 LIHTC units) approved or in some stage of construction or lease-up in this county. If all these units (even the unrestricted) that are considered comparable are combined and divided by the market analyst’s demand, a 27.2% concentration capture rate would result. Using the Underwriter’s calculated demand, this figure would drop to a more acceptable 16%. In addition, this development is the only one slated for Mission and is three miles from the closest previously awarded USDA/LIHTC development in Alton. Therefore, concentration does not appear to be a concern for this property.

**Market Rent Comparables:** The market analyst surveyed nine comparable apartment projects totaling 1,415 units in the market area. “The subject, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The ‘base rent’ (street asking rate) for each unit type is significantly lower than comparable projects...Additionally, the subject property would be slightly newer than many of the competing projects, and because it would be much more desirable to prospective renters, it would have a much greater perceived value...” (p. 116)

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<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (40%)</b>	\$270	\$270	\$0	\$688	-\$418
<b>2-Bedroom (50%)</b>	\$351	\$351	\$0	\$688	-\$337
<b>2-Bedroom (60%)</b>	\$432	\$432	\$0	\$688	-\$256
<b>2-Bedroom (MR)</b>	\$595	N/A	N/A	\$688	-\$93
<b>3-Bedroom (40%)</b>	\$307	\$307	\$0	\$784	-\$477
<b>3-Bedroom (50%)</b>	\$401	\$401	\$0	\$784	-\$383
<b>3-Bedroom (60%)</b>	\$495	\$495	\$0	\$784	-\$289
<b>3-Bedroom (MR)</b>	\$695	N/A	N/A	\$784	-\$94

Ref: p. 91

(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 current occupancy of the market area is 95.4% as a result of ever-increasing demand.” (p. 82)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period to reach 93% occupancy].” (p. 78)

**Known Planned Development:** The analyst listed 11 projects in lease-up totaling 1,079 units, and two other 2002 9% LIHTC developments totaling 380 units in the current application cycle. (p. 52)

**Effect on Existing Housing Stock:** “...the proposed project would not have a dramatically detrimental effect on the balance of supply and demand in this market.” (p. 78)

Although the use of the entire county as the primary market area is unrealistic for reasons of population size and tenant travel time, the Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Mission is located in far south Texas near the Mexican border, approximately 225 miles south of San Antonio in Hidalgo County. The site is an irregularly-shaped parcel located in the city’s ETJ just north of the city limit, approximately two miles from the central business district. The site is situated on the west side of Mayberry Road.

**Population:** The estimated 2001 population of Hidalgo County was 585,618 and is expected to increase by 13.6% to approximately 665,311 by 2006. Within the primary market area there were estimated to be 158,340 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed, with vacant land, retail and light industrial, single-family residential, and schools and churches. Adjacent land uses include:

- **North:** Farmland and a large irrigation canal
- **South:** Vacant land and a single-family residence with a new high school beyond
- **East:** Mayberry Road and a large single-family homesite with the canal and agricultural land beyond
- **West:** Agricultural land

**Site Access:** Access to the property is from the north or south from Mayberry Road. The development is to have one entry, from the west from Mayberry Road. Access to State Highway 107 is .3 miles west and U.S. Highway 83 is 2.3 miles south, which provide connections to all other major roads serving Mission and surrounding areas.

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

**Shopping & Services:** The site is within two miles of grocery/pharmacies, neighborhood shopping centers, and a variety of other retail establishments and restaurants. A second city high school is under construction .25 miles south of the site, and other schools, churches, and hospitals and health care facilities are located within a short driving distance.

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**Site Inspection Findings:** TDHCA staff performed a site inspection on April 24, 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 8, 2002 was prepared by Melden & Hunt, Inc. and contained the following findings and recommendations:

**Findings:** "After a thorough review of records and documents, contacting public agencies, interviews, and a visual inspection, there are no significant findings for the subject site." (p. 10)

**Recommendation:** "Based on these findings and conclusions, Melden & Hunt, Inc. recommends no further environmental assessment of the subject site."(p. 10)

**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. The Applicant overstated the tenant-paid utility allowance by approximately \$4/unit, which results in potential gross rent being understated by \$8,150. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$2,018 per unit (without property taxes) is 13% lower than an adjusted TDHCA database-derived estimate of \$2,316 per unit for comparably-sized projects. The Underwriter was able to use historical operating expense data from La Hacienda Apartments, a nearby development by the same developer, for comparison. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$14.3K lower), payroll (\$27K lower), and repairs and maintenance (\$16.8K lower). The Applicant provided a non-binding tax exemption determination from the taxing authority, but as the owner of the General Partner is a CHDO with previous experience receiving tax exemptions, the Underwriter regards the tax exemption to be highly probable.

**Conclusion:** The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$509,632 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$366,500 (\$0.57/SF or \$25K/acre), although significantly higher than the tax assessed value of \$146,800 (\$10K/acre), is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Off-Site Costs:** The Applicant claimed no off-site costs in the original application, but as the city requires the developer to pay for the extension of sewer lines to the development the Underwriter inquired of the Applicant regarding offsite costs. The Applicant responded that the engineer's offsite cost estimate was not received in time for inclusion in the pre-application, and provided sufficient third party certification to justify \$63,116 in offsite sewer costs.

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

**Direct Construction Cost:** The Applicant's direct construction cost estimate is within 1% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant's contingency allowance exceeded the TDHCA maximum guideline of 5% of sitework and direct construction costs by \$11,005, 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

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expenses, and profit are all at or within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$12,777,314 is used to determine a credit allocation of \$862,724 from this method. This is \$6,882 more than requested due to the Applicant's use of an 8.50% applicable percentage rather than the 8.44% underwriting rate used for applications received in March 2002. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

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

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through PNC Bank in the amount of \$6,476,747 during both the interim period and at conversion to permanent. The commitment letter indicated a term of two years for the construction portion and 18 years for the permanent, with a 30-year amortization schedule. The interest rate during the construction stage will be the prime floating as determined by the lender, and the permanent loan interest rate will be fixed at the time of construction loan closing at 180 basis points in excess of the 15-year swap rate as determined by the lender. This rate is estimated and underwritten at 7.75%.

**LIHTC Syndication:** The Richman Group Capital Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$6,761,032 based on a syndication factor of 78%. The funds would be disbursed in a three-phased pay-in schedule:

1. 75% to be available for monthly draws after funding of the construction loan;
2. 10% upon the latest of completion of construction, or receipt of: contractor payoff letter, evidence of insurance coverage, estoppel letter from lender;
3. 15% upon the latest of achievement of breakeven operating status, receipt of cost certification, receipt of IRS Forms 8609, or final closing of the permanent loan.

The commitment calls for Mr. Rowan Smith to act as guarantor for the General Partner.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$299,725 amount to 18% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$862,724 annually for ten years, resulting in syndication proceeds of approximately \$6,445,653. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed \$509,632 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. To compensate for the reduction in loan funds the Applicant's deferred developer fee will be increased to \$880,870, which amounts to approximately 53% of the total fee and which should be repayable in just less than ten years. The Applicant's score for deep rent targeting should be reviewed and removed as this amount is more than 50% of the eligible developer 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 may be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are simple and functional, with minimal architectural ornamentation. The units are in two-story walk-up structures with mixed cement siding and masonry veneer exterior finish and hipped and gabled roofs. The units are of average size for market rate and LIHTC units, and have covered patios or balconies with outdoor storage closets. Each unit has a semi-private exterior entry that is shared with another unit.

**IDENTITIES of INTEREST**

Rowan Smith owns both the General Contractor and the Property Manager. These are common relationships for LIHTC-funded developments. He is also the only guarantor listed in the financing commitment, and therefore it is anticipated that he will have a significant role in this development.

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CREDIT UNDERWRITING ANALYSIS**

**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 Developer and sole owner of the General Partner, Bozrah International Ministries, Inc., submitted an unaudited financial statement as of January 2, 2002 reporting total assets of \$228K and consisting of \$4K in cash, \$2K in other current assets, and \$222K in real property. No liabilities were reported, resulting in a net worth of \$228K.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Bozrah International Ministries listed participation as general partner and/or developer on two previous LIHTC housing developments totaling 204 units since 2000.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$862,724 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. LIHTC selection points for deep-skewed rents must be re-evaluated, as the deferred developer fee will exceed 50% as determined by the Underwriter;
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service amount not exceeding \$509,632.
3. Receipt, review, and acceptance of a financial statement from Mr. P. Rowan Smith Jr. containing consistent and reconcilable asset amounts;
4. Should the terms of the proposed debt be altered, the previous conditions and recommendations should be re-evaluated.

Credit Underwriting Supervisor:

\_\_\_\_\_  
*Jim Anderson*

Date: June 10, 2002

\_\_\_\_\_  
Date: June 10, 2002

Director of Credit Underwriting:

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

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Pueblo de Paz Apartments, 9% LIHTC #02033**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (40%)	16	2	2	900	\$325	\$274	\$4,387	\$0.30	\$50.79	\$6.26
TC (50%)	16	2	2	900	406	355	5,683	0.39	50.79	6.26
TC (60%)	48	2	2	900	487	436	20,938	0.48	50.79	6.26
MR	20	2	2	900		595	11,900	0.66	50.79	6.26
TC (40%)	16	3	2	1,150	375	311	4,980	0.27	63.72	6.26
TC (50%)	48	3	2	1,150	469	405	19,453	0.35	63.72	6.26
TC (60%)	16	3	2	1,150	563	499	7,988	0.43	63.72	6.26
MR	20	3	2	1,150		695	13,900	0.60	63.72	6.26
<b>TOTAL:</b>	<b>200</b>		<b>AVERAGE:</b>	<b>1,025</b>	<b>\$363</b>	<b>\$446</b>	<b>\$89,231</b>	<b>\$0.44</b>	<b>\$57.26</b>	<b>\$6.26</b>

INCOME				Total Net Rentable Sq Ft: 205,000		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$1,070,774	\$1,062,624			
Secondary Income		Per Unit Per Month:	\$15.00			36,000	36,000	\$15.00	Per Unit Per Month	
Other Support Income:						0	0			
POTENTIAL GROSS INCOME						\$1,106,774	\$1,098,624			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(83,008)	(82,392)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$1,023,766	\$1,016,232			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.93%	\$304	\$0.30	\$60,713	\$46,400	\$0.23	\$232	4.57%
Management	5.87%	300	0.29	60,048	60,547	0.30	303	5.96%
Payroll & Payroll Tax	12.40%	635	0.62	126,969	100,000	0.49	500	9.84%
Repairs & Maintenance	8.29%	424	0.41	84,843	68,000	0.33	340	6.69%
Utilities	2.45%	125	0.12	25,077	25,500	0.12	128	2.51%
Water, Sewer, & Trash	2.44%	125	0.12	24,987	24,500	0.12	123	2.41%
Property Insurance	3.60%	185	0.18	36,900	35,000	0.17	175	3.44%
Property Tax 2.0382	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	3.91%	200	0.20	40,000	40,000	0.20	200	3.94%
Other: compliance fees	0.35%	18	0.02	3,600	3,600	0.02	18	0.35%
<b>TOTAL EXPENSES</b>	<b>45.24%</b>	<b>\$2,316</b>	<b>\$2.26</b>	<b>\$463,137</b>	<b>\$403,547</b>	<b>\$1.97</b>	<b>\$2,018</b>	<b>39.71%</b>
<b>NET OPERATING INC</b>	<b>54.76%</b>	<b>\$2,803</b>	<b>\$2.73</b>	<b>\$560,629</b>	<b>\$612,685</b>	<b>\$2.99</b>	<b>\$3,063</b>	<b>60.29%</b>

DEBT SERVICE	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	%
First Lien Mortgage	54.39%	\$2,784	\$2.72	\$556,803	\$556,803	\$2.72	\$2,784	54.79%
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%
<b>NET CASH FLOW</b>	<b>0.37%</b>	<b>\$19</b>	<b>\$0.02</b>	<b>\$3,827</b>	<b>\$55,882</b>	<b>\$0.27</b>	<b>\$279</b>	<b>5.50%</b>

AGGREGATE DEBT COVERAGE RATIO	1.01	1.10
ALTERNATIVE DEBT COVERAGE RATIO	1.10	

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)		2.60%	\$1,833	\$1.79	\$366,500	\$366,500	\$1.79	\$1,833	2.71%
Off-Sites		0.45%	316	0.31	63,116	0	0.00	0	0.00%
Sitework		9.22%	6,500	6.34	1,300,000	1,300,000	6.34	6,500	9.60%
Direct Construction		54.35%	38,315	37.38	7,662,938	7,165,000	34.95	35,825	52.93%
Contingency	4.85%	3.08%	2,171	2.12	434,255	434,255	2.12	2,171	3.21%
General Require	5.67%	3.60%	2,540	2.48	507,900	507,900	2.48	2,540	3.75%
Contractor's G & A	1.89%	1.20%	847	0.83	169,300	169,300	0.83	847	1.25%
Contractor's Pr	5.67%	3.60%	2,540	2.48	507,900	507,900	2.48	2,540	3.75%
Indirect Construction		3.01%	2,125	2.07	425,000	425,000	2.07	2,125	3.14%
Ineligible Expenses		0.83%	584	0.57	116,827	116,827	0.57	584	0.86%
Developer's G & A	2.58%	2.13%	1,500	1.46	300,000	300,000	1.46	1,500	2.22%
Developer's Profi	11.72%	9.67%	6,814	6.65	1,362,824	1,362,824	6.65	6,814	10.07%
Interim Financing		4.37%	3,081	3.01	616,140	616,140	3.01	3,081	4.55%
Reserves		1.89%	1,329	1.30	265,858	265,858	1.30	1,329	1.96%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$70,493</b>	<b>\$68.77</b>	<b>\$14,098,558</b>	<b>\$13,537,504</b>	<b>\$66.04</b>	<b>\$67,688</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>75.06%</b>	<b>\$52,911</b>	<b>\$51.62</b>	<b>\$10,582,293</b>	<b>\$10,084,355</b>	<b>\$49.19</b>	<b>\$50,422</b>	<b>74.49%</b>

SOURCES OF FUNDS									
	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	%	RECOMMENDED
First Lien Mortgage	45.94%	\$32,384	\$31.59	\$6,476,747	\$6,476,747	\$31.59	\$32,384	45.94%	\$5,928,058
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	0
LIHTC Syndication Proceeds	47.96%	\$33,805	\$32.98	6,761,032	6,761,032	\$32.98	\$33,805	47.96%	6,728,576
Deferred Developer Fees	2.13%	\$1,499	\$1.46	299,725	299,725	\$1.46	\$1,499	2.13%	880,870
Additional (excess) Funds Requ	3.98%	\$2,805	\$2.74	561,054	0	\$0.00	\$0	3.98%	0
<b>TOTAL SOURCES</b>				<b>\$14,098,558</b>	<b>\$13,537,504</b>	<b>\$66.04</b>	<b>\$67,688</b>		<b>\$13,537,504</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Pueblo de Paz Apartments, 9% LIHTC #02033**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.03	\$8,206,339
<b>Adjustments</b>				
Exterior Wall Finl	2.05%		\$0.82	\$168,230
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(200,900)
Floor Cover			1.82	373,100
Porches/Balconies	\$28.10	28,423	3.90	798,686
Plumbing	\$585	600	1.71	351,000
Built-In Appliance	\$1,550	200	1.51	310,000
Stairs	\$1,550	50	0.38	77,500
Floor Insulation			0.00	0
Heating/Cooling			1.41	289,050
Carpports	\$7.53	36,000	1.32	271,080
Comm &/or Aux Bldg	\$58.44	5,577	1.59	325,928
Other:			0.00	0
<b>SUBTOTAL</b>			<b>53.51</b>	<b>10,970,013</b>
Current Cost Multiplier	1.04		2.14	438,801
Local Multiplier	0.82		(9.63)	(1,974,602)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$46.02</b>	<b>\$9,434,211</b>
Plans, specs, survy, b	3.90%		(\$1.79)	(\$367,934)
Interim Construction I	3.38%		(1.55)	(318,405)
Contractor's OH & Prof	11.50%		(5.29)	(1,084,934)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$37.38</b>	<b>\$7,662,938</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,476,747	Term	360
Int Rate	7.75%	DCR	1.01
<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.01
<b>Additional</b>	\$6,761,032	Term	
Int Rate		Aggregate DCR	1.01

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$509,632
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$50,997</b>

<b>Primary</b>	\$5,928,058	Term	360
Int Rate	7.75%	DCR	1.10
<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
<b>Additional</b>	\$6,761,032	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,070,774	\$1,102,898	\$1,135,985	\$1,170,064	\$1,205,166	\$1,397,118	\$1,619,642	\$1,877,609	\$2,523,350
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,106,774</b>	<b>1,139,978</b>	<b>1,174,177</b>	<b>1,209,402</b>	<b>1,245,684</b>	<b>1,444,090</b>	<b>1,674,096</b>	<b>1,940,736</b>	<b>2,608,186</b>
Vacancy & Collection Los:	(83,008)	(85,498)	(88,063)	(90,705)	(93,426)	(108,307)	(125,557)	(145,555)	(195,614)
Employee or Other Non-Ren:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,023,766</b>	<b>\$1,054,479</b>	<b>\$1,086,114</b>	<b>\$1,118,697</b>	<b>\$1,152,258</b>	<b>\$1,335,783</b>	<b>\$1,548,538</b>	<b>\$1,795,180</b>	<b>\$2,412,572</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$60,713	\$63,141	\$65,667	\$68,294	\$71,025	\$86,413	\$105,135	\$127,913	\$189,342
Management	60,048	61,850	63,705	65,616	67,585	78,349	90,829	105,295	141,508
Payroll & Payroll Tax	126,969	132,048	137,329	142,823	148,535	180,716	219,869	267,504	395,971
Repairs & Maintenance	84,843	88,237	91,766	95,437	99,255	120,758	146,921	178,752	264,597
Utilities	25,077	26,080	27,123	28,208	29,336	35,692	43,425	52,833	78,205
Water, Sewer & Trash	24,987	25,987	27,026	28,107	29,232	35,565	43,270	52,645	77,927
Insurance	36,900	38,376	39,911	41,507	43,168	52,520	63,899	77,743	115,078
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	3,600	3,744	3,894	4,050	4,211	5,124	6,234	7,585	11,227
<b>TOTAL EXPENSES</b>	<b>\$463,137</b>	<b>\$481,062</b>	<b>\$499,686</b>	<b>\$519,037</b>	<b>\$539,142</b>	<b>\$652,071</b>	<b>\$788,848</b>	<b>\$954,543</b>	<b>\$1,398,601</b>
<b>NET OPERATING INCOME</b>	<b>\$560,629</b>	<b>\$573,417</b>	<b>\$586,428</b>	<b>\$599,661</b>	<b>\$613,116</b>	<b>\$683,712</b>	<b>\$759,690</b>	<b>\$840,638</b>	<b>\$1,013,971</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$509,632	\$509,632	\$509,632	\$509,632	\$509,632	\$509,632	\$509,632	\$509,632	\$509,632
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$50,997</b>	<b>\$63,785</b>	<b>\$76,796</b>	<b>\$90,029</b>	<b>\$103,484</b>	<b>\$174,080</b>	<b>\$250,058</b>	<b>\$331,006</b>	<b>\$504,339</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.13</b>	<b>1.15</b>	<b>1.18</b>	<b>1.20</b>	<b>1.34</b>	<b>1.49</b>	<b>1.65</b>	<b>1.99</b>



**TDHCA #**

**02037**

**Region 8B**

**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: **Villa Hermosa Apartments**TDHCA #: **02037****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: R  
 Site Address: 1015 E. Crockett Additional Elderly Set Aside   
 City: Crystal City Purpose / Activity: NC  
 County: Zavala Development Type: Family  
 Zip Code: 78839  TTC  DDA  QCT

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

Special Needs: 5 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Villa Hermosa, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
CCAF, Inc.	Alfredo Castaneda	100 %
Carrizo Springs Affordable Housing, Inc.	Alfredo Castaneda	0 %
Carrizo Springs Housing Authority	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$565,712** Allocation over 10 Years: \$5,657,120  
 Credits Requested: \$568,236 Eligible Basis Amount: \$565,712 Equity/Gap Amount: \$603,974

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	0	0	0	0	0	0
50%	0	3	10	15	2	0	30
60%	0	3	10	15	2	0	30
MR	0	0	0	0	0	0	0
Total	0	6	20	30	4	0	

**BUILDING INFORMATION**

Total Development Cost:	<b>\$5,483,556</b>
Gross Building Square Feet:	63,300
Total NRA SF:	60,500
Gross/Net Rentable:	1.05
Average Square Feet/Unit:	1,008
Cost Per Net Rentable Square Foot:	\$90.64
Credits per Low Income Unit	\$9,429

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income:	\$288,522
Total Expenses:	\$191,806
Net Operating Income:	\$96,716
Estimated 1st Year Debt Coverage Ratio:	1.25

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Carrizo Springs Affordable Housing Market Analyst: James Sawyer & Associates  
 Housing GC: NA Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: NA Attorney: NA  
 Architect: AG Associate Architects Supp Services: Community Services Agency of South Texas, Inc.  
 Property Manager: NA Accountant: NA  
 Engineer: NA  
 Syndicator: Key Investment Fund Limited Partnership XII Permanent Lender: Key Bank

**DEPARTMENT EVALUATION**

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

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



## Compliance Status Summary

**Project ID #:** 02037

LIHTC 9%  LIHTC 4%

**Project Name:** Villa Hermosa

HOME  HTF

**Project City:** Crystal City

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 1 # not yet monitored or pending review 0

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

**Completed by** Jo En Taylor **Completed on** 06/06/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments: For profit

**Completed by** Lucy Trevino **Completed on** 06/06/2002

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 537078 - Contract closed by HOME Program - not monitored by Compliance Program Monitors

**Completed by** Ralph Hendrickson **Completed on** 06/06/2002

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

DATE: June 11, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02037

**DEVELOPMENT NAME**

Villa Hermosa Apartments

**APPLICANT**

**Name:** Villa Hermosa, L.P.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 207 North Fourth Street      **City:** Carrizo Springs      **State:** TX  
**Zip:** 78834    **Contact:** Alfredo Castaneda      **Phone:** (830) 876-5211    **Fax:** (830) 876-2236

**PRINCIPALS of the APPLICANT**

**Name:** CCAF, Inc.      **(%):** .01      **Title:** Managing General Partner  
**Name:** Key Investment Fund Limited Partnership XII      **(%):** 99.99      **Title:** Initial Limited Partner  
**Name:** Carrizo Springs Affordable Housing, Inc. (CSAH)      **(%):** N/A      **Title:** Developer & parent of M.G.P.  
**Name:** Carrizo Springs Housing, Authority      **(%):** N/A      **Title:** Parent organization of CSAH  
**Name:** Alfredo Castaneda      **(%):** N/A      **Title:** Executive Director of CSAH

**GENERAL PARTNER**

**Name:** CCAF, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 207 North Fourth Street      **City:** Carrizo Springs      **State:** TX  
**Zip:** 78834    **Contact:** Alfredo Castaneda      **Phone:** (830) 876-5211    **Fax:** (830) 876-2236

**PROPERTY LOCATION**

**Location:** 1015 East Crockett Street       **QCT**     **DDA**  
**City:** Crystal City      **County:** Zavala      **Zip:** 78839

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$568,236	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 5.64 acres      245,678 square feet      **Zoning/ Permitted Uses:** R-2, Residential District  
**Flood Zone Designation:** Zone C      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 60    **# Rental Buildings:** 15    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
6	1	1	750
20	2	1.5	900
30	3	2	1,100
4	4	2	1,250

**Net Rentable SF:** 60,500    **Av Un SF:** 1,008    **Common Area SF:** 2,800    **Gross Bldg SF:** 63,300

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

Carpeting or ceramic tile & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

2,800-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, learning center, central mailroom, equipped children's play area, perimeter fencing

**Uncovered Parking:** 192 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Key Bank    **Contact:** Chris Clark

**Principal Amount:** \$900,000    **Interest Rate:** 8%

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

**Amortization:** N/A yrs    **Term:** 1.5 yrs    **Commitment:**     None     Firm     Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** Key Bank    **Contact:** Chris Clark

**Principal Amount:** \$900,000    **Interest Rate:** 7.75%

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

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

**Annual Payment:** \$77,373    **Lien Priority:** 1st    **Commitment Date:** 2/ 25/ 2002

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

**LIHTC SYNDICATION**

<b>Source:</b>	Key Investment Fund Limited Partnership XII		<b>Contact:</b>	Chris Clarke		
<b>Address:</b>	5740 Fleet Street, Suite 110			<b>City:</b>	Carlsbad	
<b>State:</b>	CA	<b>Zip:</b>	92008	<b>Phone:</b>	(760) 804-6023	<b>Fax:</b> (760) 804-6031
<b>Net Proceeds:</b>	\$4,421,283		<b>Net Syndication Rate</b> (per \$1.00 of 10-yr LIHTC)	75.9¢		
<b>Commitment</b>	<input type="checkbox"/> None	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	<b>Date:</b>	2/ 25/ 2002	
<b>Additional Information:</b>	_____					

**APPLICANT EQUITY**

<b>Amount:</b>	\$145,273	<b>Source:</b>	Deferred developer fee
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**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	\$44,304 (prorated from 7.35-acre parcel)	<b>Assessment for the Year of:</b>	2001
<b>Building:</b>	N/A	<b>Valuation by:</b>	Zavala County Appraisal District
<b>Total Assessed Value:</b>	\$44,304		

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest money contract					
<b>Contract Expiration Date:</b>	11/	15/	2002	<b>Anticipated Closing Date:</b>	10/	14/ 2002
<b>Acquisition Cost:</b>	\$ 100,000	<b>Other Terms/Conditions:</b>	\$2,000 earnest money			
<b>Seller:</b>	Armando B. Martinez & Andrea Martinez			<b>Related to Development Team Member:</b>	No	

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villa Hermosa Apartments is a proposed new construction development of 60 units of affordable housing located in northeast Crystal City. The development is comprised of 15 residential buildings as follows:

- One building with four one-bedroom units;
- Five buildings with four two-bedroom units;
- Seven buildings with four three-bedroom units;
- One building four four-bedroom units; and
- One building with two one-bedroom units and two three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, playground, and basketball court located near the entrance to the site. The 2,800-square foot community building plan includes the management offices, a 360-square foot community room, learning center, kitchen, restrooms, and laundry facilities. 57% of the development's units will be three- and four-bedroom units.

**Supportive Services:** The Applicant has contracted with the Community Services Agency of South Texas, Inc. to provide the following supportive services to tenants: Head Start Program for children (offsite), utility bill payment assistance, and information and referral services for other local service providers. These

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

services will be provided at no cost to tenants. The contract requires the owner of the General Partner coordinate with tenants and the services provider to plan and implement the services and to pay \$50/unit (\$3,000/year) for these support services.

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

**POPULATIONS TARGETED**

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

**Special Needs Set-Asides:** Five units (9%) will be handicapped-accessible.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated January 14, 2002 was prepared by James Sawyer and highlighted the following findings:

**Definition of Market/Submarket: The analyst presents conflicting information:**

- “After analyzing the time-distance between the subject and employment and support facilities, as well as the market area for competitive housing, we have concluded that the market area for the subject coincides with the boundaries of the city in which the property is located, Crystal City.” (p. 27)
- “The market as defined previously (Zavala County) was forecast to have negative population growth from 2001 to 2006.” (p. 37)

As the 2001 population figure used by the analyst in establishing demand (11,560, p. 41) exceeds that given for Crystal City (approximately 7,350, p. 34), the Underwriter concludes that Zavala County is the intended primary market area.

**Total Regional Market Demand for Rental Units:** “...the region has experienced negative population growth over the past ten years and the growth is projected to remain negative over the next five years.” (p. 31)

**Total Local/Submarket Demand for Rental Units: The analyst presents conflicting information:**

- “The neighborhood as defined consists of Crystal City, Texas...The neighborhood is in the decline phase of neighborhood life cycles. The decline phase is defined as...’a period of diminished demand’.” [analyst’s emphasis] (p. 32-33)
- “The pent-up demand in the market created by this lack of affordable multifamily housing indicates an immediate need for additional affordable units, well exceeding the total units proposed for the subject property.” (p. 41)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	0	N/A	-2	N/A
Resident Turnover	0	N/A	390	100%
Other Sources: 10 yrs pent-up demand	173	100%	0	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>173</b>	<b>100%</b>	<b>388</b>	<b>100%</b>

Ref: p. 41

**Capture Rate:** “The subject’s capture would therefore equate to 35% of the demand in Zavala County.” (p. 41) The Underwriter calculated a concentration capture rate of 15% based entirely upon existing tenant turnover. As the analyst did not provide a market turnover rate, the Underwriter used the IREM Region 6 garden apartment turnover rate of 63.4%.

**Market Rent Comparables:** The defined submarket is highly unusual in that “...there are no ‘apartment’

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properties in Crystal City or Zavala County.” (p. 39) “As there are no competitive apartment complexes within the subject market as defined,...we surveyed properties in adjoining markets in Dimmit and Uvalde Counties to determine rent levels for the proposed units.” (p. 46) The market analyst surveyed three comparable market rate apartment developments totaling 77 units in Uvalde and three LIHTC developments in Carrizo Springs and Uvalde totaling 202 units. “The maximum [LIHTC] rents may or may not be achievable in the particular market.” (p. 49)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Est. Market</b>	<b>Differential</b>
<b>1-Bedroom (50%)</b>	\$289	\$293	-\$4	\$400	-\$111
<b>1-Bedroom (60%)</b>	\$356	\$361	-\$5	\$400	-\$44
<b>2-Bedroom (50%)</b>	\$349	\$353	-\$4	\$495	-\$146
<b>2-Bedroom (60%)</b>	\$430	\$434	-\$4	\$495	-\$65
<b>3-Bedroom (50%)</b>	\$399	\$405	-\$6	\$609	-\$210
<b>3-Bedroom (60%)</b>	\$492	\$499	-\$7	\$609	-\$117
<b>4-Bedroom (50%)</b>	\$439	\$449	-\$10	\$676	-\$237
<b>4-Bedroom (60%)</b>	\$543	\$554	-\$11	\$676	-\$133

Ref: p. 49

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

**Submarket Vacancy Rates:** As mentioned above, there are no existing multifamily developments in the defined submarket. “Our market survey indicated properties in adjoining markets [Uvalde and Carrizo Springs] were 97% to 100% occupied.” (p. 37)

**Absorption Projections:** “[The market] should absorb the required 56 units in year 1 to reach a stabilized occupancy of 92.5%.” (p. 41)

**Known Planned Development:** “No new units are planned or underway.” (p. 40)

**Effect on Existing Housing Stock:** “The proposed improvements should not impact other LIHTC properties in the [adjoining] market[s], as they are achieving maximum rental rates (2001) at 97% to 100% occupancy...Further, the addition of the subject units into the market at maximum rent should not cause excessive fluctuations in vacancy at any of the competitive properties.” (p. 51) The Underwriter regards that the majority of tenants would more likely come from single-family rental units in Crystal City than adjoining markets.

While the market analyst provided significant conflicting information, the Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Crystal City is located in southwest Texas, approximately 95 miles southwest of San Antonio Zavala County. The site is an irregularly-shaped parcel located in the northeast area of the city, approximately one-quarter mile from the central business district. The site is situated on the north side of Crockett Street.

**Population:** The estimated 2001 population of Zavala County was 11,560 and is expected to *decrease* by 2.8% to approximately 11,242 by 2006. Within the primary market area there were estimated to be 3,365 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly residential, along with schools and some retail. Adjacent land uses include:

- **North:** Public high school
- **South:** Crockett Street with single-family residential and a convenience beyond
- **East:** 11<sup>th</sup> Avenue with single-family residential beyond
- **West:** Single-family residential and vacant land

**Site Access:** Access to the property is from the east or west along Crockett Street or the north or south from

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11<sup>th</sup> Avenue. The development is to have two entries, one each from Crockett Street and 11<sup>th</sup> Avenue. Access to U.S. Highway 83 is one mile west, which provides connections to the nearby towns of Uvalde and Carrizo Springs,. Interstate Highway 35 is 35 miles east.

**Public Transportation:** Public transportation is not available in Crystal City.

**Shopping & Services:** The site is within one-half mile of a major grocery/pharmacy, and within two miles of all the facilities and services available in Crystal City.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 11, 2002 and found the location to be acceptable for the proposed development. The inspector noted the site's location is excellent, as all public schools are located within 200 feet walking distance and there is good access to grocery and other retail.

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

A Phase I Environmental Site Assessment report dated April 13, 2001 and an update dated February 19, 2002 were prepared by HBC Engineering and contained the following findings and recommendations:

**Findings:** "At this time the site remains undeveloped, although it is being used temporarily for the storage of sand gravel, and road asphalt material by an excavation contractor. No evidence of hazardous material management was noted at the site. Numerous used tires are piled in the eastern portion of the site." (p. 6)

**Recommendations:** "...HBC did not identify recognized environmental conditions in connection with the site, which in our opinion, require additional investigation at this time. Discarded tires and soil, gravel, and asphalt materials, sand other materials on the site should be disposed of at an authorized facility, or moved to an authorized facility prior to the development." (p. 7)

**OPERATING PROFORMA ANALYSIS**

**Income:** At the time of application, the 2002 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2002 maximum rents in this analysis, which results in an increase of \$4,068 in potential gross rent. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's estimate of total operating expense estimate of \$3,235 per unit is within 1% of the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Underwriter also reviewed expenses for the Managing General Partner's comparable property in Carrizo Springs and took that actual performance into account. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$14K lower), repairs and maintenance (\$10.8K higher), utilities (\$9.8K higher), water, sewer, and trash (\$7.8K higher), and property taxes (\$11.6K lower).

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. However, the Applicant's NOI is more than 5% lower than the Underwriter's estimate and therefore the Underwriter's estimate 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 \$100,000 (\$0.41/SF or \$17,730/acre), although over twice the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant claimed sitework costs of \$8,475 per unit and provided third party certification by a registered architect to justify these costs. The certification did not provide the unit measurements or permit costs from which the estimates were derived. Receipt, review, and acceptance of a detailed breakdown of each of the sitework costs, to reflect per unit costs and units of measurement, is a condition of this report. In addition, these costs have been reviewed by the Applicant's CPA, Thomas Stephen & Company, LLP, to preliminarily opine that all of the costs will be considered eligible. The CPA has not specifically indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memorandums on the eligibility of sitework costs.

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**Direct Construction Cost:** The Applicant's costs are \$156K or 5.6% higher 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 may be slightly 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. The Applicant's developer fees, however, including \$20K in housing consultant fees, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$23,000.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$5,155,960 is used to determine a credit allocation of \$565,712 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing from two sources: 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 Key Bank in the amount of up to \$900,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of 18 months for the construction portion and 15 years for the permanent, with a 30-year amortization schedule. The interest rate will be fixed at 8% for the construction loan and is estimated at 7.75% for the permanent mortgage loan.

**LIHTC Syndication:** KeyCorp Investment Fund has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,421,283 based on a syndication factor of 75.9%. The funds would be disbursed in a three-phased pay-in schedule:

1. 85.79% upon the later of: admission to the partnership, closing and funding of the construction loan, or receipt and acceptance of the permanent loan commitment;
2. 13.65% upon the later of: October 1, 2003, receipt of all certificates of occupancy, or completion of construction;
3. 0.57% upon the later of October 1, 2003, certification of eligible basis, attainment of initial 100% occupancy, final closing of the permanent mortgage loan, receipt of all IRS Forms 8609, receipt of cost certification.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer fees of \$162,273 amount to 23% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$565,712 annually for ten years, resulting in syndication proceeds of approximately \$4,293,324. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$290,232, which represents 43% of the eligible fee and which should be repayable in 13 years of stabilized operations. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in one- and two-story structures with mixed stucco and cement siding exterior finish and pitched roofs. The one-bedroom unit is a one-story flat design and the two-, three-, and four-bedroom units are two-story townhouse designs. All units are of average size for market rate and LIHTC units, and have efficient layouts and adequate storage space. Each unit has a private exterior entry.

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CREDIT UNDERWRITING ANALYSIS**

**IDENTITIES of INTEREST**

The Developer and General Partner are affiliates of the Carrizo Springs Housing Authority. These are acceptable relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The parent organization of the Applicant and General Partner, the Carrizo Springs Housing Authority, submitted an audited financial statement as of December 31, 2000 reporting total assets of \$3.23M and consisting of \$202K in cash, \$654K in receivables, \$190K in restricted assets, and \$2.2M in property and equipment. Liabilities totaled \$1.87M, resulting in a net equity of \$1.35M. Receipt, review, and acceptance of a financial statement as of March 1, 2001 or later is a condition of this report.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project
- The Developer listed participation as a board member of the general partner on one previous 60-unit LIHTC housing development since 1997.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The Applicant's operating proforma is more than 5% outside the Underwriter's verifiable range.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$565,712 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a financial statement dated March 1, 2001 or later for the Carrizo Springs Housing Authority;
2. Receipt, review, and acceptance of documentation that the discarded tires and other materials identified in the Phase I ESA are disposed of properly as recommended in the ESA;
3. Receipt, review, and acceptance of a certified sitework cost budget prepared by a third party architect or engineer that reflects a further breakdown of all items to the per unit cost and estimated measurement unit level.

<b>Credit Underwriting Supervisor:</b>	_____	<b>Date:</b>	June 11, 2002
	<i>Jim Anderson</i>		
<b>Director of Credit Underwriting:</b>	_____	<b>Date:</b>	June 11, 2002
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Villa Hermosa, 9% LIHTC #02037**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Trash Only
TC (50%)	3	1	1	750	\$338	\$293	\$878	\$0.39	\$45.50	\$10.50
TC (60%)	3	1	1	750	406	361	1,082	0.48	45.50	10.50
TC (50%)	10	2	1.5	900	406	353	3,530	0.39	53.00	10.50
TC (60%)	10	2	1.5	900	487	434	4,340	0.48	53.00	10.50
TC (50%)	15	3	2	1,100	469	405	6,075	0.37	64.00	10.50
TC (60%)	15	3	2	1,100	563	499	7,485	0.45	64.00	10.50
TC (50%)	2	4	2	1,250	523	449	897	0.36	74.50	10.50
TC (60%)	2	4	2	1,250	628	554	1,107	0.44	74.50	10.50
<b>TOTAL:</b>	<b>60</b>		<b>AVERAGE:</b>	<b>1,008</b>	<b>\$482</b>	<b>\$423</b>	<b>\$25,393</b>	<b>\$0.42</b>	<b>\$59.18</b>	<b>\$10.50</b>

<b>INCOME</b>				<b>TDHCA</b>	<b>APPLICANT</b>			
Total Net Rentable Sq Ft 60,500				\$304,716	\$300,648			
<b>POTENTIAL GROSS RENT</b>								
Secondary Income	Per Unit Per Month:	\$10.00		7,200	7,200	\$10.00	Per Unit Per Month	
Other Support Income:				0	0			
<b>POTENTIAL GROSS INCOME</b>				\$311,916	\$307,848			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(23,394)	(23,088)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
<b>EFFECTIVE GROSS INCOME</b>				\$288,522	\$284,760			
<b>EXPENSES</b>	<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>			<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative	5.67%	\$273	\$0.27	\$16,352	\$15,000	\$0.25	\$250	5.27%
Management	5.00%	240	0.24	14,426	14,238	0.24	237	5.00%
Payroll & Payroll Tax	17.32%	833	0.83	49,980	36,000	0.60	600	12.64%
Repairs & Maintenance	8.14%	391	0.39	23,488	34,250	0.57	571	12.03%
Utilities	2.33%	112	0.11	6,723	16,500	0.27	275	5.79%
Water, Sewer, & Trash	4.06%	195	0.19	11,703	19,500	0.32	325	6.85%
Property Insurance	4.19%	202	0.20	12,100	13,244	0.22	221	4.65%
Property Tax 3.217	14.05%	676	0.67	40,534	28,890	0.48	482	10.15%
Reserve for Replacements	4.16%	200	0.20	12,000	12,000	0.20	200	4.21%
Other: compl. fees, spt svc	1.56%	75	0.07	4,500	4,500	0.07	75	1.58%
<b>TOTAL EXPENSES</b>	<b>66.48%</b>	<b>\$3,197</b>	<b>\$3.17</b>	<b>\$191,806</b>	<b>\$194,122</b>	<b>\$3.21</b>	<b>\$3,235</b>	<b>68.17%</b>
<b>NET OPERATING INC</b>	<b>33.52%</b>	<b>\$1,612</b>	<b>\$1.60</b>	<b>\$96,716</b>	<b>\$90,638</b>	<b>\$1.50</b>	<b>\$1,511</b>	<b>31.83%</b>
<b>DEBT SERVICE</b>								
First Lien Mortgage	26.82%	\$1,290	\$1.28	\$77,373	\$77,373	\$1.28	\$1,290	27.17%
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%
<b>NET CASH FLOW</b>	<b>6.70%</b>	<b>\$322</b>	<b>\$0.32</b>	<b>\$19,343</b>	<b>\$13,265</b>	<b>\$0.22</b>	<b>\$221</b>	<b>4.66%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>				1.25	1.17			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>				1.25				

<b>CONSTRUCTION COST</b>					<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Acquisition Cost (site or blk)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$100,000	\$100,000	\$1.65	\$1,667	1.82%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.69%	8,475	8.40	508,475	508,475	8.40	8,475	9.27%
Direct Construction		53.25%	46,564	46.18	2,793,820	2,950,090	48.76	49,168	53.80%
Contingency	5.00%	3.15%	2,752	2.73	165,115	172,928	2.86	2,882	3.15%
General Require	6.00%	3.78%	3,302	3.28	198,138	207,514	3.43	3,459	3.78%
Contractor's G & A	2.00%	1.26%	1,101	1.09	66,046	69,171	1.14	1,153	1.26%
Contractor's Pro	6.00%	3.78%	3,302	3.28	198,138	207,514	3.43	3,459	3.78%
Indirect Construction		3.74%	3,267	3.24	196,000	196,000	3.24	3,267	3.57%
Ineligible Costs		1.90%	1,660	1.65	99,595	99,595	1.65	1,660	1.82%
Developer's G & A	2.00%	1.64%	1,432	1.42	85,950	90,069	1.49	1,501	1.64%
Developer's Profit	13.00%	10.65%	9,311	9.23	558,673	605,448	10.01	10,091	11.04%
Interim Financing		3.27%	2,863	2.84	171,752	171,752	2.84	2,863	3.13%
Reserves		2.00%	1,750	1.74	105,000	105,000	1.74	1,750	1.91%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$87,445</b>	<b>\$86.72</b>	<b>\$5,246,701</b>	<b>\$5,483,556</b>	<b>\$90.64</b>	<b>\$91,393</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>74.90%</b>	<b>\$65,496</b>	<b>\$64.95</b>	<b>\$3,929,731</b>	<b>\$4,115,692</b>	<b>\$68.03</b>	<b>\$68,595</b>	<b>75.06%</b>

<b>SOURCES OF FUNDS</b>				<b>RECOMMENDED</b>		
First Lien Mortgage	17.15%	\$15,000	\$14.88	\$900,000	\$900,000	\$900,000
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	84.27%	\$73,688	\$73.08	4,421,283	4,421,283	4,293,324
Deferred Developer Fees	3.09%	\$2,705	\$2.68	162,273	162,273	290,232
Additional (excess) Funds Req	-4.51%	(\$3,948)	(\$3.91)	(236,855)	0	0
<b>TOTAL SOURCES</b>				<b>\$5,246,701</b>	<b>\$5,483,556</b>	<b>\$5,483,556</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Villa Hermosa, 9% LIHTC #02037*

**DIRECT CONSTRUCTION COST ESTIMATE**  
Residential Cost Handbook  
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 46.66	\$2,822,649
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.92	\$176,416
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.15)	(69,634)
Floor Cover			2.43	147,015
Porches/Balconies	\$28.10	10,818	5.02	303,986
Plumbing	\$675	74	0.83	49,950
Built-In Appliances	\$2,000	60	1.98	120,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	110,715
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$57.39	2,800	2.66	160,688
Other:			0.00	0
<b>SUBTOTAL</b>			<b>63.17</b>	<b>3,821,785</b>
Current Cost Multiplier	1.04		2.53	152,871
Local Multiplier	0.86		(8.84)	(535,050)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$56.85</b>	<b>\$3,439,606</b>
Plans, specs, survy, b	3.90%		(\$2.22)	(\$134,145)
Interim Construction In	3.38%		(1.92)	(116,087)
Contractor's OH & Prof	11.50%		(6.54)	(395,555)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$46.18</b>	<b>\$2,793,820</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$900,000	Term	360
Int Rate	7.75%	DCR	1.25

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

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.25

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$77,373
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$19,343</b>

<b>Primary</b>	\$900,000	Term	360
Int Rate	7.75%	DCR	1.25

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

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

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

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		\$304,716	\$313,857	\$323,273	\$332,971	\$342,961	\$397,585	\$460,910	\$534,321	\$718,083
Secondary Income		7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		311,916	321,273	330,912	340,839	351,064	406,980	471,801	546,947	735,050
Vacancy & Collection Los		(23,394)	(24,096)	(24,818)	(25,563)	(26,330)	(30,523)	(35,385)	(41,021)	(55,129)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$288,522	\$297,178	\$306,093	\$315,276	\$324,734	\$376,456	\$436,416	\$505,926	\$679,922
<b>EXPENSES at 4.00%</b>										
General & Administrative		\$16,352	\$17,006	\$17,687	\$18,394	\$19,130	\$23,274	\$28,317	\$34,452	\$50,997
Management		\$14,426	\$14,859	\$15,305	\$15,764	\$16,237	\$18,823	\$21,821	\$25,296	\$33,996
Payroll & Payroll Tax		\$49,980	\$51,979	\$54,058	\$56,221	\$58,470	\$71,137	\$86,549	\$105,300	\$155,870
Repairs & Maintenance		\$23,488	\$24,427	\$25,404	\$26,421	\$27,477	\$33,431	\$40,673	\$49,485	\$73,250
Utilities		\$6,723	\$6,992	\$7,271	\$7,562	\$7,865	\$9,569	\$11,642	\$14,164	\$20,966
Water, Sewer & Trash		\$11,703	\$12,171	\$12,658	\$13,165	\$13,691	\$16,657	\$20,266	\$24,657	\$36,498
Insurance		\$12,100	\$12,584	\$13,087	\$13,611	\$14,155	\$17,222	\$20,953	\$25,493	\$37,736
Property Tax		\$40,534	\$42,156	\$43,842	\$45,595	\$47,419	\$57,693	\$70,192	\$85,399	\$126,412
Reserve for Replacements		\$12,000	\$12,480	\$12,979	\$13,498	\$14,038	\$17,080	\$20,780	\$25,282	\$37,424
Other		\$4,500	\$4,680	\$4,867	\$5,062	\$5,264	\$6,405	\$7,793	\$9,481	\$14,034
TOTAL EXPENSES		\$191,806	\$199,334	\$207,159	\$215,293	\$223,747	\$271,290	\$328,986	\$399,010	\$587,183
NET OPERATING INCOME		\$96,716	\$97,844	\$98,934	\$99,984	\$100,988	\$105,166	\$107,430	\$106,916	\$92,738
<b>DEBT SERVICE</b>										
First Lien Financing		\$77,373	\$77,373	\$77,373	\$77,373	\$77,373	\$77,373	\$77,373	\$77,373	\$77,373
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		\$19,343	\$20,471	\$21,562	\$22,611	\$23,615	\$27,793	\$30,057	\$29,543	\$15,366
DEBT COVERAGE RATIO		1.25	1.26	1.28	1.29	1.31	1.36	1.39	1.38	1.20

**LIHTC Allocation Calculation - Villa Hermosa, 9% LIHTC #02037**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$100,000	\$100,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$508,475	\$508,475	\$508,475	\$508,475
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$2,950,090	\$2,793,820	\$2,950,090	\$2,793,820
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$69,171	\$66,046	\$69,171	\$66,046
Contractor profit	\$207,514	\$198,138	\$207,514	\$198,138
General requirements	\$207,514	\$198,138	\$207,514	\$198,138
<b>(5) Contingencies</b>	\$172,928	\$165,115	\$172,928	\$165,115
<b>(6) Eligible Indirect Fees</b>	\$196,000	\$196,000	\$196,000	\$196,000
<b>(7) Eligible Financing Fees</b>	\$171,752	\$171,752	\$171,752	\$171,752
<b>(8) All Ineligible Costs</b>	\$99,595	\$99,595		
<b>(9) Developer Fees</b>			\$672,517	
Developer overhead	\$90,069	\$85,950		\$85,950
Developer fee	\$605,448	\$558,673		\$558,673
<b>(10) Development Reserves</b>	\$105,000	\$105,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$5,483,556</b>	<b>\$5,246,701</b>	<b>\$5,155,960</b>	<b>\$4,942,106</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$5,155,960	\$4,942,106
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$6,702,748	\$6,424,737
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$6,702,748	\$6,424,737
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$565,712	\$542,248
<b>Syndication Proceeds</b>		<b>0.7589</b>	<b>\$4,293,324</b>	<b>\$4,115,249</b>

**TDHCA #**

**02043**

**Region 8B**

**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: **King's Crossing**

TDHCA #: **02043**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region:	8B	LIHTC Primary Set Aside:	G
Site Address:	1700 block Corral Avenue	Additional Elderly Set Aside	<input type="checkbox"/>
City:	Kingsville	Purpose / Activity:	NC
County:	Kleberg	Development Type:	Family
Zip Code:	78363	<input checked="" type="checkbox"/> TTC	<input type="checkbox"/> DDA <input type="checkbox"/> QCT

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

Special Needs: Units for

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Affordable Housing of Kingsville II, LP

Principal Names:	Principal Contact:	Percentage Ownership:
Texas Housing Associates, Inc.	Mark Musemeche	50 %
Housing Associates, Inc.	Dan Allgeier	50 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$777,472** Allocation over 10 Years: **\$7,774,720**  
 Credits Requested: **\$779,906** Eligible Basis Amount: **\$777,472** Equity/Gap Amount: **\$807,207**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	2	0	0	0	2
40%	0	13	13	10	0	0	36
50%	0	21	16	11	0	0	48
60%	0	8	11	15	0	0	34
MR	0	0	0	0	0	0	0
Total	0	42	42	36	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$7,315,614**  
 Gross Building Square Feet: 120,544  
 Total NRA SF: 113,124  
 Gross/Net Rentable: 1.07  
 Average Square Feet/Unit: 943  
 Cost Per Net Rentable Square Foot: \$64.67  
 Credits per Low Income Unit: \$6,479

Total LI Units: 120  
 Owner/Employee Units: 0  
 Total Project Units: 120  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$489,979  
 Total Expenses: \$348,976  
 Net Operating Income: \$141,003  
 Estimated 1st Year Debt Coverage Ratio: 1.25

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Kingsway Development Group, LLC	Market Analyst:	Ipser & Associates
Housing GC:	Alpha Construction Company	Originator/UW:	MuniMae Midland, LLC
Infrastructure GC:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Steve Golvach
Architect:	Holcomb Musemeche Associates	Supp Services:	Community Action Corp.of South Texas
Property Manager:	Integrity Management	Accountant:	Novogradac & Company, LLP
Engineer:	NA	Permanent Lender:	MuniMae Midland
Syndicator:	Midland Equity Corporation		

**DEPARTMENT EVALUATION**

Points Awarded: 145 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: King's Crossing

Project Number: 02043

**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.: Irma Rangel, Dist. 35 S	
TX Sen.: Carlos Truan, Dist. 20	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Should the requested Housing Trust Fund not be awarded to the development, the permanent loan structure must be revised to provide for a debt service of at least \$115,648 or an alternative financing structure acceptable to the department.

**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 8B.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

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

**Project ID #:** 02043

LIHTC 9%  LIHTC 4%

**Project Name:** King's Crossing

HOME

HTF

**Project City:** Kingsville

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 3

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

**Completed by** Jennifer Joyce **Completed on** 05/07/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

DATE: June 5, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02043

**DEVELOPMENT NAME**

King's Crossing

**APPLICANT**

**Name:** Affordable Housing of Kingsville II, LP      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1013 Van Buren Street      **City:** Houston      **State:** TX  
**Zip:** 77019    **Contact:** Mark Musemeche      **Phone:** (712) 522-4141    **Fax:** (713) 522-9775

**PRINCIPALS of the APPLICANT**

**Name:** Texas Housing Associates, Inc.      **(%):** 0.005      **Title:** Managing General Partner  
**Name:** Housing Associates, Inc.      **(%):** 0.005      **Title:** Co-General Partner  
**Name:** MuniMae Midland, LLC      **(%):** 99.99      **Title:** Limited Partner  
**Name:** Laura Musemeche      **(%):** N/A      **Title:** 51% owner of Managing GP  
**Name:** Mark Musemeche      **(%):** N/A      **Title:** 49% owner of Managing GP  
**Name:** Dan Allgeier      **(%):** N/A      **Title:** 100% owner of Co-GP

**MANAGING GENERAL PARTNER**

**Name:** Texas Housing Associates, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1013 Van Buren Street      **City:** Houston      **State:** TX  
**Zip:** 77019    **Contact:** Mark Musemeche      **Phone:** (712) 522-4141    **Fax:** (713) 522-9775

**CO-GENERAL PARTNER**

**Name:** Housing Associates, Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 17103 Preston Road, #109N      **City:** Dallas      **State:** TX  
**Zip:** 75248    **Contact:** Dan Allgeier      **Phone:** (972) 991-8606    **Fax:** (972) 991-8766

**PROPERTY LOCATION**

**Location:** 1700 block Corral Avenue       QCT     DDA  
**City:** Kingsville      **County:** Kleburg      **Zip:** 78363

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
① \$779,906	N/A	N/A	N/A
② \$110,000	1%	30 yrs	30 yrs
② \$30,000	N/A	N/A	N/A

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

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

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

SITE DESCRIPTION			
<b>Size:</b> <u>10</u> acres	<u>435,600</u> square feet	<b>Zoning/ Permitted Uses:</b> <u>R-3/Multifamily</u>	
<b>Flood Zone Designation:</b> <u>Zone X</u>	<b>Status of Off-Sites:</b> <u>Partially Improved</u>		

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 120    **# Rental Buildings:** 10    **# Common Area Bldgs:** 2    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
42	1	1	750
42	2	2	980
36	3	2	1,124

**Net Rentable SF:** 113,124    **Av Un SF:** 943    **Common Area SF:** 6,622    **Gross Bldng SF** 119,746

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, fitness facility, kitchen, restrooms, daycare facility, central mailroom, swimming pool, equipped children's play area

**Uncovered Parking:** 230 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**OTHER SOURCES of FUNDS**

**LONG TERM/PERMANENT FINANCING**

**Source:** MuniMae Midland    **Contact:** John Mullaney

**Principal Amount:** \$1,181,645    **Interest Rate:** Lender Index + 40 bps, 125 bps collar, 8% lender underwriting rate

**Additional Information:** \$1,942,219 for 24 months at Prime + 1%, minimum of 6%

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

**Annual Payment:** \$104,040    **Lien Priority:** 1<sup>st</sup>    **Commitment Date** 02/ 13/ 2002

**LIHTC SYNDICATION**

**Source:** MuniMae Midland    **Contact:** Mark George

**Address:** 33 N Garden Avenue    **City:** Clearwater

**State:** FL    **Zip:** 33755    **Phone:** (727) 461-4801    **Fax:** (727) 443-6067

**Net Proceeds:** \$5,921,355    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢

**Commitment**     None     Firm     Conditional    **Date:** 02/ 14/ 2002

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

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

**APPLICANT EQUITY**

**Amount:** \$72,614                      **Source:** Deffered Developer Fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 22.64 acres</b>	<u>\$113,920</u>	<b>Assessment for the Year of:</b>	<u>2001</u>
<b>1 acre:</b>	<u>\$5,032</u>	<b>Valuation by:</b>	<u>Kleburg County Appraisal District</u>
<b>Prorated Land: 10 acre</b>	<u>\$50,320</u>	<b>Tax Rate:</b>	<u>3.00715</u>

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Option Agreement (10 acres)

**Contract Expiration Date:** 10/ 15/ 2002    **Anticipated Closing Date:** 09/ 10/ 2002

**Acquisition Cost:** \$ 50,000    **Other Terms/Conditions:** \$500 option fee; \$5K per acre price

**Seller:** GARCO                                      **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** King's Crossing is a proposed new construction development of 120 units of affordable housing located in Kingsville, Kleburg County. The development is comprised of ten residential buildings as follows:

- Five Building Type I with eight one-bedroom units and eight two-bedroom units; and
- Four Building Type II with eight three-bedroom units; and
- One Building Type III with two one-bedroom units, two two-bedroom units and four three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community and supportive services buildings located on either end of the site. The 3,120 square foot community building plan includes a large club room, business center, theater/activity room, conference room, kitchen, fitness center and restrooms as well as leasing/management offices. The 3,575 square foot supportive services building plan includes three classrooms, a multipurpose room, kitchen and restrooms as well as a reception area.

**Supportive Services:** The Applicant has contracted with Community Action Corporation of South Texas to provide a daycare through the Early Head Start and Head Start. The development will be responsible for water, sewer and trash costs, which are estimated at \$200 per month, and Community Action will pay nominal annual rent of \$10 for use of the supportive services building.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100%) will be reserved for low-income tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 33 units (27.5%) will be reserved for households earning 40% or less of AMGI, 48 of the units (40%) will be reserved for households earning 50% or less of AMGI, and 34 units (28%) will be reserved for households earning 60% or less of AMGI.

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

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

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 25, 2002 was prepared by Ipser and Associates and highlighted the following findings:

**Definition of Market/Submarket:** “A primary market area includes Kingsville and the remainder of Kleburg County with a secondary market extending north into the southern part of Nueces County near the community of Bishop.” (p. 2-5)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	8	4%	8	1%
Resident Turnover	170	87%	688	99%
Other Sources: 10%	18	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>196</b>	<b>100%</b>	<b>696</b>	<b>100%</b>

Ref: p. 3-4

**Capture Rate:** “The proposed development’s 120 LIHTC units represent a 53.3% capture of the estimated total 225 income-qualified households.” (p. 3-3) The Underwriter calculated a concentration capture rate of 17% based upon a supply of unstabilized comparable affordable units of the subject 120 divided by a revised demand of 696. Either rate is acceptable since Kingsville is not a PMSA or MSA and therefore is a rural community for which the capture rate can be a maximum of 100% of demand.

**Market Rent Comparables:** The market analyst surveyed 21 comparable apartment projects including 17 private market conventional locations and four rental assisted projects. (p. 2-19)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>1-Bedroom (40%)</b>	\$233	\$235	-\$2	\$515	-\$282
<b>1-Bedroom (50%)</b>	\$303	\$305	-\$2	\$515	-\$212
<b>1-Bedroom (60%)</b>	\$373	\$375	-\$2	\$515	-\$142
<b>2-Bedroom (30%)</b>	\$196	\$197	-\$1	\$611	-\$415
<b>2-Bedroom (40%)</b>	\$280	\$282	-\$2	\$611	-\$331
<b>2-Bedroom (50%)</b>	\$364	\$366	-\$2	\$611	-\$247
<b>2-Bedroom (60%)</b>	\$448	\$450	-\$2	\$611	-\$163
<b>3-Bedroom (40%)</b>	\$323	\$324	-\$1	\$671	-\$348
<b>3-Bedroom (50%)</b>	\$420	\$421	-\$1	\$671	-\$251
<b>3-Bedroom (60%)</b>	\$517	\$518	-\$1	\$671	-\$154

(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:** “Physical occupancy among the 21...locations was 93.6%, while the economic or leased occupancy rate was 93.8%. Overall, 10 locations reported a physical occupancy rate of 100%, while 9 were 95% occupied or better, and two reported occupancy rates between 80% and 87.1%.” (p. 2-21)

**Absorption Projections:** “Since 1998, no new apartment projects have opened in Kingsville. The best indication of absorption is the high occupancy at Courts of Las Palomas and Hawk’s Landing, both of which were rated in excellent condition and built after 1996. Average absorption for the subject is estimated at 18 to 20 units per month with many prospective tenants from the waiting lists at Las Palomas and the housing authority. It is expected that a 6-month lease-up period will be required to achieve 92.5% occupancy of the 120 units.” (p. 2-23)

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**Known Planned Development:** None noted.

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is located on the south side of E Corral Avenue in the northeastern part of the City of Kingsville, approximately 1.5 miles from downtown. Kingsville is approximately 40 miles southwest of Corpus Christi and 90 miles north of Harlingen.

**Population:** The estimated 2000 population of Kingsville was 25,575 and is expected to increase to approximately 25,780 by 2005. The estimated 2000 population of Kleburg County was 31,549 and is expected to increase to approximately 32,274 by 2005. Within the primary market area (Kleburg County) there were estimated to be 10,896 households in 2000.

**Adjacent Land Uses:** Adjacent land uses include:

- **North:** scattered single family homes small industrial building
- **South:** open space, single family homes, Corral Villa Apartments
- **East:** undeveloped land, US 77
- **West:** open space, Kingsville Lulac Manor, single family homes

**Site Access:** The site is accessed north to south from E Corral Avenue. US Highway 77 runs north/south through Kleburg County and passes through Kingsville. Highway 77 meets I-37 northeast of Kingsville. State Highway 141 runs west through Kingsville to US Highway 281.

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

**Shopping & Services:** City Hall, the Post Office and the library are about 2.25 miles southwest. The elementary, middle and high schools are located within four miles. Texas A&M Kingsville, a four year college with graduate programs, is three miles south of the site. Grocery and retail shopping can be found within four miles of the site, but for a full range of department and specialty shopping, residents commute to Corpus Christi. A hospital and associated clinics are less than five miles south.

**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 Raba-Kistner Consultants, Inc. and contained the following findings and recommendations:

“Based on information reviewed, there was no evidence that the SITE or adjacent properties are currently under environmental regulatory review or enforcement action. R-K’s site reconnaissance and interview sources revealed no recognized environmental conditions involving the SITE. Based on the information as presented herein, no further environmental assessment activities of the SITE are deemed warranted at this time.”

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s use of the 2002 LIHTC rent limits and secondary income and vacancy assumptions that are inline with underwriting guidelines result in an effective gross income estimate that is comparable to the Underwriter’s estimate.

**Expenses:** The Applicant’s total operating expense figure is \$15K or 4% higher than the Underwriter’s TDHCA database-derived estimate. The Underwriter’s estimates were further adjusted based on a historical operating statement for a LIHTC development in the same area currently operated by a principal of the Applicant. However, several of the Applicant’s line-item expense figures also vary by more than 5% or \$1,500 as compared to the Underwriter’s line item estimates. These include: payroll (\$6K higher), repairs and maintenance (\$20K higher), utilities (\$2K higher), water, sewer and trash (\$9K lower), and property tax (\$6K lower).

**Conclusion:** Overall, the Applicant’s net operating income is \$13K or 9% lower than the Underwriter’s estimate. Because this difference is greater than 5%, the Underwriter’s proforma will be used to determine the development’s ability to service debt. Based on the proposed financing structure and the Underwriter’s

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

net operating income estimate, the development will have a debt coverage ratio (DCR) of 1.30, which exceeds the Department's DCR guideline of 1.10 to 1.25. In order to limit the development's DCR to a maximum of 1.25, the total annual debt service should be increased to a minimum of \$113,162.

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is 6.7% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate and therefore the Applicant's construction costs are considered understated.

**Fees and Adjustments:** No adjustments to fees or other expenses were noted.

**Conclusion:** The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's total costs will be used to determine the development's eligible basis and total funding need. The Applicant used an 8.47% applicable percentage, rather than the current 8.44%, and this led to a slight overstatement (\$2,434) of tax credits.

**FINANCING STRUCTURE ANALYSIS**

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

**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through MuniMae Midland in the amount of \$1,942,219 during the interim period and \$1,181,645 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 15 years for the permanent. The permanent loan will be amortized over 30 years at a fixed interest rate based on the Lender Index plus 40 basis points with a 125 basis points collar. The 8% lender underwriting rate was used in this analysis.

**Housing Trust Fund:** The Applicant has requested an HTF loan in the amount of \$110,000 with an interest rate of 1% and amortized over a term of 30 years and a SECO grant in the amount of \$30,000 for energy efficient construction.

**LIHTC Syndication:** MuniMae Midland has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,921,355 based on a syndication factor of 76%. The funds would be disbursed in a three-phased pay-in schedule:

1. 36.5% upon admission to the partnership and closing of the construction loan;
2. 36.5% upon completion of the development and receipt of cost and credit certification; and
3. 27% upon closing of the permanent loan, receipt of Form 8609, 90% physical occupancy for 90 consecutive days, and 1.15 debt service coverage for 90 days.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$72,614 amount to 8% of the total proposed fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost estimate was used to determine the development's eligible basis of \$7,085,967. Based on this figure, the recommended annual tax credit allocation is \$777,472, or \$2,434 less than requested. This difference is due to the Applicant's use of an overstated applicable percentage of 8.47% rather than the current underwriting rate of 8.44%. The result is a decrease in anticipated syndication proceeds of \$13,156.

As stated above, the Underwriter's net operating income estimate results in a debt coverage ratio (DCR) of 1.30, which exceeds the Department's DCR guideline of 1.10 to 1.25. In order to limit the development's DCR to a maximum of 1.25, the total annual debt service should be increased to a minimum of \$113,162. A Housing Trust Fund loan in the requested amount of \$110,000 is recommended, but with an interest rate of 3% and term of 15 years, amortized over 15 years. The resulting debt service provides for a total debt coverage ratio of 1.25, which is equal to the Department's maximum DCR guideline.

With the recommended HTF loan, SECO grant, and tax credit allocation, the developer would be required to defer \$85,770 in fees. Deferred developer fees in this amount appear to be repayable from cashflow within three years of stabilized operation. However, should the requested Housing Trust Funds not

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CREDIT UNDERWRITING ANALYSIS**

be awarded to the development, the permanent loan structure must be revised to provide for a debt service of at least \$113,162. Based on the proposed terms, the loan amount would increase sufficiently to maintain repayable deferred developer fees at less than 50% of the total eligible amount.

**REVIEW of ARCHITECTURAL DESIGN**

The submitted unit plans indicate ample storage space including walk-in closets in the majority of the bedrooms, a coat closet at the entrance and a pantry in the kitchen. The plans also include a built-in computer work station and washer/dryer closets. Each unit has a private balcony/porch and is accessed from a common breezeway. The building exteriors are typical combination brick/siding and reflect the architectural design elements common to recently-funded LIHTC developments. The two common area buildings are large and include many tenant-accessible areas. The proposed exteriors will conform with the residential buildings.

**IDENTITIES of INTEREST**

The Applicant, principals of the General Partners, developer, general contractor and architect are related entities. These identities of interest are common for LIHTC-funded developments.

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

**Financial Highlights:**

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Texas Housing Associates, Inc., the managing General Partner, provided a financial statement as of February 20, 2002 indicating total assets of \$2.2M comprised of cash, receivables and real property. Total liabilities equaled \$31K for a net worth of \$2.17M.
- Mark and Laura Musemeche, principals of the managing General Partner provided a joint financial statement.
- Dan Allgeier, principal of the co-General Partner, also provided a financial statement.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the development.
- Principals of Texas Housing Associates, Inc., the managing General Partner, indicates participation in five LIHTC developments totaling 530 units since 1997 and 18 HUD developments totaling 1,061 units since 1991.
- Dan Allgeier, principal of the co-General Partner, indicates participation in six USDA and five LIHTC developments totaling 768 units since 1996.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$777,472 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
  
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$110,000, STRUCTURED AS A 15-YEAR TERM LOAN, FULLY AMORTIZING OVER 15 YEARS AT 3% INTEREST AND A SECO GRANT OF \$30,000, SUBJECT TO CONDITIONS.



**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**King's Crossing, Kingsville, LIHTC 02043**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Fd Util	WCR, Swr, Trash
TC 40%	13	1	1	750	\$280	\$235	\$3,050	\$0.31	\$45.41	\$30.87
TC 50%	21	1	1	750	350	305	6,396	0.41	45.41	30.87
TC 60%	8	1	1	750	420	375	2,997	0.50	45.41	30.87
HTF/TC 30%	2	2	2	980	252	197	393	0.20	55.35	33.43
TC 40%	13	2	2	980	337	282	3,661	0.29	55.35	33.43
TC 50%	16	2	2	980	421	366	5,850	0.37	55.35	33.43
TC 60%	11	2	2	980	505	450	4,946	0.46	55.35	33.43
TC 40%	10	3	2	1,124	389	324	3,242	0.29	64.80	34.97
TC 50%	11	3	2	1,124	486	421	4,633	0.37	64.80	34.97
TC 60%	15	3	2	1,124	583	518	7,773	0.46	64.80	34.97
<b>TOTAL:</b>	<b>120</b>		<b>AVERAGE:</b>	<b>943</b>	<b>\$413</b>	<b>\$358</b>	<b>\$42,942</b>	<b>\$0.38</b>	<b>\$54.71</b>	<b>\$33.00</b>

**INCOME**

Total Net Rentable Sq Ft: 113,124

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.48%	\$183	\$0.19
Management	5.00%	204	0.22
Payroll & Payroll Tax	12.25%	500	0.53
Repairs & Maintenance	10.66%	435	0.46
Utilities	4.10%	167	0.18
Water, Sewer, & Trash	9.70%	396	0.42
Property Insurance	4.62%	189	0.20
Property Tax	14.73%	601	0.64
Reserve for Replacements	4.90%	200	0.21
Supportive Services, Compliance	0.80%	33	0.03
<b>TOTAL EXPENSES</b>	<b>71.22%</b>	<b>\$2,908</b>	<b>\$3.08</b>

**NET OPERATING INC**

28.78% \$1,175 \$1.25

**DEBT SERVICE**

First Lien Mortgage	21.23%	\$867	\$0.92
Housing Trust Fund	0.87%	\$35	\$0.04
Housing Trust Fund	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>6.68%</b>	<b>\$273</b>	<b>\$0.29</b>

**AGGREGATE DEBT COVERAGE RATIO**

**ALTERNATIVE DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		0.66%	\$417	\$0.44
Off-Sites		0.00%	0	0.00
Sitework		8.67%	5,500	5.83
Direct Construction		57.77%	36,642	38.87
Contingency	4.29%	2.85%	1,809	1.92
General Requiremer	5.65%	3.75%	2,380	2.53
Contractor's G & I	1.88%	1.25%	793	0.84
Contractor's Prof:	5.65%	3.75%	2,380	2.53
Indirect Construction		3.60%	2,286	2.42
Ineligible Costs		0.32%	205	0.22
Developer's G & A	1.30%	1.11%	702	0.74
Developer's Profit	13.00%	11.03%	6,997	7.42
Interim Financing		3.20%	2,029	2.15
Reserves		2.04%	1,292	1.37
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$63,433</b>	<b>\$67.29</b>
<b>Recap-Hard Construction Costs</b>		<b>78.04%</b>	<b>\$49,506</b>	<b>\$52.51</b>

**SOURCES OF FUNDS**

First Lien Mortgage	15.52%	\$9,847	\$10.45
Housing Trust Fund	1.45%	\$917	\$0.97
SECO Grant	0.39%	\$250	\$0.27
LIHTC Syndication Proceeds	77.79%	\$49,345	\$52.34
Deferred Developer Fees	0.95%	\$605	\$0.64
Additional (excess) Funds Require	3.89%	\$2,469	\$2.62
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT			
	\$515,307	\$513,180			
	14,400	18,720	\$13.00	Per Unit Per Month	
	0	0			
	\$529,707	\$531,900			
	(39,728)	(39,888)	-7.50%	of Potential Gross Rent	
	0	0			
	\$489,979	\$492,012			
			PER SQ FT	PER UNIT	% OF EGI
	21,936	\$22,500	\$0.20	\$188	4.57%
	24,499	24,600	0.22	205	5.00%
	60,031	65,700	0.58	548	13.35%
	52,212	72,140	0.64	601	14.66%
	20,088	22,000	0.19	183	4.47%
	47,514	39,000	0.34	325	7.93%
	22,625	24,000	0.21	200	4.88%
	72,172	66,000	0.58	550	13.41%
	24,000	24,000	0.21	200	4.88%
	3,900	3,900	0.03	33	0.79%
	\$348,976	\$363,840	\$3.22	\$3,032	73.95%
	\$141,003	\$128,172	\$1.13	\$1,068	26.05%
	\$104,046	\$109,442	\$0.97	\$912	22.24%
	4,246	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$32,712	\$18,730	\$0.17	\$156	3.81%
	1.30	1.17			
	1.25				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$50,000	\$50,000	\$0.44	\$417	0.68%
	0	0	0.00	0	0.00%
	660,000	660,000	5.83	5,500	9.02%
	4,397,080	4,100,745	36.25	34,173	56.05%
	217,090	217,090	1.92	1,809	2.97%
	285,645	285,645	2.53	2,380	3.90%
	95,215	95,215	0.84	793	1.30%
	285,645	285,645	2.53	2,380	3.90%
	274,277	274,277	2.42	2,286	3.75%
	24,646	24,646	0.22	205	0.34%
	84,268	0	0.00	0	0.00%
	839,597	923,865	8.17	7,699	12.63%
	243,486	243,486	2.15	2,029	3.33%
	155,000	155,000	1.37	1,292	2.12%
	\$7,611,949	\$7,315,614	\$64.67	\$60,963	100.00%
	\$5,940,675	\$5,644,340	\$49.90	\$47,036	77.15%

	WITH HTF			WITHOUT HTF	
	\$1,181,645	\$1,181,645	\$1,181,645	\$1,285,171	
	110,000	110,000	110,000	0	
	30,000	30,000	30,000	0	
	5,921,355	5,921,355	5,908,199	5,908,199	
	72,614	72,614	85,770	122,244	
	296,335	0	0	0	
	\$7,611,949	\$7,315,614	\$7,315,614	\$7,315,614	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**King's Crossing, Kingsville, LIHTC 02043**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.80	\$4,616,015
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.55	\$288,501
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(110,862)
Floor Cover			1.82	205,886
Porches/Balconies	\$28.10	15,200	3.78	427,120
Plumbing	\$585	234	1.21	136,890
Built-In Appliances	\$1,550	120	1.64	186,000
Exterior Stairs	\$1,350	30	0.36	40,500
Floor Insulation			0.00	0
Heating/Cooling			1.41	159,505
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$52.12	6,622	3.05	345,162
Other:			0.00	0
<b>SUBTOTAL</b>			<b>55.64</b>	<b>6,294,717</b>
Current Cost Multiplier	1.04		2.23	251,789
Local Multiplier	0.82		(10.02)	(1,133,049)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$47.85</b>	<b>\$5,413,457</b>
Plans, specs, survy, bld	3.90%		(\$1.87)	(\$211,125)
Interim Construction Inte	3.38%		(1.62)	(182,704)
Contractor's OH & Profit	11.50%		(5.50)	(622,548)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$38.87</b>	<b>\$4,397,080</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,181,645	Term	360
Int Rate	8.00%	DCR	1.36

<b>Secondary</b>	\$110,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.30

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.30

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$104,046
Secondary Debt Service	9,116
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$27,842</b>

<b>Primary</b>	\$1,181,645	Term	360
Int Rate	8.00%	DCR	1.36

<b>Secondary</b>	\$110,000	Term	180
Int Rate	3.00%	Subtotal DCR	1.25

<b>Additional</b>		Term	0
Int Rate	0.00%	Aggregate DCR	1.25

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$515,307	\$530,767	\$546,690	\$563,090	\$579,983	\$672,359	\$779,449	\$903,595	\$1,214,356
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income: (desc):	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	529,707	545,599	561,967	578,826	596,190	691,148	801,230	928,845	1,248,290
Vacancy & Collection Loss	(39,728)	(40,920)	(42,147)	(43,412)	(44,714)	(51,836)	(60,092)	(69,663)	(93,622)
Employee or Other Non-Renta:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$489,979	\$504,679	\$519,819	\$535,414	\$551,476	\$639,312	\$741,138	\$859,182	\$1,154,668
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$21,936	\$22,814	\$23,726	\$24,675	\$25,662	\$31,222	\$37,986	\$46,216	\$68,411
Management	24,499	25,234	25,991	26,771	27,574	31,966	37,057	42,959	57,733
Payroll & Payroll Tax	60,031	62,432	64,929	67,526	70,227	85,442	103,954	126,475	187,214
Repairs & Maintenance	52,212	54,300	56,472	58,731	61,080	74,314	90,414	110,002	162,830
Utilities	20,088	20,892	21,727	22,596	23,500	28,592	34,786	42,322	62,648
Water, Sewer & Trash	47,514	49,415	51,391	53,447	55,585	67,628	82,279	100,105	148,180
Insurance	22,625	23,530	24,471	25,450	26,468	32,202	39,179	47,667	70,559
Property Tax	72,172	75,058	78,061	81,183	84,431	102,723	124,978	152,055	225,078
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	3,900	4,056	4,218	4,387	4,562	5,551	6,754	8,217	12,163
TOTAL EXPENSES	\$348,976	\$362,690	\$376,946	\$391,763	\$407,166	\$493,798	\$598,946	\$726,584	\$1,069,665
<b>NET OPERATING INCOME</b>	<b>\$141,003</b>	<b>\$141,988</b>	<b>\$142,874</b>	<b>\$143,650</b>	<b>\$144,310</b>	<b>\$145,514</b>	<b>\$142,191</b>	<b>\$132,598</b>	<b>\$85,004</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$104,046	\$104,046	\$104,046	\$104,046	\$104,046	\$104,046	\$104,046	\$104,046	\$104,046
Second Lien	9,116	9,116	9,116	9,116	9,116	9,116	9,116	9,116	9,116
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$27,842</b>	<b>\$28,827</b>	<b>\$29,712</b>	<b>\$30,489</b>	<b>\$31,148</b>	<b>\$32,352</b>	<b>\$29,030</b>	<b>\$19,436</b>	<b>(\$28,158)</b>
DEBT COVERAGE RATIO	1.25	1.25	1.26	1.27	1.28	1.29	1.26	1.17	0.75



**TDHCA #**

**02076**

**Region 8B**

**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: **Laredo Vista II**TDHCA #: **02076****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: G  
 Site Address: Cielito Lindo Blvd. At St. David Additional Elderly Set Aside   
 City: Laredo Purpose / Activity: NC  
 County: Webb Development Type: Family  
 Zip Code: 78046  TTC  DDA  QCT

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

Special Needs: 9 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Laredo Vista, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Laredo Vista Housing Development, LLC	Raul Loya	100 %
Villas Buenas, Inc.	Raul Loya	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$864,275** Allocation over 10 Years: \$8,642,750  
 Credits Requested: \$865,960 Eligible Basis Amount: \$864,275 Equity/Gap Amount: \$893,112

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	1	1	0	0	2
40%	0	0	14	7	3	0	24
50%	0	0	28	14	5	0	47
60%	0	0	27	13	2	0	42
MR	0	0	0	0	0	0	0
Total	0	0	70	35	10	0	

**BUILDING INFORMATION**

Total Development Cost: **\$8,533,000**  
 Gross Building Square Feet: 121,000  
 Total NRA SF: 118,000  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 1,026  
 Cost Per Net Rentable Square Foot: \$72.31  
 Credits per Low Income Unit: \$7,515

Total LI Units: 115  
 Owner/Employee Units: 0  
 Total Project Units: 115  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$508,872  
 Total Expenses: \$368,019  
 Net Operating Income: \$140,853  
 Estimated 1st Year Debt Coverage Ratio: 1.15

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: NA Market Analyst: Butler Burger, Inc.  
 Housing GC: Affordable Housing Construction, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: Affordable Housing Construction Attorney: True & Shackelford  
 Architect: BGO Architects Supp Services: Housing Services of Texas  
 Property Manager: Southwest Housing Mgmt. Accountant: Novogradac & Company, LLP  
 Engineer: Butler Burger  
 Syndicator: Related Capital Company Permanent Lender: American Mortgage Acceptance Co.

**DEPARTMENT EVALUATION**

Points Awarded: 127 Site Review: Acceptable Underwriting Finding: AC

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

## Compliance Status Summary

**Project ID #:** 02076

LIHTC 9%  LIHTC 4%

**Project Name:** Laredo Vista Apartments

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 2

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received No

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

**Completed by** Jo En Taylor **Completed on** 05/30/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **3** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Elizabeth G. Flores, Mayor, S	Mr. Alfredo Agredano, City Councilmember #1, S
TX Rep.: Tracy O. King, Dist. 43	Richard Raymond, State Representative, District 42, S
TX Sen.: Judith Zaffirini, Dist. 21 S	Erasmus Villarreal, Laredo Dept. of Community Dev. Director, S
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of evidence of the site's rezoning for the proposed multifamily use.

Receipt, review, and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from a construction lender that accepts this guarantee to fulfill its guarantee requirement.

**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 8B.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

_____ Michael E. Jones, Chairman of the Board	_____ Date
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**Community Affairs**      Status of Findings (any unresolved issues are listed below)

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

DATE: June 11, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02076

**DEVELOPMENT NAME**

Laredo Vista II

**APPLICANT**

**Name:** Laredo Vista, L.P.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 2911 Turtle Creek Boulevard, Suite 900      **City:** Dallas      **State:** TX  
**Zip:** 75219    **Contact:** Raul Loya      **Phone:** (214) 521-8766    **Fax:** (214) 987-9294

**PRINCIPALS of the APPLICANT**

**Name:** Laredo Vista Housing Devekopment LLC      **(%):** .01      **Title:** Managing General Partner  
**Name:** Related Capital Company      **(%):** 99.99      **Title:** Initial Limited Partner  
**Name:** Villas Buenas, Inc.      **(%):** N/A      **Title:** 100% owner of G.P.  
**Name:** Raul Loya      **(%):** N/A      **Title:** 100% owner of Villas Buenas,

**GENERAL PARTNER**

**Name:** Laredo Vista Housing Development LLC      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 5420 Lyndon B. Johnson Freeway, Suite 1475      **City:** Dallas      **State:** TX  
**Zip:** 75240    **Contact:** Raul Loya      **Phone:** (214) 521-8766    **Fax:** (214) 987-9294

**PROPERTY LOCATION**

**Location:** Cielito Lindo Boulevard at St. David Lane       QCT     DDA  
**City:** Laredo      **County:** Webb      **Zip:** 78046

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$865,960	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 5 acres    217,800 square feet      **Zoning/ Permitted Uses:** R-1A, Single Family Reduced Area District (nonconforming use, zoning change request submitted)  
**Flood Zone Designation:** Zone C      **Status of Off-Sites:** Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 115    **# Rental Buildings:** 7    **# Common Area Bldgs:** \_\_\_\_\_    **# of Floors:** 2    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
70	2	2	950
35	3	2	1,100
10	4	2	1,300

**Net Rentable SF:** 118,000    **Av Un SF:** 1,026    **Common Area SF:** 3,000\*    **Gross Bldg SF** 121,000\*

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

\*Note: 3,000 SF of the 6000-SF community building to be shared with Phase I are included in this application

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 75% stucco/25% masonry veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

6,000-SF community building (shared with Phase I) with activity room, management & supportive services offices, maintenance & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, perimeter fencing with limited access gate

**Uncovered Parking:** 115 spaces    **Carpports:** 115 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

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

**Principal Amount:** \$1,339,000    **Interest Rate:** Approximately 315 basis points over 10-year U.S. Treasury rate, estimated at 8.8%

**Additional Information:** Commitment in amount of up to \$4,100,000

**Amortization:** N/A yrs    **Term:** 1.5 yrs    **Commitment:**     None     Firm     Conditional

**LONG TERM/PERMANENT FINANCING**

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

**Principal Amount:** \$1,339,000    **Interest Rate:** Approximately 285 basis points over 10-year U.S. Treasury rate, estimated & underwritten at 8%

**Additional Information:** Commitment in amount of \$4,100,000

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

**Annual Payment:** \$122,304    **Lien Priority:** 1st    **Commitment Date** 2/ 26/ 2002

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Housing Services of Texas **Contact:** Marti Mascari  
**Principal Amount:** \$150,000 **Interest Rate:** Applicable Federal rate  
**Additional Information:** Soft second subordinate lien, all interest & principal payments accrued & payable at maturity, subsidy for two 30% AMI units, related lender  
**Amortization:** 18 yrs **Term:** 18 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$(None) **Lien Priority:** 2nd **Commitment Date** 12/ 27/ 2001

**LIHTC SYNDICATION**

**Source:** Related Capital Company **Contact:** Justin Ginsberg  
**Address:** 625 Madison Avenue **City:** New York  
**State:** NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550  
**Net Proceeds:** \$6,926,984 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 80¢  
**Commitment**  None  Firm  Conditional **Date:** 2/ 26/ 2002  
**Additional Information:** Commitment letter reflects proceeds of \$7,355,912 based on credits of \$9,195,810

**APPLICANT EQUITY**

**Amount:** \$67,012 **Source:** Deferred developer fee

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land:** \$35,000 (prorated from 21.1803-acre parcel) **Assessment for the Year of:** 2000  
**Building:** N/A **Valuation by:** Webb County Appraisal District  
**Total Assessed Value:** \$35,000

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** General warranty deed with vendor's lien  
**Purchase Closing Date:** 12/ 31/ 2001  
**Acquisition Cost:** \$ 350,000\* **Other Terms/Conditions:** \*For 1/2 of 10-acre parcel  
**Seller:** Cielito Lindo, Ltd. **Related to Development Team Member:** No

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

Laredo Vista was originally submitted as a 160-unit development in the 2001 9% LIHTC cycle and was underwritten in October of 2001 following placement on the waiting list. The report recommended approval of an LIHTC allocation not to exceed \$888,406, subject to the following conditions:

1. Receipt, review, and acceptance of evidence of the site's rezoning for multifamily use;
2. Receipt, review, and acceptance of a revised site plan excluding duplex-style buildings, yet consistent with the proposed unit mix;
3. Receipt, review, and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from a construction lender that accepts this

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

guarantee to fulfill its guarantee requirement; and  
4. Receipt, review and acceptance of an extension of the closing date or closing documents.  
The project subsequently received an allocation of \$299,256, which represented the balance of credits remaining from the 2001 allocation cycle, and the project was downsized to 45 units and achieved carryover. This 45-unit portion of the development is now referred to as Phase I and the current, 115-unit application is referred to as Laredo Vista II.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Laredo Vista II is a proposed new construction development of 115 units of affordable housing located in southeast Laredo. The development is comprised of seven residential buildings as follows:

- Four Building Type A with 12 two-bedroom units and eight three-bedroom units;
- One Building Type B with 20 two-bedroom units;
- One Building Type C with two two-bedroom units, three three-bedroom units, and two four-bedroom units; and
- One Building Type D with eight four-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the eastern half of the ten-acre site, with the community building and swimming pool located on the western (Phase I) portion of the site. The shared 6,000-square foot community building plan includes the management and supportive services offices, a 1,500-square foot community room, a library, kitchen, restrooms, and laundry facilities. 115 carports in groups of six or eight are to be placed throughout the parking areas.

**Supportive Services:** The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: after school and adult education programs, health screenings and immunizations, family counseling and domestic crisis intervention, computer education, emergency assistance and outreach, community outreach, vocational guidance, and social and recreational activities. These services will be optional and provided at no cost to tenants. The Applicant has agreed to pay Housing Services of Texas \$1,500 per month (\$18K/year) for these support services.

**Schedule:** The Applicant anticipates construction to begin in March of 2003, to be completed in March 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. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 24 units (21%) will be reserved for households earning 40% or less of AMGI, 47 units (41%) will be reserved for households earning 50% or less of AMGI, and the remaining 42 units will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Nine units (7%) 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 February 25, 2002 was prepared by Butler Burgher, LLC and highlighted the following findings:

**Definition of Market/Submarket:** “A ten-mile radius was indicated as the best implications for this study because of the concentration of population in this area and the physical northern boundary of ten miles encompasses like income variables as over this range goes into the higher income areas of Laredo” (p. 28)

**Total Regional Market Demand for Rental Units:** “Laredo,...according to the Laredo Chamber of Commerce, is the fastest growing city in Texas and the second fastest growing city in the U. S.” (p. 7)

**Total Local/Submarket Demand for Rental Units:** “Based on the expected demand at the comparable properties and the current waiting list for units, as provided by the Laredo and Webb County Housing Authorities, the Laredo market has sufficient demand for additional low-income units as planned at the subject property.” (p. 3)

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	153	6%	153	3%
Resident Turnover	0	0%	5,601	97%
Other Sources: 10 yrs pent-up demand	2,313	94%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,466</b>	<b>100%</b>	<b>5,754</b>	<b>100%</b>

Ref: p. 29-30

**Capture Rate:** The analyst, using growth and pent-up demand, calculated a capture rate of 8.48% based on the subject and the 120-unit Clark’s Crossing development, but failed to include the adjacent 45-unit Laredo Vista (phase I) development approved in 2001 (p. 31). The Underwriter, using growth and turnover demand and all three developments, calculated a concentration capture rate of 5% based upon a revised supply of 280 unstabilized comparable affordable units divided by a revised demand of 5,753 units.

**Local Housing Authority Waiting List Information:** “The Laredo Housing Authority offers 962 low rent units and 1,252 Section 8 units to qualified residents of Webb County and/or Laredo. New additions to the waiting list are currently not being accepted; however, the waiting period is approximately 6 to 18 months due to the lack of available units.” (p. 25)

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects totaling 1,039 units in the market area. “All of the comparables listed herein are basically competitive with the subject. The comparables are either market properties or LIHTC properties...The subject will be similar to the new LIHTC comparables in terms of amenities, age, and appearance, but will have a somewhat limited amenities package compared to new market units. ” (p. 38)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$187	\$187	\$0	\$574	-\$387
<b>2-Bedroom (40%)</b>	\$269	\$269	\$0	\$574	-\$305
<b>2-Bedroom (50%)</b>	\$350	\$350	\$0	\$574	-\$224
<b>2-Bedroom (60%)</b>	\$431	\$431	\$0	\$574	-\$143
<b>3-Bedroom (30%)</b>	\$213	\$213	\$0	\$625	-\$412
<b>3-Bedroom (40%)</b>	\$307	\$307	\$0	\$625	-\$318
<b>3-Bedroom (50%)</b>	\$401	\$401	\$0	\$625	-\$224
<b>3-Bedroom (60%)</b>	\$495	\$495	\$0	\$625	-\$130
<b>4-Bedroom (40%)</b>	\$338	\$338	\$0	\$630	-\$292
<b>4-Bedroom (50%)</b>	\$442	\$442	\$0	\$630	-\$188
<b>4-Bedroom (60%)</b>	\$547	\$547	\$0	\$630	-\$83

(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:** “According to our survey, occupancies of units that are not in lease-up are between 92% and 100%...” (p. 31)

**Absorption Projections:** “An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a five-month absorption period to obtain 93% physical occupancy.” (p. 31)

**Known Planned Development:** “Only one new tax credit community has been approved, Clark’s Crossing [120 units], which will be located within the ten-mile radius of the subject site; however, construction has not started.” (p. 2) As mentioned above, the adjacent 45-unit Phase I of Laredo Vista was not identified by the analyst.

**Effect on Existing Housing Stock:** “Due to sufficient demand, the new units should not negatively impact the existing affordable housing properties.” (p. 3)

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

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Laredo is located in south Texas on the Mexican border, approximately 150 miles southwest from San Antonio in Webb County. The site is an irregularly-shaped parcel located in the southeastern area of the city, approximately six miles from the central business district. The site is situated on the south side of Cielito Lindo Boulevard.

**Population:** The estimated 2000 population of a ten-mile radius of the site was 189,468 and is expected to increase by 8.7% to approximately 206,019 by 2005. Within the primary market area there were estimated to be 49,470 households in 2002.

**Adjacent Land Uses:** The site is located in a developing area south of the city, and land uses are predominantly residential and vacant land, along with a new school. Adjacent land uses include:

- **North:** Cielito Lindo Boulevard with vacant land beyond
- **South:** St. Luke Boulevard (unpaved) with vacant land beyond
- **East:** St. David Lane with LBJ High School beyond
- **West:** St. Isaac Lane with new single-family residential beyond

**Site Access:** Access to the property is from the east or west along Cielito Lindo Boulevard or the north or south from St. David Lane. The combined (Phases I and II) development is to have main entries, one from Cielito Lindo Boulevard (Phase I) and one from St. David Lane (Phase II). Access to U.S. Highway 83 is one mile west, which provides connections to all other major roads serving the Laredo area.

**Public Transportation:** Public transportation to the area is provided by the city bus system, with the nearest stop  $\frac{3}{4}$  mile north of the site.

**Shopping & Services:** The site is within two miles of major grocery/pharmacies and other retail establishments and restaurants along Highway 83. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The site is currently zoned R1-A, which allows only for single-family development. The Applicant has filed a rezoning request, and receipt, review, and acceptance of evidence of the site's rezoning for multifamily use is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 1, 2001 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 Butler Burgher, Inc. and contained the following findings and recommendations: "Based on existing conditions observed at the subject and adjacent property on the day of inspection, there was no evidence of recognized environmental conditions...No further investigation/assessment is warranted at this time..." (p. 14)

**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. The Applicant used Laredo's utility allowances to calculate tenant-paid utilities, but as Laredo's allowances do not have an air conditioning allowance the Applicant used the Hidalgo County air conditioning allowance of \$18-\$28.80/unit as a proxy, which the Underwriter regards as reasonable and prudent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant stated that the 115 carports will be available to tenants at no cost.

**Expenses:** The Applicant's estimate of total operating expense is within 2% of 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 (\$22K lower), management (\$14.7K lower), payroll (\$48.4K lower), utilities (\$68K higher), water, sewer, and trash (\$26.3K higher), insurance (\$4.9K lower), and property tax (\$11.3K lower). The Applicant overstated compliance fees by \$2,875.

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

**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 \$350,000 (\$0.16/SF or \$7K/acre), although ten times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,175 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is within 1% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant incorrectly included \$15K 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 general requirements, contractor's general and administrative fees, and contractor's profit very slightly exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees of \$5,232 in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also slightly exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$785.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$7,877,096 is used to determine a credit allocation of \$864,275 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

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

**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 \$4,100,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of 12 or 18 months for the construction portion and 18 years for the permanent, with a 30-year amortization schedule. The interest rate during the permanent loan will be a variable rate defined as approximately 285 basis points over the ten-year U.S. Treasury rate. This rate is currently approximately 8.5%. The maximum interest rate for underwriting this cycle has been 8% and this is the rate both the Underwriter and Applicant used. The construction loan interest rate will be 30 basis points over the permanent loan rate; both rates will be fixed at construction loan closing. The Applicant intends to use \$3.9M of this commitment for the interim construction loan and to fund the remainder of the construction phase with \$4.25M in LIHTC syndication proceeds, the loan from the services provider, and \$232,996 from internal sources. The Applicant intends to use only \$1,389,000 for the permanent mortgage loan and to fund the remainder of the permanent phase with LIHTC syndication proceeds of \$6,926,984, the private loan of \$150,000, and \$67,012 in deferred developer fees.

**LIHTC Syndication:** Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows anticipated net proceeds of \$7,355,912 based on an allocation of \$919,581 and a syndication factor of 80%. The Applicant's request is in the amount of \$865,960, however, which would yield approximately \$6,926,984, and this amount was used in the sources and uses of funds statement. The commitment requires Southwest Housing Development Company, Inc. to guarantee the obligations of the General Partner. The syndication proceeds would be disbursed in a five-phased pay-in schedule:

1. 10% upon admission to the partnership;

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

2. 15% upon completion of 50% construction;
3. 25% upon completion of 75% of construction;
4. 30% upon completion of construction;
5. 20% upon the latest to occur of: closing of the permanent mortgage loan, receipt of IRS Forms 8609, achievement of both 93% occupancy and a DCR of 1.15 for three consecutive months, attainment of breakeven operating status.

**Private Loan:** The nonprofit supportive services provider, Housing Services of Texas, Inc., has committed to provide a secondary mortgage loan of \$150,000 to subsidize the two 30% AMI units. The term of the loan is to be 18 years with an interest rate based upon the Applicable Federal Rate, with all principal and interest payments deferred until final maturity. The repayment of this loan is in question when considered with the deferred developer fee at the current AFR interest rate. It is likely that the terms of this note will need to be renegotiated prior to closing or at the end of the term.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$67,012 amount to 7% of the total fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$864,275 annually for ten years, resulting in syndication proceeds of approximately \$6,913,508. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$88,665, which represents approximately 9% of available fees and which should be repayable within approximately six years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in mixed two- and three-story walk-up structures with stucco and masonry veneer exterior wall finish and hipped and gabled roofs. All units are of average size for market rate and LIHTC units, and have covered patios or balconies, outdoor storage closets, and utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units.

**IDENTITIES of INTEREST**

The general contractor, Affordable Housing Construction, is controlled by Brian Potashnik, as is the property manager, Southwest Housing Management Corporation, and the developer of Phase I, Southwest Housing Development Corporation, Inc. These appear to be acceptable relationships. The non-profit supportive services provider, Housing Services of Texas, Inc. is also providing the second lien loan to subsidize the 30% AMI units, and is chaired by Cheryl Potashnik, wife of Brian Potashnik. Bill Fisher is represented on several organizational documents as the vice president of the managing general partner and is known to be an officer of Southwest Housing Development Corporation. This entity is not reflected anywhere else in the application. In response to the Underwriter's request for disclosure of any relationship between himself or Villas Buenas, Inc. (General Partner of Phases I and II) and Southwest Housing Development Corporation, Raul Loya, president and sole owner Villas Buenas, Inc., stated in a letter dated May 28, 2002 that, "To date, Villas Buenas, Inc. has no contractual arrangement with Southwest Housing Development Corporation."

**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.
- Villas Buenas, Inc., the owner of the General Partner, submitted an unaudited financial statement as of February 28, 2002 reporting total assets of \$2.5K, all in cash. No liabilities were reported, resulting in a net worth of \$2.5K.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Raul Loya, owner of the Managing General Partner, listed participation as president of the general partner on two previous LIHTC housing projects totaling 116 units since 1999 (includes Laredo Vista I).
- The General Contractor, Affordable Housing Construction, listed construction of 21 LIHTC and

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

mortgage revenue bond housing projects totaling 3,804 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Items identified in previous reports have not been satisfactorily addressed.
- The site is not currently zoned for the proposed development, and failure of the City of Laredo to rezone to a permissible use would render the development infeasible.
- The principals of the Applicant do not appear to have the development experience/financial capacity to support the project if needed.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$864,275 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

1. Receipt, review, and acceptance of evidence of the site's rezoning for the proposed multifamily use;
2. Receipt, review, and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from a construction lender that accepts this guarantee to fulfill its guarantee requirement.

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 11, 2002

\_\_\_\_\_

**Director of Credit Underwriting:**

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

**Date:** June 11, 2002`

\_\_\_\_\_

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Laredo Vista II, 9% LIHTC #02076**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
TC (30%)	1	2	2	950	\$243	\$187	\$187	\$0.20	\$56.00	\$16.15
TC (40%)	14	2	2	950	325	269	3,766	0.28	56.00	16.15
TC (50%)	28	2	2	950	406	350	9,800	0.37	56.00	16.15
TC (60%)	27	2	2	950	487	431	11,637	0.45	56.00	16.15
TC (30%)	1	3	2	1,100	281	213	213	0.19	67.75	19.20
TC (40%)	7	3	2	1,100	375	307	2,149	0.28	67.75	19.20
TC (50%)	14	3	2	1,100	469	401	5,614	0.36	67.75	19.20
TC (60%)	13	3	2	1,100	563	495	6,435	0.45	67.75	19.20
TC (40%)	3	4	2	1,300	419	338	1,014	0.26	80.80	22.25
TC (50%)	5	4	2	1,300	523	442	2,210	0.34	80.80	22.25
TC (60%)	2	4	2	1,300	628	547	1,094	0.42	80.80	22.25
<b>TOTAL:</b>	<b>115</b>		<b>AVERAGE:</b>	<b>1,026</b>	<b>\$445</b>	<b>\$384</b>	<b>\$44,119</b>	<b>\$0.37</b>	<b>\$61.73</b>	<b>\$17.61</b>

INCOME				Total Net Rentable Sq Ft: 118,000		TDHCA	APPLICANT			
<b>POTENTIAL GROSS RENT</b>						\$529,428	\$529,428			
Secondary Income		Per Unit Per Month:	\$15.00			20,700	20,700	\$15.00	Per Unit Per Month	
Other Support Income:						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$550,128	\$550,128			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(41,260)	(41,256)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$508,868	\$508,872			
<b>EXPENSES</b>										
		% OF EGI	PER UNIT	PER SQ FT				PER SQ FT	PER UNIT	% OF EGI
General & Administrative Management		7.15%	\$316	\$0.31	\$36,394	\$14,400	\$0.12	\$125	2.83%	
Payroll & Payroll Tax		6.84%	303	0.30	34,815	20,144	0.17	175	3.96%	
Repairs & Maintenance		16.29%	721	0.70	82,915	34,500	0.29	300	6.78%	
Utilities		8.27%	366	0.36	42,104	40,300	0.34	350	7.92%	
Water, Sewer, & Trash		4.27%	189	0.18	21,724	89,800	0.76	781	17.65%	
Property Insurance		4.78%	211	0.21	24,300	50,600	0.43	440	9.94%	
Property Tax	2.628181	3.71%	164	0.16	18,880	14,025	0.12	122	2.76%	
Reserve for Replacements		13.53%	599	0.58	68,834	57,500	0.49	500	11.30%	
Other: spt svcs, compl. fees		4.52%	200	0.19	23,000	23,000	0.19	200	4.52%	
		4.10%	182	0.18	20,875	23,750	0.20	207	4.67%	
<b>TOTAL EXPENSES</b>		<b>73.47%</b>	<b>\$3,251</b>	<b>\$3.17</b>	<b>\$373,841</b>	<b>\$368,019</b>	<b>\$3.12</b>	<b>\$3,200</b>	<b>72.32%</b>	
<b>NET OPERATING INC</b>		<b>26.53%</b>	<b>\$1,174</b>	<b>\$1.14</b>	<b>\$135,027</b>	<b>\$140,853</b>	<b>\$1.19</b>	<b>\$1,225</b>	<b>27.68%</b>	
<b>DEBT SERVICE</b>										
First Lien Mortgage		24.03%	\$1,064	\$1.04	\$122,304	\$122,304	\$1.04	\$1,064	24.03%	
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%	
<b>NET CASH FLOW</b>		<b>2.50%</b>	<b>\$111</b>	<b>\$0.11</b>	<b>\$12,724</b>	<b>\$18,549</b>	<b>\$0.16</b>	<b>\$161</b>	<b>3.65%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>					<b>1.10</b>	<b>1.15</b>				
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>						<b>1.15</b>				

<b>CONSTRUCTION COST</b>					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		4.10%	\$3,043	\$2.97	\$350,000	\$350,000	\$2.97	\$3,043	4.10%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.31%	6,175	6.02	710,125	710,125	6.02	6,175	8.32%
Direct Construction		54.08%	40,163	39.14	4,618,762	4,607,003	39.04	40,061	53.99%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Requirem	6.00%	3.74%	2,780	2.71	319,733	321,270	2.72	2,794	3.77%
Contractor's G &	2.00%	1.25%	927	0.90	106,578	107,090	0.91	931	1.26%
Contractor's Pro	6.00%	3.74%	2,780	2.71	319,733	321,270	2.72	2,794	3.77%
Indirect Construction		5.95%	4,420	4.31	508,263	508,263	4.31	4,420	5.96%
Ineligible Expenses		1.60%	1,186	1.16	136,376	136,376	1.16	1,186	1.60%
Developer's G & A	14.98%	12.04%	8,941	8.71	1,028,232	1,028,232	8.71	8,941	12.05%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		3.28%	2,434	2.37	279,860	279,860	2.37	2,434	3.28%
Reserves		1.91%	1,422	1.39	163,511	163,511	1.39	1,422	1.92%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$74,271</b>	<b>\$72.38</b>	<b>\$8,541,173</b>	<b>\$8,533,000</b>	<b>\$72.31</b>	<b>\$74,200</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>71.13%</b>	<b>\$52,825</b>	<b>\$51.48</b>	<b>\$6,074,931</b>	<b>\$6,066,758</b>	<b>\$51.41</b>	<b>\$52,754</b>	<b>71.10%</b>

<b>SOURCES OF FUNDS</b>					TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage		16.26%	\$12,078	\$11.77	\$1,389,000	\$1,389,000	\$1,389,000
Additional Financing		1.76%	\$1,304	\$1.27	150,000	150,000	150,000
LIHTC Syndication Proceeds		81.10%	\$60,235	\$58.70	6,926,984	6,926,984	6,913,508
Deferred Developer Fees		0.78%	\$583	\$0.57	67,012	67,012	80,492
Additional (excess) Funds Requi		0.10%	\$71	\$0.07	8,177	4	0
<b>TOTAL SOURCES</b>					<b>\$8,541,173</b>	<b>\$8,533,000</b>	<b>\$8,533,000</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Laredo Vista II, 9% LIHTC #02076**

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

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$39.95	\$4,714,429
<b>Adjustments</b>				
Exterior Wall Finish	2.00%		\$0.80	\$94,289
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.85)	(100,557)
Floor Cover			1.82	214,760
Porches/Balconies	\$28.10	25,453	6.06	715,229
Plumbing	\$585	355	1.76	207,675
Built-In Appliances	\$1,550	115	1.51	178,250
Stairs	\$1,550	36	0.47	55,800
Floor Insulation			0.00	0
Heating/Cooling			1.41	166,380
Garages/Carports	\$7.53	16,650	1.06	125,375
Comm &/or Aux Bldgs	\$54.23	3,000	1.38	162,689
Other: Fireplace	\$1,750	1	0.01	1,750
<b>SUBTOTAL</b>			<b>55.39</b>	<b>6,536,068</b>
Current Cost Multiplier	1.04		2.22	261,443
Local Multiplier	0.83		(9.42)	(1,111,132)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$48.19</b>	<b>\$5,686,379</b>
Plans, specs, survy, bld	3.90%		(\$1.88)	(\$221,769)
Interim Construction Int	3.38%		(1.63)	(191,915)
Contractor's OH & Profit	11.50%		(5.54)	(653,934)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$39.14</b>	<b>\$4,618,762</b>

<b>Primary</b>	\$1,389,000	Term	360
Int Rate	8.00%	DCR	1.10

<b>Secondary</b>	\$150,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$6,926,984	Term	
Int Rate		Aggregate DCR	1.10

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

Primary Debt Service	\$122,304
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$12,724</b>

<b>Primary</b>	\$1,389,000	Term	360
Int Rate	8.00%	DCR	1.15

<b>Secondary</b>	\$150,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

<b>Additional</b>	\$6,926,984	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME</b>										
POTENTIAL GROSS RENT		\$529,428	\$545,311	\$561,670	\$578,520	\$595,876	\$690,783	\$800,807	\$928,355	\$1,247,632
Secondary Income		20,700	21,321	21,961	22,619	23,298	27,009	31,311	36,298	48,781
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		550,128	566,632	583,631	601,140	619,174	717,792	832,118	964,653	1,296,413
Vacancy & Collection Loss		(41,256)	(42,497)	(43,772)	(45,085)	(46,438)	(53,834)	(62,409)	(72,349)	(97,231)
Employee or Other Non-Rent		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$508,872	\$524,134	\$539,858	\$556,054	\$572,736	\$663,958	\$769,709	\$892,304	\$1,199,182
<b>EXPENSES</b>	at 4.00%									
General & Administrative		\$14,400	\$14,976	\$15,575	\$16,198	\$16,846	\$20,496	\$24,936	\$30,339	\$44,909
Management		20,144	20,748	21,371	22,012	22,672	26,283	30,469	35,322	47,470
Payroll & Payroll Tax		34,500	35,880	37,315	38,808	40,360	49,104	59,743	72,686	107,593
Repairs & Maintenance		40,300	41,912	43,588	45,332	47,145	57,359	69,787	84,906	125,682
Utilities		89,800	93,392	97,128	101,013	105,053	127,813	155,505	189,195	280,055
Water, Sewer & Trash		50,600	52,624	54,729	56,918	59,195	72,020	87,623	106,607	157,804
Insurance		14,025	14,586	15,169	15,776	16,407	19,962	24,287	29,549	43,739
Property Tax		57,500	59,800	62,192	64,680	67,267	81,840	99,571	121,144	179,322
Reserve for Replacements		23,000	23,920	24,877	25,872	26,907	32,736	39,829	48,458	71,729
Other		23,750	24,700	25,688	26,716	27,784	33,804	41,127	50,038	74,068
TOTAL EXPENSES		\$368,019	\$382,538	\$397,632	\$413,324	\$429,637	\$521,418	\$632,876	\$768,243	\$1,132,371
NET OPERATING INCOME		\$140,853	\$141,596	\$142,226	\$142,730	\$143,099	\$142,540	\$136,833	\$124,061	\$66,811
<b>DEBT SERVICE</b>										
First Lien Financing		\$122,304	\$122,304	\$122,304	\$122,304	\$122,304	\$122,304	\$122,304	\$122,304	\$122,304
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		\$18,549	\$19,292	\$19,922	\$20,427	\$20,795	\$20,236	\$14,529	\$1,757	(\$55,493)
DEBT COVERAGE RATIO		1.15	1.16	1.16	1.17	1.17	1.17	1.12	1.01	0.55



**TDHCA #**

**02103**

**Region 8B**

**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: **Valley View Apartments**

TDHCA #: **02103**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: G  
 Site Address: Anaya Road, East of Jackson Road Additional Elderly Set Aside   
 City: Pharr ETJ Purpose / Activity: NC  
 County: Hidalgo Development Type: Family  
 Zip Code: 78577  TTC  DDA  QCT

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

Special Needs: 10 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Valley View, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
South Texas Economic Development Corporation, Inc.	Mike Lopez	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$899,933** Allocation over 10 Years: \$8,999,330  
 Credits Requested: \$973,101 Eligible Basis Amount: \$899,933 Equity/Gap Amount: \$921,904

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	5	4	4	0	0	13
50%	0	16	21	12	0	0	49
60%	0	6	32	21	0	0	59
MR	0	2	3	2	0	0	7
Total	0	29	60	39	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$9,161,208**  
 Gross Building Square Feet: 123,486  
 Total NRA SF: 120,105  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 938  
 Cost Per Net Rentable Square Foot: \$76.28  
 Credits per Low Income Unit: \$7,437

Total LI Units: 121  
 Owner/Employee Units: 0  
 Total Project Units: 128  
 Applicable Fraction: 95.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$565,512  
 Total Expenses: \$372,901  
 Net Operating Income: \$192,611  
 Estimated 1st Year Debt Coverage Ratio: 1.25

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: South Texas Economic Development Corporation, Inc. Market Analyst: Integra Glenn Realty Advisors  
 Housing GC: Galaxy Builders, Ltd. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: NA Attorney: Oppenheimer Blend Harrison & Tate  
 Architect: Mata, Villarreal, Garcia Design Group Supp Services: Housing Authority of Hidalgo County  
 Property Manager: Housing Authority County of Hidalgo County Accountant: Novogradac & Company, LLP  
 Engineer: NA  
 Syndicator: Sun America Affordable Housing Partners Permanent Lender: First National Bank

**DEPARTMENT EVALUATION**

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

Project Name: Valley View Apartments

Project Number: 02103

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials): Support: **3** Opposition: **0**

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

Local/State/Federal Officials w/ Jurisdiction:	Comment from Other Public Official
Local Official: Jose Eloy Pulido, Hidalgo County Judge, S	Ricardo Medina, City Mayor, S
TX Rep.: Roberto Gutierrez, Dist. 41 S	Joe Garza, Urban County Program, Director, NC
TX Sen.: Eddie Lucio, Jr., Dist. 27 S	Denise Palacios, City of Pharr, Subdivision Coordinator, NC
US Rep.:	Daniel Dillard, City Commissioner, S
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$158,101, or an alternative financing structure acceptable to the Department.

Receipt, review, and acceptance of a fixed price construction contract and/or documentation of the addition of an experienced developer who has a track record of bringing similar developments in on budget.

Should the terms of the proposed financing be altered, the previous conditions and recommendations herein should be re-evaluated.

**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 8B.

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

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

**Project ID #:** 02103

LIHTC 9%  LIHTC 4%

**Project Name:** Valley View Apartments

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 0 # not yet monitored or pending review 2

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

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

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

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

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

**DATE:** June 10, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02103

**DEVELOPMENT NAME**

Valley View Apartments

**APPLICANT**

**Name:** Valley View, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1800 N. Texas Boulevard      **City:** Weslaco      **State:** TX  
**Zip:** 78596    **Contact:** Mike Lopez      **Phone:** (956) 969-5865    **Fax:** (956) 969-5863

**PRINCIPALS of the APPLICANT**

**Name:** South Texas Economic Development      **(%):** .01      **Title:** Managing General Partner  
**Name:** SunAmerica Affordable Housing Partners, Inc.      **(%):** 99.99      **Title:** Initial Limited Partner  
**Name:** Mike Lopez      **(%):** N/A      **Title:** Executive Director of G.P.

**GENERAL PARTNER**

**Name:** South Texas Economic Development Corp., Inc.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 1800 N. Texas Boulevard      **City:** Weslaco      **State:** TX  
**Zip:** 78596    **Contact:** Mike Lopez      **Phone:** (956) 969-5865    **Fax:** (956) 969-5863

**PROPERTY LOCATION**

**Location:** Anaya Road, east of Jackson Road       **QCT**     **DDA**  
**City:** Pharr ETJ      **County:** Hidalgo      **Zip:** 78577

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$973,101	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 13.539 acres    589,759 square feet    **Zoning/ Permitted Uses:** No zoning (in county)  
**Flood Zone Designation:** Zone B      **Status of Off-Sites:** Partially Improved

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CREDIT UNDERWRITING ANALYSIS**

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 128    **# Rental Buildings:** 19    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
29	1	1	750
60	2	1	908
39	3	2	1,125

**Net Rentable SF:** 120,105    **Av Un SF:** 938    **Common Area SF:** 3,381    **Gross Bldng SF:** 123,486

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 100% brick veneer 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, ceiling fans, laminated counter tops, individual water heaters

**ON-SITE AMENITIES**

3,381-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, computer center, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate

**Uncovered Parking:** 269 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** SunAmerica, Inc.    **Contact:** Michael Fowler

**Principal Amount:** \$2,232,623    **Interest Rate:** Citibank prime rate + 3%, variable

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

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

**LONG TERM/PERMANENT FINANCING**

**Source:** First National Bank    **Contact:** Edna Martinez

**Principal Amount:** \$1,591,000    **Interest Rate:** 8%

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

**Amortization:** 30 yrs    **Term:** 16 yrs    **Commitment:**     None     Firm     Conditional

**Annual Payment:** \$140,091    **Lien Priority:** 1st    **Commitment Date:** 12/ 14/ 2001

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

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners, Inc.      **Contact:** Robert Johnston  
**Address:** 8144 Walnut Hill Lane, Suite 1450      **City:** Dallas  
**State:** TX      **Zip:** 75231      **Phone:** (214) 932-2500      **Fax:** (214) 932-2549  
**Net Proceeds:** \$7,902,986      **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81.21¢  
**Commitment**       None       Firm       Conditional      **Date:** 5/ 22/ 2002  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$358,913      **Source:** Deferred developer fee

**VALUATION INFORMATION**

**APPRAISED VALUE**

**Land Only:** \$255,000      **Date of Valuation:** 12/ 19/ 2001  
**Appraiser:** Greg Palacios      **City:** Pharr      **Phone:** (956) 702-2255

**ASSESSED VALUE**

**Land:** \$159,960      **Assessment for the Year of:** 1999  
**Building:** N/A      **Valuation by:** Hidalgo County Appraisal District  
**Total Assessed Value:** \$159,960

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Earnest money contract  
**Contract Expiration Date:** 11/ 15/ 2002      **Anticipated Closing Date:** 11/ 15/ 2002  
**Acquisition Cost:** \$ 255,000      **Other Terms/Conditions:** \_\_\_\_\_  
**Seller:** Housing Authority of the County of Hidalgo      **Related to Development Team Member:** Yes

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Valley View Apartments is a proposed new construction development of 128 units of mixed-income] housing located in the Pharr ETJ just outside the southern city limits. The development is comprised of 19 one-story residential buildings as follows:

- Six Building Type A with two one-bedroom units, four two-bedroom units, and two three-bedroom units;
- Six Building Type B with two one-bedroom units, four two-bedroom units, and two three-bedroom units;
- Six Building Type C with two two-bedroom units and two three-bedroom units;
- One Building Type D with five one-bedroom units and three three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, swimming pool, and sports courts located near the entrance to the site. The 3,381-square foot community building plan includes the management and supportive service offices, a 1,000-square foot community room, kitchen, restrooms, and laundry facilities.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**Supportive Services:** The Applicant has contracted with the Housing Authority of the County of Hidalgo to provide the following supportive services to tenants: family self-sufficiency counseling, nutrition information program, vocational training, and job placement. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities provision of the services, to coordinate services with the service provider, to provide technical support as requested, and to pay \$10,500 per year for these support services.

**Schedule:** The Applicant anticipates construction to begin in April of 2003, to be completed in April of 2004, and to be placed in service and substantially leased-up in August 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. 121 of the units (95% of the total) will be reserved for low-income tenants. Thirteen of the units (11%) will be reserved for households earning 40% or less of AMGI, 49 units (39%) will be reserved for households earning 50% or less of AMGI, 59 units (47%) will be reserved for households earning 60% or less of AMGI, and the remaining seven units (6%) will be offered at market rents.

**Special Needs Set-Asides:** Ten units (8%) 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 April 4, 2001 and an update dated January 30, 2002 were prepared by Integra Glen Advisors and highlighted the following findings:

**Definition of Market/Submarket:** “The primary market area (PMA) is the ten-mile radius centering on the downtown area of Pharr.” (p. 18)

**Total Regional Market Demand for Rental Units:** “The McAllen-Edinburgh-Mission MSA was the second fastest growing MSA in the state during the 1990’s, growing by more than 4% per year... The MSA’s expected percentage growth over the next 20 years is more than double the expected growth for the state.” (p. 43)

**Total Local/Submarket Demand for Rental Units:** “PMA population growth has historically been lower than MSA and state. Texas Data Center has forecast that near-term PMA growth will continue to be equal to that of the MSA and state.” (p. 43) “We have estimated the [total, non-income-qualified] demand for new apartment units to be 400 units per year.” (p. 49)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	375*	*	224**	5%
Resident Turnover	450*	*	4,744**	95%
<b>TOTAL ANNUAL DEMAND</b>	<b>400*</b>	<b>100%</b>	<b>4,968</b>	<b>100%</b>

Ref: p. 45, 49

\*The analyst derived demand using two methodologies and reconciled the two figures into one estimate. The analyst’s estimates are not income-qualified.

\*\*As the analyst did not perform income banding or provide a tenant turnover rate, the Underwriter used an income band estimate of 22.6% from another Pharr market study and the IREM Region 6 garden apartment turnover rate of 63.4%.

**Capture Rate:** None calculated by the analyst. The Underwriter calculated a concentration capture rate of 63% (non-income-qualified) using the analyst’s total demand estimate of 400 units/year, and 5% (income-qualified) using the analyst’s demographic data and the TDHCA demand model. In this funding cycle there appear to be four potential new developments in Hidalgo County and within the ten-mile radius from the center of Pharr used by the market analyst. These four developments (including the subject) total 708 units

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of which 585 are tax credit units. In addition there are up to an additional 727 units (579 LIHTC-restricted) in the county that have recently been approved or are in some stage of construction or lease-up. Using a county-wide demand estimate the Underwriter calculated a concentration capture rate at 16%. However, if a five-mile radius from the center of Pharr is prescribed as suggested by the market analyst, it would contain a majority of these approved and proposed units. The subject exists at the southern boundary of this radius and the closest other development is a 2001 forward commitment about one mile from the site. While overall it does not appear that the concentration policy would be violated if all four proposals are funded, this development is closest to an existing approval and therefore is most vulnerable for concentration and absorption concerns.

**Local Housing Authority Waiting List Information:** “According to Roy Navarro, Pharr City Housing Director, the current waiting list for LIHTC apartment units is more than 150 units.” (p. 44)

**Market Rent Comparables:** The market analyst surveyed three comparable apartment projects totaling 485 units in the market area. “...Based on average monthly rent, the variance between average market rents and average restricted rents for the units that will have rent restrictions is \$348, or 49% lower than the average market rent.” (p. 7) The proposed market rates are between \$11 and \$32 more than the comparables used in the market studies for the other three proposed developments in the area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (40%)</b>	\$219	\$219	\$0	\$540	-\$321
<b>1-Bedroom (50%)</b>	\$286	\$286	\$0	\$540	-\$254
<b>1-Bedroom (60%)</b>	\$354	\$354	\$0	\$540	-\$186
<b>1-Bedroom (MR)</b>	\$525	N/A	N/A	\$540	-\$15
<b>2-Bedroom (40%)</b>	\$259	\$259	\$0	\$720	-\$461
<b>2-Bedroom (50%)</b>	\$340	\$340	\$0	\$720	-\$380
<b>2-Bedroom (60%)</b>	\$421	\$421	\$0	\$720	-\$299
<b>2-Bedroom (MR)</b>	\$599	N/A	N/A	\$720	-\$121
<b>3-Bedroom (40%)</b>	\$293	\$293	\$0	\$795	-\$502
<b>3-Bedroom (50%)</b>	\$387	\$387	\$0	\$795	-\$408
<b>3-Bedroom (60%)</b>	\$481	\$481	\$0	\$795	-\$314
<b>3-Bedroom (MR)</b>	\$730	N/A	N/A	\$795	-\$65

Ref. p. 56

(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:** “As of 1999, the Rio Grande Valley Apartment Association (RGVAA) reported an average vacancy rate of 7.8%, down from 8.27% a year earlier. In the wake of increasing population and employment, RGVAA expects vacancy to decrease to 7% by 2005.” (p. 18)

**Known Planned Development and Absorption Projection:** “To our knowledge, the subject represents one of two projects to come online through 2003. [The other project,] located on Thomas Road, east of Cage Boulevard (aka U.S. 281), is to consist of 76 low-income and rent-restricted units to be developed by the City of Pharr Housing Authority. Thus, including the subject, a total of 204 units will be completed in the primary market area over the next 24 months. At the forecasted pace of absorption, it will take approximately one year to absorb this many units. We have concluded that the market is capable of supporting the development of the subject’s 128 units, as well as the other project currently planned.” (p. 7) [Underwriter’s note: the other project referred to is El Pueblo Dorado Apartments (2001 9% LIHTC #01035), which will actually have 176 total units and 132 affordable units.]

The market study does not meet the requirements of the Department’s Market Study Policy and does not provide sufficient information to support a funding recommendation. Specifically, the study lacks data on income qualification and existing tenant turnover rates and a calculation of capture rate. The Underwriter was able to derive sufficient data from other sources to support a funding recommendation. Without those

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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other sources this market study would not have evidenced sufficient market demand. An appraisal of the land was also provided which used three comparable properties ranging from \$15K to \$20K per acre to justify an appraisal value of \$255,000 for the site. The appraisal was prepared by Greg Palacios with certified appraisal service and conducted effective December 19, 2001.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Pharr is located in far south Texas, approximately 50 miles west of Brownsville in Hidalgo County. The site is a rectangularly-shaped parcel located just outside the southern city limits in the ETJ, approximately five miles from the central business district. The site is situated on the south side of Anaya Street.

**Population:** The estimated 2000 population of the primary market area was 355,696 and is expected to increase by 15.4% to approximately 410,301 by 2005. Within the primary market area there were estimated to be 98,497 households in 2000.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are predominantly agricultural, along with public schools and parkland. Adjacent land uses include:

- **North:** Anaya Road with a public elementary school and farmland beyond
- **South:** Farmland
- **East:** Farmland
- **West:** Farmland, a county park, and a public junior high school

**Site Access:** Access to the property is from the east or west along Anaya Road. The development is to have one entry, from Anaya Road. Access to Interstate Highway 281 is one-half mile east, which provides connections to all other major roads serving the area.

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

**Shopping & Services:** The site is within five miles of a number of major grocery/pharmacies as well as a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 24, 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 (ESA) report dated April 5, 2001 was prepared by Raba-Kistner Consultants, Inc. (R-K) and contained the following findings and recommendations: "The site reconnaissance and interviews revealed no recognized environmental conditions involving the subject property. However, due to the historic usage of the site as farmland, the potential exists for impact to the surficial soils from the past applications of chemicals, if any, associated with pesticides and herbicides...R-K recommends testing the surficial soils in order to determine impact to the site from residual contaminants, if any, from chemical applications typically used for cotton production." (p. 12)

The Applicant also submitted an addendum to the Phase I ESA report, also performed by Raba-Kistner and dated April 18, 2001. The addendum addressed the testing of the site for residual agricultural chemical contamination, and contained the following findings: "...R-K collected four shallow (to 6") soil samples from near the center of the four quadrants of Tracts 1 and 2 for laboratory analysis for pesticide target compounds and arsenic. In addition, R-K collected one additional shallow soil sample from an off-site source (adjacent school/park site) for background comparison...Results of sample analysis indicated all five samples were below method detection limit (MDL) for pesticide target compounds. Results of sample analysis for arsenic on site...[were] consistent with the off-site background sample analyzed...Therefore, it is R-K's opinion that past use of the site for farming of cotton and/or other crops has resulted in little to no environmental impact that would necessitate regulatory review or cleanup action or be a risk to future use or occupancy of the site." (p. 1)

**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. The Applicant stated that tenants will pay water in this project,

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and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant's total expense estimate of \$3,132 per unit (without property taxes) is 7.5% higher than an adjusted TDHCA database-derived estimate of \$2,913 per unit for comparably-sized developments. The Applicant based their estimates on the actual operating expenses of a 64-unit project owned by the General Partner in nearby Edcouch, but the Underwriter regards the Applicant's total estimate to be overstated. Many of the Applicant's budget line item estimates deviate significantly when compared to the database averages, particularly general and administrative (\$8K lower), management (\$6K lower), payroll (\$23K higher), utilities (\$9.5K higher), and water, sewer, and trash (\$9K higher). The Developer and General Partner, the South Texas Economic Development Corporation, Inc., is a CHDO and intends to apply for a property tax exemption, and has therefore included no property taxes in the expense estimation. As the Applicant provided a letter from the Hidalgo County Appraisal District granting a tax exemption to another project in the county owned by that entity, the Underwriter regards the exemption to be highly probable.

**Conclusion:** The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.37 exceeds the program maximum standard of 1.25. This suggests that the project could support additional debt service of \$13,921 annually. This results in an additional potential \$158,101 in serviceable debt, and may reduce the need for other funds.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The seller, the Housing Authority of the County of Hidalgo, is the parent of the buyer and General Partner and acquired the site in December 2001 at a cost of \$199,961. Although the Applicant provided an appraisal which substantiates the claimed value of \$255K, the assessed market value is only \$159,960. Moreover, the Applicant was able to provide documentation of only \$8,750 in holding costs, which include interest and property taxes through the anticipated closing date of October 20, 2002. The Underwriter, therefore, used an acquisition cost of \$208,711.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,433 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** Because of the construction style of the development (i.e., units lined up side by side), the Underwriter used higher cost single-story townhouse rather than multiple residence costs as the basis for construction costs. Nonetheless, the Applicant's costs are \$397K (8%) higher 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. The Applicant provided documentation of costs for another property in Alice that the consultant was involved in. This comparative property appears to have suffered considerable cost overruns of approximately 15% and had significant changes made to it as a result of having to downsize from 84 units to 76 units. Therefore the Underwriter does not consider this one data point of experience to be sufficient justification, especially when compared to the other proposed developments during the current application cycle being predominantly under the Marshall and Swift-derived costs. At the request of the Underwriter the Applicant provided additional information and rationale for the purported higher costs but all have been accounted for and/or are factors that affect all LIHTC developments. The final justification included is that "general contractors know that the LIHTC market can and will bear higher costs."

**Ineligible Costs:** The Applicant incorrectly included \$100K in marketing costs 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 contingency allowance and contractor's general and administrative fees exceed the 5% and 2% maximums allowed by LIHTC guidelines based on their own construction costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$16,514. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

**Conclusion:** Due to the Applicant's higher direct construction costs and the subsequently overstated

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developer's and contractor's fees compared to the Underwriter's estimate, 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 an eligible basis of \$8,676,587 and determine the LIHTC allocation recommendation from this method.

**FINANCING STRUCTURE ANALYSIS**

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

**Construction Financing:** The Applicant intends to use SunAmerica, Inc. for an interim construction loan of \$2,232,623, and to fund the remainder of the construction phase with \$6,163,015 in bridge loan proceeds from the LIHTC equity provider and \$370,834 from internal sources. The construction loan will have a term of 24 months and bear interest at a variable rate defined as 3% above the Citibank prime rate. This rate is currently estimated at 8%. Payments will be interest-only.

**Permanent Financing:** Permanent mortgage financing will be provided by First National Bank in the form of a 16-year term loan of \$1,591,000. The interest rate will be 8%, and the amortization period will be 30 years.

**LIHTC Syndication:** SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$7,902,986 based on a syndication factor of 81.21%. The funds would be disbursed in a four-phased pay-in schedule:

1. 1% upon admission to the partnership;
2. 79% upon substantial completion of construction and issuance of final certificates of occupancy. The proceeds of this contribution will be used to pay off the bridge loan discussed below.
3. 15% upon final closing of the permanent mortgage loan and receipt of cost certification and IRS Forms 8609;
4. 5% upon attainment of breakeven operating status.

**Bridge Loan:** SunAmerica will also provide a bridge loan in the amount of \$6,163,015 during construction. No interest will accrue on the outstanding balance up to \$4,741,792; interest will accrue on any balance exceeding that amount at an interest rate equal to the prime rate + 1%.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$358,913 amount to 30% of the total fees.

**Financing Conclusions:** Based on the Underwriter's lower estimate of eligible basis, the LIHTC allocation should not exceed \$899,933 annually for ten years, resulting in syndication proceeds of approximately \$7,235,271. As a result of the Applicant's overstated operating expenses as discussed earlier, the development has the potential to provide additional net operating income available to service an increased amount of debt. The development can support an additional \$158,101 in first lien debt and still provide a 1.25 debt coverage ratio (DCR). Based on the underwriting analysis, and primarily the Underwriter's \$594K lower costs, the Applicant's deferred developer fee will be reduced to \$176,836, which represents approximately 16% of the eligible fee and should be repayable within five years. The Applicant should be encouraged to pursue a fixed price contract and/or collaborate with a more experienced developer in order to control costs. Should the final costs exceed the Underwriter's projections and beyond the Applicant's costs, the additional deferred developer fee may not be repayable in 15 years and would exceed 50% of the eligible fee.

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

**REVIEW of ARCHITECTURAL DESIGN**

The units are in one-story row-type structures with 100% brick veneer exterior finish and hipped and gabled roofs. The exterior elevations are simple and functional, with ashlar stone accents. The units are efficiently arranged, with adequate storage space. Each unit has a private exterior entry.

**IDENTITIES of INTEREST**

The Housing Authority of the County of Hidalgo is the parent of the General Partner and Developer, and is also the sponsor for this application, the seller of the land, the property manager, and the supportive services provider. These are somewhat unusual but are not known to be prohibited relationships for an LIHTC-funded development. The identity of interest land sale was addressed in the cost section above and the original acquisition price plus holding costs were used to establish the Underwriter's budget.

**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 and Developer, the South Texas Economic Development Corporation, Inc., submitted an unaudited financial statement as of December 31, 2001 reporting total assets of \$502K and consisting of \$87K in cash, \$26K in receivables, \$249K in inventory, \$139K in land, structures, and equipment, and \$1K in other assets. Liabilities totaled \$426K, resulting in net assets of \$75K.
- The parent of the General Partner and sponsor of the development, The Housing Authority of the County of Hidalgo, submitted an audited financial statement as of June 30, 2001 reporting total assets of \$27.2M and consisting of \$1.7M in cash, \$641K in receivables, \$20.7M in real property and equipment, and \$4.3M in assets provided for retirement of long-term debt. Liabilities totaled \$5.26M, resulting in total equity \$21.9M.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner and Developer has developed and owns a 64-unit LIHTC development in Edcouch, Texas, has purchased and renovated an eight-unit apartment complex, and has also built seven single-family houses in La Joya, Texas.
- The Housing Authority of the County of Hidalgo, the parent of the General Partner and the property manager and supportive services provider, has developed and presently manages four properties totaling 590 units.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$899,933 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

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

**CONDITIONS**

1. Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by \$158,101;
2. Receipt, review, and acceptance of a fixed price construction contract and/or documentation of the addition of an experienced developer who has a track record of bringing similar developments in on budget;
3. Should the terms of the proposed financing be altered, the previous conditions and recommendations herein should be re-evaluated.

**Credit Underwriting Supervisor:**

\_\_\_\_\_

*Jim Anderson*

**Date:** June 10, 2002

\_\_\_\_\_

**Director of Credit Underwriting:**

\_\_\_\_\_

*Tom Gouris*

**Date:** June 10, 2002

\_\_\_\_\_

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Valley View Apartments, 9% LIHTC #02103**

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	Sewer & Trash
TC (40%)	5	1	1	750	\$271	\$219	\$1,095	\$0.29	\$51.87	\$7.55
TC (50%)	16	1	1	750	338	286	4,576	0.38	51.87	7.55
TC (60%)	6	1	1	750	406	354	2,124	0.47	51.87	7.55
MR	2	1	1	750	525	525	1,050	0.70	51.87	7.55
TC (40%)	4	2	1	908	325	259	1,036	0.29	65.91	7.55
TC (50%)	21	2	1	908	406	340	7,140	0.37	65.91	7.55
TC (60%)	32	2	1	908	487	421	13,472	0.46	65.91	7.55
MR	3	2	1	908	599	599	1,797	0.66	65.91	7.55
TC (40%)	4	3	2	1,125	375	293	1,172	0.26	81.78	8.40
TC (50%)	12	3	2	1,125	469	387	4,644	0.34	81.78	8.40
TC (60%)	21	3	2	1,125	563	481	10,101	0.43	81.78	8.40
MR	2	3	2	1,125	730	730	1,460	0.65	81.78	8.40
<b>TOTAL:</b>	<b>128</b>		<b>AVERAGE:</b>	<b>938</b>	<b>\$452</b>	<b>\$388</b>	<b>\$49,667</b>	<b>\$0.41</b>	<b>\$67.56</b>	<b>\$7.81</b>

**INCOME** Total Net Rentable Sq Ft: 120,077  
 POTENTIAL GROSS RENT  
 Secondary Income Per Unit Per Month: \$10.00  
 Other Support Income:  
 POTENTIAL GROSS INCOME  
 Vacancy & Collection Loss % of Potential Gross Income: -7.50%  
 Employee or Other Non-Rental Units or Concessions

	TDHCA	APPLICANT			
	\$596,004	\$596,004			
	15,360	15,360	\$10.00	Per Unit Per Month	
	0	0			
	\$611,364	\$611,364			
	(45,852)	(45,852)	-7.50%	of Potential Gross Rent	
	0	0			
	\$565,512	\$565,512			
	\$42,156	\$34,200	\$0.28	\$267	6.05%
	39,895	33,930	0.28	265	6.00%
	111,869	134,800	1.12	1,053	23.84%
	77,208	73,670	0.61	576	13.03%
	26,464	36,000	0.30	281	6.37%
	11,995	21,010	0.17	164	3.72%
	24,015	28,000	0.23	219	4.95%
	0	0	0.00	0	0.00%
	25,600	25,600	0.21	200	4.53%
	13,700	13,700	0.11	107	2.42%
	\$372,901	\$400,910	\$3.34	\$3,132	70.89%
	\$192,611	\$164,602	\$1.37	\$1,286	29.11%
	\$140,090	\$140,091	\$1.17	\$1,094	24.77%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$52,521	\$24,511	\$0.20	\$191	4.33%
	1.37	1.17			
	1.25				

**EFFECTIVE GROSS INCOME**  
**EXPENSES**  
 General & Administrative 7.45% \$329 \$0.35  
 Management 7.05% 312 0.33  
 Payroll & Payroll Tax 19.78% 874 0.93  
 Repairs & Maintenance 13.65% 603 0.64  
 Utilities 4.68% 207 0.22  
 Water, Sewer, & Trash 2.12% 94 0.10  
 Property Insurance 4.25% 188 0.20  
 Property Tax 2.034 0.00% 0 0.00  
 Reserve for Replacements 4.53% 200 0.21  
 Other: compl. fees, spt svcs 2.42% 107 0.11  
**TOTAL EXPENSES** 65.94% \$2,913 \$3.11  
**NET OPERATING INC** 34.06% \$1,505 \$1.60

**DEBT SERVICE**  
 First Lien Mortgage 24.77% \$1,094 \$1.17  
 Additional Financing 0.00% \$0 \$0.00  
 Additional Financing 0.00% \$0 \$0.00  
**NET CASH FLOW** 9.29% \$410 \$0.44

AGGREGATE DEBT COVERAGE RATIO  
 ALTERNATIVE DEBT COVERAGE RATIO

**CONSTRUCTION COST**  
 Description Factor % of TOTAL PER UNIT PER SQ FT  
 Acquisition Cost (site or bldg) 2.28% \$1,631 \$1.74  
 Off-Sites 0.00% 0 0.00  
 Sitework 8.99% 6,433 6.86  
 Direct Construction 52.77% 37,771 40.26  
     Contingency 5.00% 3,09% 2,210 2.36  
     General Requireme: 5.87% 3.63% 2,596 2.77  
     Contractor's G & . 2.00% 1.24% 884 0.94  
     Contractor's Prof 5.88% 3.63% 2,599 2.77  
 Indirect Construction 5.23% 3,742 3.99  
 Ineligible Expenses 1.59% 1,140 1.22  
 Developer's G & A 7.78% 6.41% 4,585 4.89  
 Developer's Profit 7.22% 5.95% 4,256 4.54  
 Interim Financing 3.78% 2,709 2.89  
 Reserves 1.42% 1,016 1.08  
**TOTAL COST** 100.00% \$71,572 \$76.29

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$208,711	\$255,000	\$2.12	\$1,992	2.61%
	0	0	0.00	0	0.00%
	823,450	823,450	6.86	6,433	8.44%
	4,834,657	5,231,808	43.57	40,874	53.63%
	282,905	340,658	2.84	2,661	3.49%
	332,250	332,250	2.77	2,596	3.41%
	113,162	126,105	1.05	985	1.29%
	332,718	332,718	2.77	2,599	3.41%
	479,000	479,000	3.99	3,742	4.91%
	145,910	145,910	1.22	1,140	1.50%
	586,942	667,198	5.56	5,212	6.84%
	544,787	544,787	4.54	4,256	5.58%
	346,715	346,715	2.89	2,709	3.55%
	130,000	130,000	1.08	1,016	1.33%
	\$9,161,208	\$9,755,599	\$81.24	\$76,216	100.00%
	\$6,719,143	\$7,186,989	\$59.85	\$56,148	73.67%

**Recap-Hard Construction Costs** 73.34% \$52,493 \$55.96  
**SOURCES OF FUNDS**  
 First Lien Mortgage 17.37% \$12,430 \$13.25  
 Additional Financing 0.00% \$0 \$0.00  
 LIHTC Syndication Proceeds 86.27% \$61,742 \$65.82  
 Deferred Developer Fees 2.86% \$2,044 \$2.18  
 Additional (excess) Funds Require -6.49% (\$4,644) (\$4.95)  
**TOTAL SOURCES**

	TDHCA	APPLICANT	RECOMMENDED
	\$1,591,000	\$1,591,000	\$1,749,101
	0	0	0
	7,902,986	7,902,986	7,235,271
	261,613	261,613	176,836
	(594,391)	0	0
	\$9,161,208	\$9,755,599	\$9,161,208

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Valley View Apartments, 9% LIHTC #02103**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhouse Basis

**PAYMENT COMPUTATION**

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 48.54	\$5,827,990
<b>Adjustments</b>				
Exterior Wall Finish	7.00%		\$3.40	\$407,959
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(267,771)
Floor Cover			2.43	291,786
Porches/Balconies	\$14.95	5,939	0.74	88,788
Plumbing	\$675	(139)	(0.78)	(93,825)
Built-In Appliances	\$2,000	128	2.13	256,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	219,740
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$56.34	3,381	1.59	190,470
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.64</b>	<b>6,921,138</b>
Current Cost Multiplier	1.04		2.31	276,846
Local Multiplier	0.82		(10.38)	(1,245,805)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.57</b>	<b>\$5,952,179</b>
Plans, specs, survy, bld	3.90%		(\$1.93)	(\$232,135)
Interim Construction Intc	3.38%		(1.67)	(200,886)
Contractor's OH & Profit	11.50%		(5.70)	(684,501)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.26</b>	<b>\$4,834,657</b>

<b>Primary</b>	\$1,591,000	Term	360
Int Rate	8.00%	DCR	1.37

<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.37

<b>Additional</b>	\$7,902,986	Term	
Int Rate		Aggregate DCR	1.37

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$154,011
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$38,600</b>

<b>Primary</b>	\$1,749,101	Term	360
Int Rate	8.00%	DCR	1.25

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

<b>Additional</b>	\$7,902,986	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>INCOME</b>										
POTENTIAL GROSS RENT		\$596,004	\$613,884	\$632,301	\$651,270	\$670,808	\$777,650	\$901,510	\$1,045,097	\$1,404,522
Secondary Income		15,360	15,821	16,295	16,784	17,288	20,041	23,233	26,934	36,197
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		611,364	629,705	648,596	668,054	688,096	797,691	924,743	1,072,030	1,440,719
Vacancy & Collection Loss		(45,852)	(47,228)	(48,645)	(50,104)	(51,607)	(59,827)	(69,356)	(80,402)	(108,054)
Employee or Other Non-Renta		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$565,512	\$582,477	\$599,951	\$617,950	\$636,488	\$737,865	\$855,387	\$991,628	\$1,332,665
<b>EXPENSES</b>	at 4.00%									
General & Administrative		\$42,156	\$43,842	\$45,595	\$47,419	\$49,316	\$60,001	\$73,000	\$88,815	\$131,469
Management		39,895	41,092	42,324	43,594	44,902	52,054	60,345	69,956	94,015
Payroll & Payroll Tax		111,869	116,344	120,998	125,838	130,871	159,225	193,721	235,692	348,881
Repairs & Maintenance		77,208	80,296	83,508	86,848	90,322	109,890	133,698	162,665	240,783
Utilities		26,464	27,522	28,623	29,768	30,959	37,666	45,826	55,755	82,531
Water, Sewer & Trash		11,995	12,474	12,973	13,492	14,032	17,072	20,771	25,271	37,407
Insurance		24,015	24,976	25,975	27,014	28,095	34,181	41,587	50,597	74,895
Property Tax		0	0	0	0	0	0	0	0	0
Reserve for Replacements		25,600	26,624	27,689	28,797	29,948	36,437	44,331	53,935	79,837
Other		13,700	14,248	14,818	15,411	16,027	19,499	23,724	28,864	42,726
TOTAL EXPENSES		\$372,901	\$387,418	\$402,504	\$418,181	\$434,472	\$526,025	\$637,003	\$771,549	\$1,132,544
NET OPERATING INCOME		\$192,611	\$195,059	\$197,448	\$199,769	\$202,017	\$211,840	\$218,384	\$220,079	\$200,121
<b>DEBT SERVICE</b>										
First Lien Financing		\$154,011	\$154,011	\$154,011	\$154,011	\$154,011	\$154,011	\$154,011	\$154,011	\$154,011
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		\$38,600	\$41,048	\$43,436	\$45,758	\$48,005	\$57,828	\$64,373	\$66,068	\$46,110
DEBT COVERAGE RATIO		1.25	1.27	1.28	1.30	1.31	1.38	1.42	1.43	1.30

**LIHTC Allocation Calculation - Valley View Apartments, 9% LIHTC #02103**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$255,000	\$208,711		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$823,450	\$823,450	\$823,450	\$823,450
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$5,231,808	\$4,834,657	\$5,231,808	\$4,834,657
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$126,105	\$113,162	\$121,105	\$113,162
Contractor profit	\$332,718	\$332,718	\$332,718	\$332,718
General requirements	\$332,250	\$332,250	\$332,250	\$332,250
<b>(5) Contingencies</b>	\$340,658	\$282,905	\$302,763	\$282,905
<b>(6) Eligible Indirect Fees</b>	\$479,000	\$479,000	\$479,000	\$479,000
<b>(7) Eligible Financing Fees</b>	\$346,715	\$346,715	\$346,715	\$346,715
<b>(8) All Ineligible Costs</b>	\$145,910	\$145,910		
<b>(9) Developer Fees</b>			\$1,195,471	
Developer overhead	\$667,198	\$586,942		\$586,942
Developer fee	\$544,787	\$544,787		\$544,787
<b>(10) Development Reserves</b>	\$130,000	\$130,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$9,755,599</b>	<b>\$9,161,208</b>	<b>\$9,165,280</b>	<b>\$8,676,587</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$9,165,280	\$8,676,587
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$11,914,865	\$11,279,563
Applicable Fraction			94.53%	94.53%
<b>TOTAL QUALIFIED BASIS</b>			\$11,263,270	\$10,662,712
Applicable Percentage			8.44%	8.44%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$950,620	\$899,933
<b>Syndication Proceeds</b>		<b>0.8040</b>	<b>\$7,642,785</b>	<b>\$7,235,271</b>

**TDHCA #**

**02107**

**Region 8B**

**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: **Holly Park Apartments**TDHCA #: **02107****DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: G  
 Site Address: 3210 Holly Rd. Additional Elderly Set Aside   
 City: Corpus Christi Purpose / Activity: NC  
 County: Nueces Development Type: Family  
 Zip Code: 78415  TTC  DDA  QCT

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

Special Needs: 9 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: H-K Housing Partners, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
KPE Development, LLC	Ezequiel P. Elizondo	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$888,921** Allocation over 10 Years: \$8,889,210  
 Credits Requested: \$866,332 Eligible Basis Amount: \$888,921 Equity/Gap Amount: \$970,807

**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	10	9	0	0	19
50%	0	0	10	9	0	0	19
60%	0	0	68	66	0	0	134
MR	0	0	0	0	0	0	0
Total	0	0	88	84	0	0	

Total LI Units: 172  
 Owner/Employee Units: 0  
 Total Project Units: 172  
 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: **\$11,604,525**  
 Gross Building Square Feet: 177,584  
 Total NRA SF: 174,584  
 Gross/Net Rentable: 1.02  
 Average Square Feet/Unit: 1,015  
 Cost Per Net Rentable Square Foot: \$66.47  
 Credits per Low Income Unit: \$5,168

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$991,496  
 Total Expenses: \$600,331  
 Net Operating Income: \$391,165  
 Estimated 1st Year Debt Coverage Ratio: 1.10

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: KPE Development, LLC Market Analyst: James Sawyer & Associates, Inc.  
 Housing GC: NA Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: NA Attorney: Bickerstaff, Heath, Smiley, Pollan, Kever & McDona  
 Architect: Bright & Dykemas Supp Services: HIC-Services  
 Property Manager: National Housing Management Corp. Accountant: Novogradac & Company, LLP  
 Engineer: Medina Engineering & Surveying  
 Syndicator: Columbia Housing Partners, LP Permanent Lender: PNC Bank

**DEPARTMENT EVALUATION**

Points Awarded: 115 Site Review: Acceptable Underwriting Finding: AC

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



# Developer Evaluation

## Compliance Status Summary

**Project ID #:** 02107

LIHTC 9%  LIHTC 4%

**Project Name:** Holly Park Apartments

HOME  HTF

**Project City:**

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 4 # not yet monitored or pending review 0

# of projects grouped by score 0-9: 4 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** 06/17/2002

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments:

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

### **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** \_\_\_\_\_ **Completed on** \_\_\_\_\_

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

**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:** \_\_\_\_\_      **Date Signed:** \_\_\_\_\_

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

DATE: June 14, 2002      PROGRAM: 9% LIHTC      FILE NUMBER: 02107

**DEVELOPMENT NAME**

Holly Park Apartments

**APPLICANT**

Name: H-K Housing Partners, Ltd.      Type:  For Profit     Non-Profit     Municipal     Other  
 Address: 816 Congress Avenue, Suite 1750      City: Austin      State: TX  
 Zip: 78701    Contact: Kelly Elizondo      Phone: (512) 404-7898    Fax: (512) 703-2728

**PRINCIPALS of the APPLICANT**

Name: KPE Development LLC      (%): 0.01      Title: Managing General Partner  
 Name: Columbia Housing Partners L.P.      (%): 99.99      Title: Limited Partner  
 Name: Ezequiel P Elizondo      (%): n/a      Title: 100% owner of G.P.

**GENERAL PARTNER**

Name: KPE Development LLC      Type:  For Profit     Non-Profit     Municipal     Other  
 Address: 816 Congress Avenue, Suite 1750      City: Austin      State: TX  
 Zip: 78701    Contact: Ezequiel P. Elizondo      Phone: (512) 404-7898    Fax: (512) 703-2728

**PROPERTY LOCATION**

Location: 3210 Holly Road       QCT     DDA  
 City: Corpus Christi      County: Nueces      Zip: 78415

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$866,332	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> Set-Aside: <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

Size: 21.24 <sup>Acre</sup><sub>s</sub>      925,214 square feet      Zoning/ Permitted Uses: A-1 & B-4, multifamily permitted  
 Flood Zone Designation: Zone C      Status of Off-Sites: Partially Improved

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 172    **# Rental Buildings:** 43    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
88	2	2	932
84	3	2	1,102

**Net Rentable SF:** 174,584    **Av Un SF:** 1,015    **Common Area SF:** 3,000    **Gross Bldng SF:** 177,584  
**Property Type:**     Multifamily     SFR Rental     Elderly     Mixed Income     Special Use

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 60% stucco/40% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Furnished community room, management offices, fitness & laundry facilities, restrooms, swimming pool, equipped children's play area, sports courts

**Uncovered Parking:** 368 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION FINANCING**

**Source:** PNC Bank    **Contact:** Bradley Bullock  
**Principal Amount:** \$4,904,019    **Interest Rate:** Prime floating as determined by lender  
**Additional Information:** Interest-only payments  
**Amortization:** N/A yrs    **Term:** 2 yrs    **Commitment:**  LOI     Firm     Conditional

**PERMANENT FINANCING**

**Source:** PNC Bank    **Contact:** Bradley Bullock  
**Principal Amount:** \$4,275,000    **Interest Rate:** 15-year swap rate + 180 basis points, estimated & underwritten at 8%  
**Additional Information:** Closing simultaneous with construction loan  
**Amortization:** 30 yrs    **Term:** 18 yrs    **Commitment:**  LOI     Firm     Conditional  
**Annual Payment:** \$376,628    **Lien Priority:** 1st    **Commitment Date:** 2/ 26/ 2002

**LIHTC SYNDICATION**

**Source:** Columbia Housing Partners L.P.    **Contact:** Bradley Bullock  
**Address:** 111 SW Fifth Avenue, Suite 3200    **City:** Portland  
**State:** OR    **Zip:** 97204    **Phone:** (503) 808-1300    **Fax:** (503) 808-1301  
**Net Proceeds:** \$6,750,632    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 78¢  
**Commitment:**  LOI     Firm     Conditional    **Date:** 2/ 26/ 2002  
**Additional Information:** \_\_\_\_\_

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

**APPLICANT EQUITY**

**Amount:**     \$578,893                          **Source:**     Deferred developer fee    

**VALUATION INFORMATION**

**ASSESSED VALUE**

**Land: (33.561 acres)**                          \$503,415 (market)                          **Assessment for the Year of:**     2001      
**Land: (21.24 acres pro rated)**                          \$318,705 (market)                          **Valuation by:**     Nueces County Appraisal District    

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:**     Purchase and Sale Agreement (21.069 acres in body of contract, 21.247 acres in legal description)    

**Contract Expiration Date:**     11/    15/    2002                          **Anticipated Closing Date:**     10/    15/    2002    

**Acquisition Cost:**     \$ 688,325                          **Other Terms/Conditions:**     \$15,000 earnest money; \$0.75 per SF    

**Seller:**     The Joslin Partnership, Ltd.                          **Related to Development Team Member:**     No    

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

- Holly Park Apartments was submitted and underwritten in the 1999 9% LIHTC cycle as a 236-unit, mixed-income development with 59 market rate units. The underwriting analysis recommended the project be approved subject to two minor site environmental conditions. The project did not receive an allocation in the 1999 LIHTC cycle.
- The subject development was again submitted in the 2000 9% LIHTC cycle as a 200-unit, 100% affordable proposal. The underwriting analysis recommended the project be approved subject to the same two minor site environmental conditions, as well as receipt, review, and acceptance of a firm commitment from the permanent lender ultimately chosen. The project did not receive an allocation in the 2000 LIHTC cycle.
- Holly Park Apartments was submitted a third time in the 2001 9% LIHTC cycle, this time as a 172-unit, 100% affordable development. The underwriting analysis recommended the project be approved subject to the removal of fill material on the site. The project did not receive an allocation in the 2001 LIHTC cycle.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Holly Park is a proposed new construction project of 172 units of affordable housing located in Corpus Christi. The site appears to be the same site as in previous years and the unit mix appears to be consistent with last year's application, though the three-bedroom units appear to be 79 square feet smaller. The project is comprised of 43 residential buildings as follows:

- Twenty-two Building Style A with four two-bedroom units;
- Twenty-one Building Style B with four three-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 3,000-square foot community building will include a clubroom with kitchen, fitness center, and laundry facility as well as leasing offices separated from the main building by a covered breezeway.

**Supportive Services:** The Applicant has contracted with Housing Initiatives Corporation to provide the following supportive services to tenants: financial and homeownership counseling, safety issue management, adult skills training, youth programs, and information and referral services for other service providers. These optional services will be provided at no cost to tenants. The ten-year contract stipulates a fee of \$860 per month (\$10,320/year).

**Schedule:** The Applicant anticipates construction to begin in March of 2003, to be completed in August of

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CREDIT UNDERWRITING ANALYSIS**

2004, and to be placed in service and substantially leased-up in December 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%) will be reserved for low-income tenants. 19 of the units (11% of the total) will be reserved for households earning 40% or less of AMGI, another 19 units (11%) will be reserved for households earning 50% or less of AMGI, and the remaining 134 units (78%) will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Nine units (5%) will be reserved for households with handicapped/developmentally-disabled individuals.

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 15, 2002 was prepared by James Sawyer & Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** "...we have concluded that the market area for the subject coincides with the boundaries of the city in which the property is located, Corpus Christi." (p. 31)

**Total Local/Submarket Demand for Rental Units:** "The data indicates a mid-range demand for additional multifamily housing of 2,780 units based on the population growth of Corpus Christi." (p. 51)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	2,780*	100%	80	1%
Resident Turnover	0	0%	9,807	99%
<b>TOTAL ANNUAL DEMAND</b>	<b>2,780*</b>	<b>100%</b>	<b>9,887</b>	<b>100%</b>

Ref: p. 52

\* Although the analyst states that this demand figure is based on population growth, it actually appears to represent the total number of renter households whose income would allow them to lease in the proposed project. This gross demand figure requires natural annual turnover of 25% in order for the project to capture 25% of the turnover demand. The analyst did not provide a turnover rate; the Underwriter used the IREM 2001 garden apartment turnover rate for Corpus Christi of 73.8%. In addition, the Underwriter recalculated growth and turnover from the census data provided by the market analyst.

**Capture Rate:** "The subject's capture rate would equate to 6% of the market." (p. 52) The Underwriter calculated a concentration capture rate of 2% based upon the Underwriter's larger demand estimate.

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 2,452+ units in the market area. "There have been several new market units come on line over the past few years due to the high rental rates in the market supporting financial feasibility. However, these rental rates are, in some cases, twice the LIHTC maximum rates and are unobtainable for the majority of households in Corpus Christi." (p. 59)

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

	Proposed	Program Max	Differential	Est. Market	Differential
<b>2-Bedroom (40%)</b>	\$321	\$321	\$0	\$820	-\$499
<b>2-Bedroom (50%)</b>	\$416	\$416	\$0	\$820	-\$404
<b>2-Bedroom (60%)</b>	\$511	\$511	\$0	\$820	-\$309
<b>3-Bedroom (40%)</b>	\$367	\$367	\$0	\$980	-\$613
<b>3-Bedroom (50%)</b>	\$477	\$477	\$0	\$980	-\$503
<b>3-Bedroom (60%)</b>	\$587	\$587	\$0	\$980	-\$393

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

**Submarket Vacancy Rates:** “The Corpus Christi Apartment Association estimates the Corpus Christi market to be 85% to 90% occupied. Most of the competitive properties surveyed were reporting occupancy rates of 83% to 98%.” (p. 48)

**Absorption Projections:** “...we believe that the subject’s location in the submarket and new construction components will cause the subject units to pre-lease and absorb to a stabilized 92.5% occupancy in year 1.” (p. 52)

**Known Planned Development:** “Both the Corpus Christi Apartment Association and the City of Corpus Christi Planning Department are unaware of any new units currently under construction.” (p. 51)

**Effect on Existing Housing Stock:** “Based on the high occupancy rates and rental rates at both market and LIHTC properties, the addition of the subject units into the marketplace should not impact either.” (p. 59)

**Other Relevant Information:** “Corpus Christi has an estimated population of 276,154, and has only one tax credit property for families!” (p. 59)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an “L”-shaped parcel located in the southwest area of Corpus Christi, approximately five miles from the central business district. The site is situated on the north side of Holly Road.

**Population:** The estimated 2000 population of Corpus Christi was 277,454 and is expected to increase by 1.5% to approximately 282,374 by 2006. Within the primary market area there were estimated to be 98,791 households in 2000.

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

- **North:** single-family residential, a park, and a school
- **South:** Holly Road and vacant land, with single- and multifamily residential beyond
- **East:** single-family residential and mixed commercial/office
- **West:** vacant land and light industrial beyond fronting Kostoryz Road

**Site Access:** The property has approximately 400 feet of frontage along the northern side of Holly Road. The remainder of the property does not have direct access to a public street or road.

**Public Transportation:** The Regional Transportation Authority provides bus transportation through regularly scheduled, fixed route service, para-transit service for the disabled, and commuter service for large employers.

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

**HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORTS**

ARCADIS Geraghty & Miller, Inc. provided a Phase I Environmental Site Assessment Update dated January 4, 2002 which contained the following findings and recommendations: “As documented in the March 15, 2001 report, an area of the site adjacent to the Coin Match facility contained fill materials covering approximately 3,750 square feet. ARCADIS recommends that the owner of the fill materials be notified to remove the fill materials and oil-stained soil from the subject site...ARCADIS recommends no further environmental actions or investigations.” (p.2) Receipt, review, and acceptance of documentation of removal of the fill material on the site is a condition of this report.

**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:**

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

The Applicant's total expense estimate of \$3,205 per unit is 8.2% lower than the Underwriter's TDHCA database- and Corpus Christi IREM-derived estimate of \$3,490 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$36.9K lower), repairs and maintenance (\$31.7K higher), and utilities (\$31.1K lower).

**Conclusion:** The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.04 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$355,729 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. At the current loan terms this would restrict the permanent loan size to approximately \$4,040,000.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The site cost of \$688,325 (\$0.74/SF or \$32.4K/acre), although over twice the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant included \$7,500 in additional closing costs which appear to be reasonable.

**Site Work Cost:** The Applicant's claimed sitework costs of \$4,130 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$276K or 4.5% 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 \$43K in marketing costs 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.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$10,532,240 is used to determine a credit allocation of \$888,921 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE ANALYSIS**

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

**Interim to Permanent:** There is a commitment for interim to permanent financing through PNC Bank in the amount of \$4,904,019 during the interim period and \$4,275,000 at conversion to permanent. The commitment letter indicated a term of two years for the construction loan and 18 years for the permanent, with a 30-year amortization schedule. The construction loan's interest rate will be the prime floating as determined by the lender, and the fixed permanent interest rate will be 180 basis points in excess of the 15-year swap rate as determined by the lender. The permanent rate will be locked at the simultaneous closing of both loans and is estimated and underwritten at 8%.

**LIHTC Syndication:** Columbia Housing Partners Limited Partnership has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$6,750,632 based on a syndication factor of 78%. The funds would be disbursed in a four-phased pay-in schedule:

1. 50%, funded as monthly draws, upon the latest of: admission to the partnership, carryover allocation, or construction loan closing;
2. 30% upon the latest of: completion of construction or cost certification;
3. 10% upon the latest of: initial 100% occupancy, receipt of IRS Forms 8609, or achievement of breakeven operations for four consecutive months;
4. 10% upon the latest of: permanent loan conversion, achievement of a 1.05 DCR for four consecutive

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months, or achievement of 100% physical occupancy.

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$578,893 amount to 43% of the total proposed fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$888,921 annually for ten years, resulting in syndication proceeds of approximately \$6,926,650. This allocation amount exceeds the Applicant's request by \$22,589 due to the Applicant's use of a significantly lower applicable percentage of 8.19% instead of the underwriting rate of 8.44% used for applications received in March 2002. As discussed above the project's permanent debt service should not exceed \$355,729, resulting in a reduced permanent debt amount of \$4,040,000. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$637,875, which represents approximately 47% of the eligible fee and which is likely to be repayable from cash flow in just over ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

Elevation drawings for the residential buildings indicate simple single-story structures with mixed stucco and brick veneer exterior surfaces and varied rooflines. The units provide livable floor plans with ample storage space and washer/dryer closets. They are accessed from covered private entry porches.

The common building will have a similar exterior appearance. The building is actually two, connected by a covered porch/breezeway. One portion houses the tenant-accessible common areas, while the second portion houses the leasing and management offices.

**IDENTITIES of INTEREST**

The Applicant and Developer are related entities. These identities of interest are not known to be prohibited by LIHTC program guidelines.

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

**Financial Highlights:**

- The Applicant is a new entity formed exclusively for the development of the proposed project and therefore has no significant financial history.
- The Developer and General Partner, KPE Development, L.L.C., submitted an unaudited financial statement as of May 6, 2002 reporting total assets of \$1.19M and consisting of \$35K in cash, \$3.5K in receivables, \$109K in contracts, \$980K in real property, and \$64K in machinery, equipment, and fixtures. Liabilities totaled \$803K, resulting in a net worth of \$389K.

**Background & Experience:** Ezequiel P. Elizondo has indicated participation in four LIHTC-funded projects totaling 520 units since 1996. Mr. Elizondo also has experience with tax credits as a former Deputy Executive Director for the Texas Department of Housing and Community Affairs.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$888,921 ANNUALLY FOR TEN YEARS SUBJECT TO CONDITIONS

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

1. Receipt, review, and acceptance of documentation of compliance with the condition of the Phase I ESA Update report relating to the removal of the fill material on the site.
2. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed \$355,729.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 14, 2002  
\_\_\_\_\_

**Director of Credit Underwriting:**

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

**Date:** June 14, 2002  
\_\_\_\_\_



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

Development Name: **Valley View Apartments**

TDHCA #: **02103**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: G  
 Site Address: Anaya Road, East of Jackson Road Additional Elderly Set Aside   
 City: Pharr ETJ Purpose / Activity: NC  
 County: Hidalgo Development Type: Family  
 Zip Code: 78577  TTC  DDA  QCT

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

Special Needs: 10 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Valley View, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
South Texas Economic Development Corporation, Inc.	Mike Lopez	100 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$899,933** Allocation over 10 Years: \$8,999,330  
 Credits Requested: \$973,101 Eligible Basis Amount: \$899,933 Equity/Gap Amount: \$921,904

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	5	4	4	0	0	13
50%	0	16	21	12	0	0	49
60%	0	6	32	21	0	0	59
MR	0	2	3	2	0	0	7
Total	0	29	60	39	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$9,161,208**  
 Gross Building Square Feet: 123,486  
 Total NRA SF: 120,105  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 938  
 Cost Per Net Rentable Square Foot: \$76.28  
 Credits per Low Income Unit: \$7,437

Total LI Units: 121  
 Owner/Employee Units: 0  
 Total Project Units: 128  
 Applicable Fraction: 95.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$565,512  
 Total Expenses: \$372,901  
 Net Operating Income: \$192,611  
 Estimated 1st Year Debt Coverage Ratio: 1.25

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: South Texas Economic Development Corporation, Inc. Market Analyst: Integra Glenn Realty Advisors  
 Housing GC: Galaxy Builders, Ltd. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: NA  
 Cost Estimator: NA Attorney: Oppenheimer Blend Harrison & Tate  
 Architect: Mata, Villarreal, Garcia Design Group Supp Services: Housing Authority of Hidalgo County  
 Property Manager: Housing Authority County of Hidalgo County Accountant: Novogradac & Company, LLP  
 Engineer: NA  
 Syndicator: Sun America Affordable Housing Partners Permanent Lender: First National Bank

**DEPARTMENT EVALUATION**

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

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Holly Park Apartments, 9% LIHTC #02107**

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, Trsl
TC (40%)	10	2	2	932	\$381	\$318	\$3,180	\$0.34	\$63.00	\$55.00
TC (50%)	10	2	2	932	476	413	4,130	0.44	63.00	55.00
TC (60%)	68	2	2	932	571	508	34,544	0.55	63.00	55.00
TC (40%)	9	3	2	1,102	440	360	3,240	0.33	80.00	63.00
TC (50%)	9	3	2	1,102	550	470	4,230	0.43	80.00	63.00
TC (60%)	66	3	2	1,102	660	580	38,280	0.53	80.00	63.00
<b>TOTAL:</b>	<b>172</b>		<b>AVERAGE:</b>	<b>1,015</b>	<b>\$581</b>	<b>\$509</b>	<b>\$87,604</b>	<b>\$0.50</b>	<b>\$71.30</b>	<b>\$58.91</b>

<b>INCOME</b>				Total Net Rentable Sq Ft: 174,584		<b>TDHCA</b>	<b>APPLICANT</b>			
<b>POTENTIAL GROSS RENT</b>						\$1,051,248	\$1,051,248			
Secondary Income		Per Unit Per Month:	\$10.00			20,640	20,640	\$10.00	Per Unit Per Month	
Other Support Income:						0	0			
<b>POTENTIAL GROSS INCOME</b>						\$1,071,888	\$1,071,888			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(80,392)	(81,156)	-7.57%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
<b>EFFECTIVE GROSS INCOME</b>						\$991,496	\$990,732			
<b>EXPENSES</b>	<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>					<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative	5.27%	\$304	\$0.30			\$52,213	\$15,300	\$0.09	\$89	1.54%
Management	5.00%	288	0.28			49,575	49,575	0.28	288	5.00%
Payroll & Payroll Tax	14.54%	838	0.83			144,136	137,387	0.79	799	13.87%
Repairs & Maintenance	6.61%	381	0.38			65,540	97,200	0.56	565	9.81%
Utilities	3.78%	218	0.21			37,528	6,384	0.04	37	0.64%
Water, Sewer, & Trash	5.99%	345	0.34			59,388	55,536	0.32	323	5.61%
Property Insurance	3.17%	183	0.18			31,425	37,610	0.22	219	3.80%
Property Tax 3.021418	11.25%	648	0.64			111,506	103,200	0.59	600	10.42%
Reserve for Replacements	3.47%	200	0.20			34,400	34,400	0.20	200	3.47%
Other: Spt svcs, compl. fees	1.47%	85	0.08			14,620	14,620	0.08	85	1.48%
<b>TOTAL EXPENSES</b>	<b>60.55%</b>	<b>\$3,490</b>	<b>\$3.44</b>			<b>\$600,331</b>	<b>\$551,212</b>	<b>\$3.16</b>	<b>\$3,205</b>	<b>55.64%</b>
<b>NET OPERATING INC</b>	<b>39.45%</b>	<b>\$2,274</b>	<b>\$2.24</b>			<b>\$391,166</b>	<b>\$439,520</b>	<b>\$2.52</b>	<b>\$2,555</b>	<b>44.36%</b>
<b>DEBT SERVICE</b>										
First Lien Mortgage	37.96%	\$2,188	\$2.16			\$376,421	\$376,628	\$2.16	\$2,190	38.02%
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%
<b>NET CASH FLOW</b>	<b>1.49%</b>	<b>\$86</b>	<b>\$0.08</b>			<b>\$14,745</b>	<b>\$62,892</b>	<b>\$0.36</b>	<b>\$366</b>	<b>6.35%</b>
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.04	1.17			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>						1.10				

<b>CONSTRUCTION COST</b>					<b>TDHCA</b>	<b>APPLICANT</b>	<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% of TOTAL</b>
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		6.16%	\$4,045	\$3.99	\$695,825	\$695,825	\$3.99	\$4,045	6.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.29%	4,130	4.07	710,336	710,336	4.07	4,130	6.12%
Direct Construction		54.20%	35,567	35.04	6,117,446	6,393,024	36.62	37,169	55.09%
Contingency	4.73%	2.86%	1,879	1.85	323,269	323,269	1.85	1,879	2.79%
General Reqts	6.00%	3.63%	2,382	2.35	409,667	419,295	2.40	2,438	3.61%
Contractor's G & A	2.00%	1.21%	794	0.78	136,556	139,765	0.80	813	1.20%
Contractor's Profit	6.00%	3.63%	2,382	2.35	409,667	419,625	2.40	2,440	3.62%
Indirect Construction		3.13%	2,054	2.02	353,226	353,226	2.02	2,054	3.04%
Ineligible Costs		1.28%	840	0.83	144,500	144,500	0.83	840	1.25%
Developer's G & A	4.71%	3.70%	2,430	2.39	417,936	436,972	2.50	2,541	3.77%
Developer's Profit	10.29%	8.10%	5,316	5.24	914,433	914,433	5.24	5,316	7.88%
Interim Financing		3.74%	2,455	2.42	422,295	422,295	2.42	2,455	3.64%
Reserves		2.06%	1,349	1.33	231,960	231,960	1.33	1,349	2.00%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$65,623</b>	<b>\$64.65</b>	<b>\$11,287,116</b>	<b>\$11,604,525</b>	<b>\$66.47</b>	<b>\$67,468</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>71.82%</b>	<b>\$47,133</b>	<b>\$46.44</b>	<b>\$8,106,941</b>	<b>\$8,405,314</b>	<b>\$48.14</b>	<b>\$48,868</b>	<b>72.43%</b>

<b>SOURCES OF FUNDS</b>				<b>RECOMMENDED</b>		
First Lien Mortgage	37.88%	\$24,855	\$24.49	\$4,275,000	\$4,275,000	\$4,040,000
Additional Financing	0.00%	\$0	\$0.00	0	0	0
LIHTC Syndication Proceeds	59.81%	\$39,248	\$38.67	6,750,632	6,750,632	6,926,650
Deferred Developer Fees	5.13%	\$3,366	\$3.32	578,893	578,893	637,875
Additional (excess) Funds Required	-2.81%	(\$1,845)	(\$1.82)	(317,409)	0	(0)
<b>TOTAL SOURCES</b>				<b>\$11,287,116</b>	<b>\$11,604,525</b>	<b>\$11,604,525</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Holly Park Apartments, 9% LIHTC #02107**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.81	\$7,124,906
<b>Adjustments</b>				
Exterior Wall Fini	3.20%		\$1.31	\$227,997
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(342,185)
Floor Cover			1.82	317,743
Porches/Balconies	\$14.95	39,864	3.41	595,967
Plumbing	\$585	256	0.86	149,760
Built-In Appliance	\$1,550	172	1.53	266,600
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	246,163
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$56.86	3,000	0.98	170,586
Other:			0.00	0
<b>SUBTOTAL</b>			<b>50.16</b>	<b>8,757,537</b>
Current Cost Multiplier	1.04		2.01	350,301
Local Multiplier	0.82		(9.03)	(1,576,357)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$43.14</b>	<b>\$7,531,482</b>
Plans, specs, survy, b	3.90%		(\$1.68)	(\$293,728)
Interim Construction I	3.38%		(1.46)	(254,188)
Contractor's OH & Prof	11.50%		(4.96)	(866,120)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$35.04</b>	<b>\$6,117,446</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,275,000	Term	360
Int Rate	8.00%	DCR	1.04
<b>Secondary</b>	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.04
<b>Additional</b>	\$6,750,632	Term	
Int Rate		Aggregate DCR	1.04

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$355,729
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$35,437</b>

<b>Primary</b>	\$4,040,000	Term	360
Int Rate	8.00%	DCR	1.10
<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
<b>Additional</b>	\$6,750,632	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,051,248	\$1,082,785	\$1,115,269	\$1,148,727	\$1,183,189	\$1,371,640	\$1,590,107	\$1,843,370	\$2,477,335
Secondary Income	20,640	21,259	21,897	22,554	23,231	26,931	31,220	36,192	48,640
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,071,888</b>	<b>1,104,045</b>	<b>1,137,166</b>	<b>1,171,281</b>	<b>1,206,419</b>	<b>1,398,571</b>	<b>1,621,327</b>	<b>1,879,562</b>	<b>2,525,974</b>
Vacancy & Collection Los:	(80,392)	(82,803)	(85,287)	(87,846)	(90,481)	(104,893)	(121,600)	(140,967)	(189,448)
Employee or Other Non-Re:	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$991,496</b>	<b>\$1,021,241</b>	<b>\$1,051,879</b>	<b>\$1,083,435</b>	<b>\$1,115,938</b>	<b>\$1,293,678</b>	<b>\$1,499,727</b>	<b>\$1,738,595</b>	<b>\$2,336,526</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$52,213	\$54,302	\$56,474	\$58,733	\$61,082	\$74,315	\$90,416	\$110,005	\$162,834
Management	49,575	51,062	52,594	54,172	55,797	64,684	74,986	86,930	116,826
Payroll & Payroll Tax	144,136	149,901	155,897	162,133	168,619	205,150	249,597	303,673	449,510
Repairs & Maintenance	65,540	68,161	70,888	73,723	76,672	93,283	113,493	138,082	204,395
Utilities	37,528	39,029	40,590	42,214	43,902	53,414	64,986	79,065	117,036
Water, Sewer & Trash	59,388	61,764	64,234	66,803	69,476	84,528	102,841	125,122	185,211
Insurance	31,425	32,682	33,989	35,349	36,763	44,728	54,418	66,208	98,004
Property Tax	111,506	115,966	120,605	125,429	130,446	158,708	193,093	234,927	347,749
Reserve for Replacements	34,400	35,776	37,207	38,695	40,243	48,962	59,570	72,476	107,282
Other	14,620	15,205	15,813	16,446	17,103	20,809	25,317	30,802	45,595
<b>TOTAL EXPENSES</b>	<b>\$600,331</b>	<b>\$623,848</b>	<b>\$648,291</b>	<b>\$673,697</b>	<b>\$700,103</b>	<b>\$848,581</b>	<b>\$1,028,717</b>	<b>\$1,247,289</b>	<b>\$1,834,442</b>
<b>NET OPERATING INCOME</b>	<b>\$391,166</b>	<b>\$397,393</b>	<b>\$403,587</b>	<b>\$409,738</b>	<b>\$415,835</b>	<b>\$445,097</b>	<b>\$471,010</b>	<b>\$491,306</b>	<b>\$502,085</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$355,729	\$355,729	\$355,729	\$355,729	\$355,729	\$355,729	\$355,729	\$355,729	\$355,729
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$35,437</b>	<b>\$41,664</b>	<b>\$47,858</b>	<b>\$54,009</b>	<b>\$60,106</b>	<b>\$89,368</b>	<b>\$115,281</b>	<b>\$135,577</b>	<b>\$146,355</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.13</b>	<b>1.15</b>	<b>1.17</b>	<b>1.25</b>	<b>1.32</b>	<b>1.38</b>	<b>1.41</b>



**TDHCA #**

**02153**

**Region 8B**

**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: **Encanta Villa Apartments**

TDHCA #: **02153**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: R  
 Site Address: Frank Doyno St. Additional Elderly Set Aside   
 City: Rio Grande City Purpose / Activity: NC  
 County: Starr Development Type: Elderly  
 Zip Code: 78582  TTC  DDA  QCT

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

Special Needs: 2 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: HVM Rio Grande City II, Ltd.

Principal Names:	Principal Contact:	Percentage Ownership:
Community Action Council of South Texas	Francisco G. Zarate	0 %
NA	NA	0 %

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$55,529** Allocation over 10 Years: \$555,290  
 Credits Requested: \$55,677 Eligible Basis Amount: \$55,529 Equity/Gap Amount: \$55,672

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	3	0	0	0	0	3
40%	0	5	0	0	0	0	5
50%	0	8	0	0	0	0	8
60%	0	6	2	0	0	0	8
MR	0	0	0	0	0	0	0
Total	0	22	2	0	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$1,264,071**  
 Gross Building Square Feet: 17,235  
 Total NRA SF: 15,972  
 Gross/Net Rentable: 1.08  
 Average Square Feet/Unit: 666  
 Cost Per Net Rentable Square Foot: \$79.14  
 Credits per Low Income Unit: \$2,314

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

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$91,486  
 Total Expenses: \$67,884  
 Net Operating Income: \$23,602  
 Estimated 1st Year Debt Coverage Ratio: 1.11

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Hamilton Valley Management/CACST Market Analyst: Ipser & Associates  
 Housing GC: Hoover Construction Company, Inc. Originator/UW: NA  
 Infrastructure GC: NA Appraiser: Stephen T. Radle & Associates  
 Cost Estimator: Hoover Construction Company, Inc. Attorney: Alvin Nored  
 Architect: WS Allen & Associates Supp Services:  
 Property Manager: Hamilton Valley Management, Inc. Accountant: Lou Ann Montey & Associates  
 Engineer: NA  
 Syndicator: Raymond James Tax Credit Funds Permanent Lender: USDA Rural Development

**DEPARTMENT EVALUATION**

Points Awarded: 105 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Encanta Villa Apartments

Project Number: 02153

**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: Leo Olivarez, City Administrator, S	
TX Rep.: Irma Rangel, Dist. 35 S	
TX Sen.: Judith Zaffirini, Dist. 21 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a satisfactory loan agreement from USDA Rural Development.  
Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development that reflects support for the Basic Rents as proposed by the Applicant. Should the rental assistance agreement be for less than 16 units or support different Basis Rents, a re-evaluation of the net operating income and financing structure should be conducted.

**Alternate Recommendation:**

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

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

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

_____ Brooke Boston, Acting LIHTC Co-Manager	_____ Date	_____ David Burrell, Director of Housing Programs	_____ Date
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**RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:**

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

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

_____ Edwina Carrington, Executive Director Chairman of Executive Award and Review Advisory Committee	_____ Date
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**BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):**

Approved Credit Amount:  Date of Determination:

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

_____ Michael E. Jones, Chairman of the Board	_____ Date
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**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: Community Action Council of South Texas is a CSBG contractor in good standing.

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

**DATE:** May 13, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02153

**DEVELOPMENT NAME**

Encanta Villas Apartments

**APPLICANT**

**Name:** HVM Rio Grande City II, Ltd.      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 209 South West Street      **City:** Burnet      **State:** Texas  
**Zip:** 78611    **Contact:** Dennis Hoover      **Phone:** (512) 756-6809    **Fax:** (512) 756-9885

**PRINCIPALS of the APPLICANT**

**Name:** Community Action Council of South Texas    **(%):** 5%    **Title:** Managing General Partner  
**Name:** Dennis Hoover    **(%):** 95%    **Title:** Initial Limited Partner  
**Name:** Hamilton Valley Management/CACST    **(%):** N/A    **Title:** Developer

**GENERAL PARTNER**

**Name:** Community Action Council of South Texas    **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Drawer 98      **City:** Rio Grande City      **State:** Texas  
**Zip:** 78582    **Contact:** Francisco Zarate      **Phone:** (956) 487-2585    **Fax:** (956) 487-2871

**PROPERTY LOCATION**

**Location:** Frank Doyno Street       **QCT**     **DDA**  
**City:** Rio Grande City      **County:** Starr      **Zip:** 78582

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$55,677	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 1.766 acres    76,927 square feet    **Zoning/ Permitted Uses:** City has no zoning ordinance  
**Flood Zone Designation:** Zone C, not in 100-year floodplain      **Status of Off-Sites:** Raw Land

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 24    **# Rental Buildings:** 5    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
22	1	1	651
2	1	1	825

**Net Rentable SF:** 15,972    **Av Un SF:** 666    **Common Area SF:** 1,263    **Gross Bldg SF** 17,235

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 62% brick veneer 38% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

1,263 SF community building with furnished activity room, management offices, laundry facilities, kitchen & restrooms, & picnic area.

**Uncovered Parking:** 27 spaces    **Carports:** n/a spaces    **Garages:** n/a spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

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

**Principal Amount:** \$835,400    **Interest Rate:** 7.5%

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

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

**LONG TERM/PERMANENT FINANCING**

**Source:** USDA Rural Development    **Contact:** Eugene Pavlat

**Principal Amount:** \$835,400    **Interest Rate:** 1%

**Additional Information:** The interest rate is conditioned upon Basic Rents being maintained.

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

**Annual Payment:** \$21,238    **Lien Priority:** 1st    **Commitment Date**    2/ 27/ 2002

**LIHTC SYNDICATION**

**Source:** Raymond James Tax Credit Funds, Inc.    **Contact:** Lorna Fogg

**Address:** 880 Carillon Parkway    **City:** St. Petersburg

**State:** Florida    **Zip:** 33716    **Phone:** (800) 438-8088    **Fax:** (727) 573-8455

**Net Proceeds:** \$428,671    **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 77¢

**Commitment**     None     Firm     Conditional    **Date:** 2/ 26/ 2002

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

**APPLICANT EQUITY**

**Amount:** (None) \_\_\_\_\_

**Source:** \_\_\_\_\_

**VALUATION INFORMATION**

**APPRAISED VALUE**

**Land:** \$89,900 \_\_\_\_\_ **Date of Valuation:** 2/ 22/ 2002

**Appraiser:** Stephen Radle \_\_\_\_\_ **City:** Edinburg \_\_\_\_\_ **Phone:** (956) 687-6181

**ASSESSED VALUE**

**Land:** \$30,150 \_\_\_\_\_ **Assessment for the Year of:** 2001

**Building:** \_\_\_\_\_ **Valuation by:** Starr County Appraisal District

**Total Assessed Value:** \$30,150 \_\_\_\_\_ **Based on 2.01 acres**

**EVIDENCE of SITE or PROPERTY CONTROL**

**Type of Site Control:** Option to Purchase

**Contract Expiration Date:** 2/ 19/ 2003 **Anticipated Closing Date:** 2/ 19/ 2003

**Acquisition Cost:** \$ 70,000 **Other Terms/Conditions:** The Seller's president is the initial limited partner of the Applicant

**Seller:** Hamilton Valley Management

**Related to Development Team Member:** Yes

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Encanta Villa is a proposed new construction development of 24 units of affordable elderly housing located in west Rio Grande City. The development is comprised of five residential buildings as follows:

- (3) Building Type A with 6 one-bedroom units,
- (1) Building Type B with 4 one-bedroom units, and
- (1) Building Type C with 2 two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and mailboxes located near the entrance to the site. The 1,263 -square foot community building plan includes the management office, a community room, kitchen, restrooms, and laundry facilities. The property is the second phase to the adjacent, existing 40-unit Villa Vallarta elderly complex managed by Hamilton Valley Management.

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

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

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

**POPULATIONS TARGETED**

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

**Special Needs Set-Asides:** Two units (8.33%) will be handicapped-accessible.

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

**MARKET HIGHLIGHTS**

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

**Definition of Market/Submarket:** “The primary market area is defined as Starr County” (p. 1-1)

**Total Local/Submarket Market Demand for Rental Units:** “I&A (Ipser & Associates) projects a net housing demand within the City of Rio Grande of approximately 174 units between 2002 and 2004, or an annual average of 87 units” (p. 3-3)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	8	7%	6	5%
Resident Turnover	81	84%	118	95%
Other Sources:	9	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>97</b>	<b>100%</b>	<b>124</b>	<b>100%</b>

p. Exhibit 1-14

**Capture Rate:** “A capture rate, based on the estimated potential demand from elderly income-qualified households in the county (factoring projected growth, income limits, and turnover for the next two years) is 13.7% for RD-USDA units with rental assistance (24 units at the subject divided into 175 estimated elderly qualified households). (p. 5-1) The Underwriter does not know how the market analyst derived 175 elderly qualified households when the Underwriter recalculated their annual demand at 97 eligible tenants. The Underwriter estimates the capture rate to be 19%, based on 24 units being built at the subject site and a demand of 124 qualified tenants, resulting from a more aggressive turnover rate. In either case, the capture rate is below the 100% limit for rural areas.

**Local Housing Authority Waiting List Information:** “The waiting list for both public housing and the Section 8 Voucher Program contains 178 names, which includes two elderly applicants and one disabled person (1.7% of the 178 names)” (p. 4-4)

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 252 units in the market area. (Exhibit 4-3)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$332	\$162	+\$170	\$437	-\$105
<b>1-Bedroom (40%)</b>	\$332	\$230	+\$102	\$437	-\$105
<b>1-Bedroom (50%)</b>	\$332	\$279	+\$53	\$437	-\$105
<b>1-Bedroom (60%)</b>	\$332	\$365	-\$33	\$437	-\$105
<b>2-Bedroom (60%)</b>	\$409	\$434	-\$25	\$470	-\$61

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

**Submarket Vacancy Rates:** “Overall, the occupancy rate among the 252 units surveyed was 99.2%, with no off-line units reported” (p. 4-2)

**Absorption Projections:** “The absorption rate is estimated at 10 to 12 units per month indicating a lease-up period of two to three months to achieve 92.5% occupancy of the 24 units” (p. 5-5)

**Other Relevant Information:** The City of Rio Grande is projecting an increase of 542 households by 2010, while the county is projecting 3,456 in the same period. According to the market analyst, there is a demand of eight new elderly, income-qualifying tenants for 2002-2003 and 81 tenants from turnover. In addition, the analyst is projecting an additional nine tenants from other sources. According to 1990 census data, technical sales and administrative support accounted for 29.2% of the entire city labor force, with service being 18.6% and manager & professional specialty being 18.8% of the labor force. Starr County’s weekly wage was \$321.83, less than half the state average of \$707.31. The rate of change over previous decades show that

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Starr County's wages are not keeping up with inflation, resulting in the need for affordable housing. Major employers in the area are the U.S. Border Patrol (2,300 employees), the Rio Grande City School District (1,600), Starr County (650), the Community Action Council (459), and Wal-Mart (350). The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Rio Grande City is located along the Texas-Mexico border in Starr County, approximately 40 miles west of McAllen and Mission and 105 miles southeast of Laredo. The site is an irregularly-shaped parcel located in the northwest side of Rio Grande City, approximately one mile from the central business district. The site is situated on the west side of Frank Doyno Street.

**Population:** The 2002 population for Rio Grande City is 12,343, comprising approximately 22% of Starr County, which has a population of 56,247. The county population is expected to increase by 2.4% annually through the remainder of the decade. The city is projecting a 1.7% annual increase until 2010. Total households in Starr County in 2002 are 15,248, with an expected annual increase of 2.5% until 2010. Rio Grande City is expecting an increase of 542 households, or an annual increase of 1.8% during the same period.

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

- **North:** Large area of open space.
- **South:** Single-family housing of mixed age and value, including several large and relatively new homes.
- **East:** Villa Vallarta, an existing 40-unit USDA-RD elderly complex, referred to as the first phase of the project. Smaller, older single-family homes are located north and east of Villa Vallarta.
- **West:** Large area of open space. New single-family subdivisions are farther northwest and on the far west side of the city.

**Site Access:** Access to the property can be achieved by going north on North Fairgrounds Road from U.S. Highway 83, then going west on Fairview and North on Mariposa Street. The project has one main entry, from Frank Doyno Street, and is located just west of Villa Vallarta.

**Public Transportation:** According to the market analyst, "Transportation is available for senior citizens for shopping and medical services." (p. 1-3) However, the specific details of such services are unknown.

**Shopping & Services:** Several convenience stores are located within a few blocks of the site, however, major shopping and retail, to include HEB and Wal-Mart, as well as a variety of restaurants are located about 2.5 miles east on U.S. Hwy. 83. There is also shopping in the downtown area, located one mile east. Most of the growth is west, where a new high school, community college, and new hospital and clinics are located. Schools, churches, and the Medical Plaza Clinic and Pharmacy are located within two miles of the subject site.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member on April 23, 2002. The inspector found the site to be acceptable for the proposed development.

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

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are higher than the maximum rents allowed under LIHTC guidelines for the one-bedroom units at 30%, 40%, and 50% of AMGI, and are lower than the maximum guidelines for the one-bedroom 60% AMGI rents and the two-bedroom units, also at 60% AMGI. Because this property will be financed utilizing USDA Rural Development (RD) funds, the actual rents for all the units of a particular unit size will be the same. The Applicant will receive rental assistance from RD on the units that are above the LIHTC limits. If the Applicant were able to only achieve the tax credit maximum rents, the development would produce \$12,624 less income than proposed. The Applicant stated they will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant projected secondary income at \$2.08 per unit per month, while the Underwriter estimated \$5.00 per unit per month. Both the Applicant and Underwriter projected a vacancy and collection loss of 7.5% of potential gross rent.

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**Expenses:** The Applicant's estimate of total operating expense is 3% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. A major individual difference between the Applicant and the Underwriter is the Applicant assumes a lower general and administrative cost by almost \$3K compared to the Underwriter. Also, the Applicant included \$8,048, or \$306 per unit in reserves. While this is higher than the TDHCA guideline of \$200 per unit, it is less than the 1% of loan amount required by USDA. As a result, the actual reserve for replacement requirement will be \$8,354, or \$348 per unit. This amount was used by the Underwriter. The Applicant also provided, for comparison, ten developments that the management firm operates to support their expense estimates. The Underwriter utilized the averages to significantly adjust the TDHCA database estimate for payroll, as the Applicant's ability to operate at the revised figure has been sufficiently substantiated.

**Conclusion:** The Applicant's estimated income is consistent with the Underwriter's expectations as are total operating expenses. However, the net operating income (NOI) is slightly above 5% greater than the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Both the Underwriter's and Applicant's estimates of NOI provide sufficient debt service coverage to allow a DCR within the Department's 1.10 to 1.25 guidelines.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** Stephen T. Radle performed an appraisal on February 26, 2002 and concluded that the land was valued at \$89,000. The market analyst also supported the \$70,000 price that the Applicant is paying for the site. The site is being sold by Hamilton Valley Management, in which Dennis Hoover is the President. Dennis Hoover is listed as the initial limited partner for the Applicant purchasing the land. Because it is not an arm's-length transaction, the Applicant is required to indicate the original acquisition and holding costs to justify the proposed sales price. The property was originally acquired in 1994 as part of a larger acquisition that involved the now-improved adjacent multifamily site. The original purchase price for all five acres was \$107,182, thus the estimated value of the remaining land is \$42,872. The Applicant also provided holding costs of \$28,865.74. As a result, the \$71,737.74 value for the property justifies the purchase price, according to the Underwriter. Therefore, \$70,000 will be used as the land acquisition price. The site was assessed by the Starr County Tax Office at \$30,150.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,738 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$30K or 4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant included \$2,707 in tax credit fees as eligible when these fees paid to the Department are not counted as eligible. Thus, the eligible basis has been reduced by this amount.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are within the maximums allowed by TDHCA guidelines. Due to the slightly overstated eligible cost described above, the developer fees exceed the 15% maximum limit by a modest \$406 and the eligible basis must be reduced accordingly.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$1,163,878 is used to determine a credit allocation of \$55,529 from this method.

**FINANCING STRUCTURE ANALYSIS**

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

**Construction Financing:** The Applicant intends to use First State Bank for an interim construction loan of \$835,400 and to fund the remainder of the construction phase with \$428,671 in LIHTC syndication proceeds. The interest rate on the interim loan will be 7.5% with a term of one year.

**Permanent Financing:** Permanent mortgage financing will be provided by the United States Department of Agriculture, Rural Development in the form of a 30-year term loan of \$835,400. The interest rate will be set

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at a market rate but effectively reduced to 1% as long as rents do not exceed the basic rate which can be reset annually. The loan is said to amortize over a 50-year period. A final commitment from USDA was not provided and is pending an appraisal confirming that there will be sufficient value to support the debt. Receipt, review, and acceptance of a final formal commitment from USDA that includes all significant terms of the proposed debt is a condition of the report.

**LIHTC Syndication:** Raymond James Tax Credit Funds has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$428,671 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

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

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$55,529 annually for ten years, resulting in syndication proceeds of approximately \$429,528. The permanent financing estimate provided by the Applicant of \$835,400 appears to be reasonable provided that USDA will provide rental assistance to support the rents for the one-bedroom units at \$332 and the two-bedroom units at \$409. The Applicant initially indicated no need for a deferred developer fee, however, the reduction in eligible basis due to the misapplied tax credit fee results in \$1,143 in deferred fees.

**REVIEW of ARCHITECTURAL DESIGN**

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios and small indoor storage closets with hookups for full-size appliances. Each unit has a semi-private exterior entry that is shared with another unit, as well as both units sharing a large covered porch in the rear. The units are in one-story four-plex-style structures with mixed brick veneer and Hardiboard siding exterior finish and pitched roofs.

**IDENTITIES of INTEREST**

The developer and general contractor (as originally proposed in the application) are related entities, as is the initial limited partner. These are common identities of interest for LIHTC developments. Hamilton Valley Management, Inc. is the seller of the property. The initial limited partner is the President of Hamilton Valley Management. The Applicant has provided a third party appraisal to attempt to mitigate any concerns with regard to an overstated sales price with regard to this transfer, however, the original acquisition price plus holding costs were sufficient to justify the sales price.

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

**Financial Highlights:**

- The Applicant, HVM Rio Grande City II, Ltd., submitted an unaudited financial statement as of February 27, 2002 reporting total assets of \$65,040 with all the funds listed as receivables. A member of the developer is listed as the only debtor owing \$65,040. There were no listed liabilities, resulting in a net worth of \$65,040.
- The General Partner, Community Action Council of South Texas, submitted an audited financial statement as of February 27, 2002 reporting total assets of \$5,148,280 and consisting of \$2,963,313 in receivables, \$2,087,702 in property and equipment and prepaid and \$97,265 in inventory. Liabilities totaled \$2,940,058, resulting in a net worth of \$2,208,222.
- The General Partner also submitted an unaudited financial statement as of December 31, 2000 reporting total assets of \$5,860,706 and consisting of \$3,777,156 receivables, \$1,989,211 in property and equipment and prepaid and \$94,339 in inventory. Liabilities totaled \$4,373,322, resulting in a net worth of \$1,487,384.

**Background & Experience:**

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed 6 LIHTC/affordable housing developments totaling 72 units since 1997.
- The Developer is Hamilton Valley Management/CACST and the General Contractor is Hoover Construction Company, Inc. Both entities are affiliated with individuals who are known to have extensive

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experience in the development of affordable housing.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The seller of the property has an identity of interest with the Applicant.
- The Applicant's operating proforma is more than 5% outside the Underwriter's.

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$55,529 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS:

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory loan agreement from USDA Rural Development;
2. Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development that reflects support for the Basic Rents as proposed by the Applicant. Should the rental assistance agreement be for less than 16 units or support different Basic Rents, a re-evaluation of the net operating income and financing structure should be conducted.

**Underwriter:**

\_\_\_\_\_  
*Mark Fugina*

**Date:** May 13, 2002

**Credit Underwriting Supervisor:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** May 13, 2002

**Director of Credit Underwriting:**

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

**Date:** May 13, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Encanta Villa Apartments, Rio Grande City, LIHTC 9% #02153**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%	3	1	1	651	\$203	\$332	\$996	\$0.51	\$41.10	\$22.85
>TC40%	5	1	1	651	271	332	1,660	0.51	41.10	22.85
>TC50%	8	1	1	651	338	332	2,656	0.51	41.10	22.85
<TC60%	6	1	1	651	406	332	1,992	0.51	41.10	22.85
<TC60%	2	2	1	825	487	409	818	0.50	52.60	25.50
<b>TOTAL:</b>	<b>24</b>		<b>AVERAGE:</b>	<b>666</b>	<b>\$337</b>	<b>\$338</b>	<b>\$8,122</b>	<b>\$0.51</b>	<b>\$42.06</b>	<b>\$23.07</b>

INCOME				Total Net Rentable Sq Ft: 15,972		TDHCA		APPLICANT				
<b>POTENTIAL GROSS RENT</b>						\$97,464	\$97,464					
Secondary Income		Per Unit Per Month:	\$5.00			1,440	600	\$2.08		Per Unit Per Month		
Other Support Income: (describe)						0						
<b>POTENTIAL GROSS INCOME</b>						\$98,904	\$98,064					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(7,418)	(7,356)	-7.50%		of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0						
<b>EFFECTIVE GROSS INCOME</b>						\$91,486	\$90,708					
<b>EXPENSES</b>				% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative		5.36%	\$204	\$0.31	\$4,907	\$2,124	\$0.13	\$89	2.34%			
Management		8.02%	306	0.46	7,337	7,776	0.49	324	8.57%			
Payroll & Payroll Tax		12.10%	461	0.69	11,073	12,200	0.76	508	13.45%			
Repairs & Maintenance		8.26%	315	0.47	7,553	8,300	0.52	346	9.15%			
Utilities		2.65%	101	0.15	2,423	2,400	0.15	100	2.65%			
Water, Sewer, & Trash		12.76%	486	0.73	11,670	10,200	0.64	425	11.24%			
Property Insurance		3.29%	125	0.19	3,007	3,000	0.19	125	3.31%			
Property Tax	2.2939	12.64%	482	0.72	11,561	11,600	0.73	483	12.79%			
Reserve for Replacements		9.13%	348	0.52	8,354	8,048	0.50	335	8.87%			
Other Expenses:		0.00%	0	0.00	0	0	0.00	0	0.00%			
<b>TOTAL EXPENSES</b>				74.20%	\$2,828	\$4.25	\$67,884	\$65,648	\$4.11	\$2,735	72.37%	
<b>NET OPERATING INC</b>				25.80%	\$983	\$1.48	\$23,603	\$25,060	\$1.57	\$1,044	27.63%	
<b>DEBT SERVICE</b>												
First Lien Mortgage		23.21%	\$885	\$1.33	\$21,238	\$21,238	\$1.33	\$885	23.41%			
LIHTC Syndication Proceeds		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%			
<b>NET CASH FLOW</b>				2.58%	\$99	\$0.15	\$2,364	\$3,822	\$0.24	\$159	4.21%	
<b>AGGREGATE DEBT COVERAGE RATIO</b>							1.11	1.18				
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>							1.11					

<b>CONSTRUCTION COST</b>					TDHCA		APPLICANT				
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL		
Acquisition Cost (site or bldg)		5.41%	\$2,917	\$4.38	\$70,000	\$70,000	\$4.38	\$2,917	5.54%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		10.64%	5,738	8.62	137,712	137,712	8.62	5,738	10.89%		
Direct Construction		53.51%	28,856	43.36	692,548	662,288	41.47	27,595	52.39%		
Contingency	2.85%	1.83%	987	1.48	23,688	23,688	1.48	987	1.87%		
General Requiremer	5.78%	3.71%	2,000	3.01	48,000	48,000	3.01	2,000	3.80%		
Contractor's G & P	1.93%	1.24%	667	1.00	16,000	16,000	1.00	667	1.27%		
Contractor's Profi	5.78%	3.71%	2,000	3.01	48,000	48,000	3.01	2,000	3.80%		
Indirect Construction		3.98%	2,145	3.22	51,480	51,480	3.22	2,145	4.07%		
Ineligible Expenses		0.67%	361	0.54	8,657	8,657	0.54	361	0.68%		
Developer's G & A	1.60%	1.29%	696	1.05	16,713		0.00	0	0.00%		
Developer's Profit	13.00%	10.47%	5,646	8.48	135,503	152,216	9.53	6,342	12.04%		
Interim Financing		1.92%	1,038	1.56	24,900	24,900	1.56	1,038	1.97%		
Reserves		1.63%	880	1.32	21,130	21,130	1.32	880	1.67%		
<b>TOTAL COST</b>				100.00%	\$53,930	\$81.04	\$1,294,331	\$1,264,071	\$79.14	\$52,670	100.00%
<b>Recap-Hard Construction Costs</b>				74.63%	\$40,248	\$60.48	\$965,948	\$935,688	\$58.58	\$38,987	74.02%
<b>SOURCES OF FUNDS</b>							<b>RECOMMENDED</b>				
First Lien Mortgage		64.54%	\$34,808	\$52.30	\$835,400	\$835,400	\$835,400				
LIHTC Syndication Proceeds		33.12%	\$17,861	\$26.84	428,671	428,671	427,528				
Additional Financing		0.00%	\$0	\$0.00	0	0	0				
Deferred Developer Fees		0.00%	\$0	\$0.00	0	0					
Additional (excess) Funds Required		2.34%	\$1,261	\$1.89	30,260	0	1,143				
<b>TOTAL SOURCES</b>							\$1,294,331	\$1,264,071	\$1,264,071		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Encanta Villa Apartments, Rio Grande City, LIHTC 9% #02153**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.31	\$707,651
<b>Adjustments</b>				
Exterior Wall Finish	5.34%		\$2.37	\$37,789
Elderly	1.05%		0.47	7,430
Roofing			0.00	0
Subfloor			(1.96)	(31,305)
Floor Cover			1.82	29,069
Porches/Balconies	\$28.10	3,246	5.71	91,213
Plumbing	\$585		0.00	0
Built-In Appliances	\$1,550	24	2.33	37,200
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	22,521
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$62.13	1,263	4.91	78,466
Other:			0.00	0
<b>SUBTOTAL</b>			<b>61.36</b>	<b>980,033</b>
Current Cost Multiplier	1.04		2.45	39,201
Local Multiplier	0.83		(10.43)	(166,606)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.38</b>	<b>\$852,629</b>
Plans, specs, survy, bld	3.90%		(2.08)	(33,253)
Interim Construction Inte	3.38%		(1.80)	(28,776)
Contractor's OH & Profit	11.50%		(6.14)	(98,052)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.36</b>	<b>\$692,548</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$835,400	Term	600
Int Rate	1.00%	DCR	1.11

<b>Secondary</b>	\$428,671	Term	
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$0	Term	
Int Rate		Aggregate DCR	1.11

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$21,238
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$2,364</b>

<b>Primary</b>	\$835,400	600	600
Int Rate	1.00%	DCR	1.11

<b>Secondary</b>	\$428,671	Term	0
Int Rate	0.00%	Subtotal DCR	1.11

<b>Additional</b>	\$0	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	\$97,464	\$100,388	\$103,400	\$106,502	\$109,697	\$127,168	\$147,423	\$170,904	\$229,680
Secondary Income	1,440	1,483	1,528	1,574	1,621	1,879	2,178	2,525	3,393
Other Support Income: (desc:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>98,904</b>	<b>101,871</b>	<b>104,927</b>	<b>108,075</b>	<b>111,317</b>	<b>129,047</b>	<b>149,601</b>	<b>173,429</b>	<b>233,074</b>
Vacancy & Collection Loss	(7,418)	(7,640)	(7,870)	(8,106)	(8,349)	(9,679)	(11,220)	(13,007)	(17,481)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$91,486</b>	<b>\$94,231</b>	<b>\$97,058</b>	<b>\$99,969</b>	<b>\$102,969</b>	<b>\$119,369</b>	<b>\$138,381</b>	<b>\$160,422</b>	<b>\$215,593</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$4,907	\$5,104	\$5,308	\$5,520	\$5,741	\$6,985	\$8,498	\$10,339	\$15,305
Management	7,337	7,557	7,783	8,017	8,257	9,573	11,097	12,865	17,289
Payroll & Payroll Tax	11,073	11,516	11,976	12,455	12,954	15,760	19,175	23,329	34,532
Repairs & Maintenance	7,553	7,855	8,169	8,496	8,836	10,750	13,079	15,912	23,554
Utilities	2,423	2,519	2,620	2,725	2,834	3,448	4,195	5,104	7,555
Water, Sewer & Trash	11,670	12,136	12,622	13,127	13,652	16,609	20,208	24,586	36,393
Insurance	3,007	3,127	3,252	3,382	3,517	4,279	5,207	6,335	9,377
Property Tax	11,561	12,024	12,505	13,005	13,525	16,455	20,020	24,358	36,056
Reserve for Replacements	8,354	8,688	9,036	9,397	9,773	11,890	14,466	17,601	26,053
Other	0	0	0	0	0	0	0	0	0
<b>TOTAL EXPENSES</b>	<b>\$67,884</b>	<b>\$70,526</b>	<b>\$73,271</b>	<b>\$76,124</b>	<b>\$79,089</b>	<b>\$95,750</b>	<b>\$115,945</b>	<b>\$140,428</b>	<b>\$206,114</b>
<b>NET OPERATING INCOME</b>	<b>\$23,603</b>	<b>\$23,705</b>	<b>\$23,787</b>	<b>\$23,845</b>	<b>\$23,880</b>	<b>\$23,619</b>	<b>\$22,436</b>	<b>\$19,993</b>	<b>\$9,479</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$21,238	\$21,238	\$21,238	\$21,238	\$21,238	\$21,238	\$21,238	\$21,238	\$21,238
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$2,364</b>	<b>\$2,467</b>	<b>\$2,548</b>	<b>\$2,607</b>	<b>\$2,641</b>	<b>\$2,380</b>	<b>\$1,198</b>	<b>(\$1,245)</b>	<b>(\$11,759)</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.11</b>	<b>1.12</b>	<b>1.12</b>	<b>1.12</b>	<b>1.12</b>	<b>1.11</b>	<b>1.06</b>	<b>0.94</b>	<b>0.45</b>

**LIHTC Allocation Calculation - Encanta Villa Apartments, Rio Grande City**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$70,000	\$70,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$137,712	\$137,712	\$137,712	\$137,712
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$662,288	\$692,548	\$662,288	\$692,548
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$16,000	\$16,000	\$16,000	\$16,000
Contractor profit	\$48,000	\$48,000	\$48,000	\$48,000
General requirements	\$48,000	\$48,000	\$48,000	\$48,000
<b>(5) Contingencies</b>	\$23,688	\$23,688	\$23,688	\$23,688
<b>(6) Eligible Indirect Fees</b>	\$51,480	\$51,480	\$51,480	\$51,480
<b>(7) Eligible Financing Fees</b>	\$24,900	\$24,900	\$24,900	\$24,900
<b>(8) All Ineligible Costs</b>	\$8,657	\$8,657		
<b>(9) Developer Fees</b>			\$151,810	
Developer overhead		\$16,713		\$16,713
Developer fee	\$152,216	\$135,503		\$135,503
<b>(10) Development Reserves</b>	\$21,130	\$21,130		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$1,264,071</b>	<b>\$1,294,331</b>	<b>\$1,163,878</b>	<b>\$1,194,544</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$1,163,878	\$1,194,544
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$1,513,042	\$1,552,907
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,513,042	\$1,552,907
Applicable Percentage			3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$55,529	\$56,992
<b>Syndication Proceeds</b>		<b>0.7699</b>	<b>\$427,528</b>	<b>\$438,792</b>

**TDHCA #**

**02154**

**Region 8B**

**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: **Rio Vista Apartments**

TDHCA #: **02154**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8B LIHTC Primary Set Aside: R  
 Site Address: NE corner of Hortaliza St. & 2nd St. Additional Elderly Set Aside   
 City: Roma Purpose / Activity: NC  
 County: Starr Development Type: Elderly  
 Zip Code: 78584  TTC  DDA  QCT

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

Special Needs: 2 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: HVM Roma, Ltd.

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

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$61,645** Allocation over 10 Years: \$616,450  
 Credits Requested: \$61,812 Eligible Basis Amount: \$61,645 Equity/Gap Amount: \$62,752

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	3	0	0	0	0	3
40%	0	6	0	0	0	0	6
50%	0	9	0	0	0	0	9
60%	0	6	4	0	0	0	10
MR	0	0	0	0	0	0	0
Total	0	24	4	0	0	0	

**BUILDING INFORMATION**

Total Development Cost: **\$1,483,187**  
 Gross Building Square Feet: 19,294  
 Total NRA SF: 18,652  
 Gross/Net Rentable: 1.03  
 Average Square Feet/Unit: 666  
 Cost Per Net Rentable Square Foot: \$79.52  
 Credits per Low Income Unit: \$2,202

Total LI Units: 28  
 Owner/Employee Units: 0  
 Total Project Units: 28  
 Applicable Fraction: 100.00

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$108,780  
 Total Expenses: \$79,604  
 Net Operating Income: \$29,176  
 Estimated 1st Year Debt Coverage Ratio: 1.15

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

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

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

**DEPARTMENT EVALUATION**

Points Awarded: 105 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Rio Vista Apartments

Project Number: 02154

**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: Jose F. Moraida, Mayor, S	
TX Rep.: Irma Rangel, Dist. 35 S	
TX Sen.: Judith Zaffirini, Dist. 21 S	
US Rep.:	
US Sen.:	

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a satisfactory loan agreement from USDA Rural Development.

Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development that reflects support for the Basic Rents as proposed by the Applicant. Should the rental assistance agreement be for less than 16 units or support different Basic Rents, a re-evaluation of the net operating income and financing structure should be conducted.

**Alternate Recommendation:**

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

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

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

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

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

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

\_\_\_\_\_  
Date

Chairman of Executive Award and Review Advisory Committee

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

Approved Credit Amount:  Date of Determination:

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

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

\_\_\_\_\_  
Date

## Compliance Status Summary

**Project ID #:** 02154

LIHTC 9%  LIHTC 4%

**Project Name:** Rio Vista Apartments

HOME  HTF

**Project City:** Roma

BOND  SECO

### **Housing Compliance Review**

Project(s) in material non-compliance

No previous participation

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

Projects Monitored by the Department

# reviewed 48 # not yet monitored or pending review 9

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

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

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

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

### **Single Audit**

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

single audit not applicable  no outstanding issues  outstanding issues

Comments: No outstanding issues applies to 530001 only

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

### **Program Monitoring**

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable  monitoring review pending

reviewed; no unresolved issues  reviewed; unresolved issues found

Comments: 1 review not applicable - 535003  
3 reviews pending - 530727, 530001, 530737

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

monitoring review not applicable                       monitoring review pending

reviewed; no unresolved issues                       reviewed; unresolved issues found

Comments:

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

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

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

**DATE:** May 13, 2002      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 02154

**DEVELOPMENT NAME**

Rio Vista Apartments

**APPLICANT**

**Name:** HVM Roma, Ltd      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** 209 South West Street      **City:** Burnet      **State:** Texas  
**Zip:** 78611    **Contact:** Dennis Hoover      **Phone:** (512) 756-6809    **Fax:** (512) 756-9885

**PRINCIPALS of the APPLICANT**

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

**GENERAL PARTNER**

**Name:** HVM Housing, LLC      **Type:**  For Profit     Non-Profit     Municipal     Other  
**Address:** P.O. Box 190      **City:** Burnet      **State:** Texas  
**Zip:** 78611    **Contact:** Dennis Hoover      **Phone:** (512) 756-6809    **Fax:** (512) 756-9885

**PROPERTY LOCATION**

**Location:** Northeast corner of intersection of Hortaliza Street & 2<sup>nd</sup> Street       **QCT**     **DDA**  
**City:** Roma      **County:** Starr      **Zip:** 78584

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$61,812	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u> <b>Set-Aside:</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

**SITE DESCRIPTION**

**Size:** 2.23 acres    97,139 square feet      **Zoning/ Permitted Uses:** City has no zoning ordinance  
**Flood Zone Designation:** Zone C, not in 100-year floodplain      **Status of Off-Sites:** Raw Land

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

**DESCRIPTION of IMPROVEMENTS**

**Total Units:** 28    **# Rental Buildings:** 7    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
24	1	1	650
4	2	2	763

**Net Rentable SF:** 18,652    **Av Un SF:** 666    **Common Area SF:** 642    **Gross Bldng SF:** 19,294

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

**CONSTRUCTION SPECIFICATIONS**

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 33% brick veneer, 67% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

642 SF community building with community room, management office, kitchen, restrooms, laundry room, children's play area and picnic area.

**Uncovered Parking:** 67 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**OTHER SOURCES of FUNDS**

**INTERIM CONSTRUCTION or GAP FINANCING**

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

**Principal Amount:** \$1,000,000    **Interest Rate:** 7.5%

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

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

**LONG TERM/PERMANENT FINANCING**

**Source:** USDA Rural Development    **Contact:** Eugene Pavlat

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

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

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

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

**LIHTC SYNDICATION**

**Source:** Raymond James Tax Credit Funds    **Contact:** Lorna Fogg

**Address:** 880 Carillon Parkway    **City:** St. Petersburg

**State:** FL    **Zip:** 33716    **Phone:** (800) 438-8088    **Fax:** (727) 573-8455

**Net Proceeds:** \$475,901    **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 77¢

**Commitment:**     None     Firm     Conditional    **Date:** 2/ 26/ 2002

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



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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	8	7%	6	5%
Resident Turnover	81	84%	118	95%
Other Sources: 10 yrs pent-up demand	9	9%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>97</b>	<b>100%</b>	<b>124</b>	<b>100%</b>

Ref: Exhibit 1-14

**Capture Rate:** “A capture rate, based on the estimated potential demand from elderly income-qualified households in the county (factoring projected growth, income limits and turnover for the next two years), is 28.9% for RD-USDA units at basic rents (28 units at the subject divided into 97 estimated elderly qualified households). (p. 5-1) However, the Underwriter estimates the capture rate to be 23%. In either case, this is well below the Department’s limit for rural development.

**Local Housing Authority Waiting List Information:** “According to the Roma Housing Authority, the waiting list for public housing and the Section 8 Voucher Program has 310 names, of which 31 are elderly/disabled applicants (10%).” (p. 4-4)

**Market Rent Comparables:** The market analyst surveyed seven comparable apartment projects totaling 252 units in the market area. (Exhibit 4-3)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$334	\$162	+\$172	\$311	+\$23
<b>1-Bedroom (40%)</b>	\$334	\$230	+\$104	\$311	+\$23
<b>1-Bedroom (50%)</b>	\$334	\$297	+\$37	\$311	+\$23
<b>1-Bedroom (60%)</b>	\$334	\$365	-\$31	\$311	+\$23
<b>2-Bedroom (60%)</b>	\$411	\$405	+\$6	\$348	+\$63

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

**Submarket Vacancy Rates:** “Overall, the occupancy rate among the 252 units surveyed was 99.2%, with no off-line units reported” (p. 4-2)

**Absorption Projections:** “The absorption rate is estimated at 10 to 12 units per month indicating a lease-up period of two to three months to achieve 92.5% occupancy of the 28 (proposed) units” (p. 5-5)

**Other Relevant Information:** The City of Roma is projecting an increase of 538 households by 2010, while the county is projecting 3,456 in the same period. According to the market analyst, there is a demand of eight new elderly, income-qualifying tenants for 2002 and 81 tenants from turnover. In addition, the analyst is projecting an additional nine tenants from other sources. According to 1990 census data, technical sales and administrative support accounted for 28.12% of the entire city labor force, with manager and professional specialty being 16.6% and services 15.0% of the labor force. Starr County’s weekly wage was \$321.83, less than half the state average of \$707.31. The rate of change over previous decades show that Starr County’s wages are not keeping up with inflation, resulting in the need for affordable housing. Major employers in the area are the U.S. Border Patrol (2,300 employees), the Roma School District (1,146), the City of Roma (105), and Beall’s Department Store (21). The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Roma is located along the Texas-Mexico border, approximately 52 miles west of McAllen and Mission and 95 miles southeast of Laredo in Starr County. The site is an irregularly-shaped parcel located in

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

the southeast area of Roma, approximately 1.5 miles from the central business district. The site is situated on the northeast side of 2<sup>nd</sup> and Hortaliza Streets.

**Population:** The estimated 2002 population of the City of Roma is 9,967 and is expected to increase by 3.61%, to 10,327 by 2004 and increase by an additional 15.5% to 11,517 by the year 2010. In Starr County the 2002 population is 56,247, with an additional 2,675 people by 2004, an increase of 4.76%. By 2010, Starr County is expected to have a population of 67,062, or an increase of 19.2%.

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

- **North:** Bank of Commerce, U.S. Post Office and Roma Inn. Farther north and northwest are subdivisions of new homes with values of approximately \$150,000 to \$250,000.
- **South:** Scattered single-family residential, mostly of moderate value ranging from poorly to well maintained.
- **East:** Roma Apartments, an existing 40-unit USDA-RD family complex.
- **West:** Scattered single-family residential, mostly of moderate value ranging from poorly to well maintained. Dilapidated housing units located one block away.

**Site Access:** Access to the property from the main district area is accomplished by going east on U.S. Highway 83, then going south on Hortaliza Avenue to 2<sup>nd</sup> Street.

**Public Transportation:** According to the market analyst, "Transportation is available for senior citizens for shopping and medical services." (p. 1-4) However, the specifics of such services is unknown.

**Shopping & Services:** Several convenience stores are located along U.S. Highway 83, some within a few blocks, however, Ridgeway Plaza Shopping Center is located 1.5 miles west. The center offers Roma's largest supermarket, Beall's Department Store, several other retail stores, and fast food restaurants. The police and fire stations are about one-half mile northwest and City Hall is two miles west. Less than two miles away are medical facilities.

**Site Inspection Findings:** The site was inspected by a TDHCA staff member and the site was found to be acceptable.

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

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are higher than the maximum rents allowed under LIHTC guidelines for the one-bedroom units at 30%, 40%, and 50% of AMGI, and are lower than the maximum guidelines for the one-bedroom 60% of AMGI rents and the two-bedroom units, also at 60% of AMGI. Because this property will be financed utilizing USDA Rural Development (RD) funds, the actual rents for all the units in a particular unit size will be the same Basic Rent. The Applicant will need to receive rental assistance from RD on the units that are above the LIHTC limits. If the Applicant were only able to achieve the maximum tax credit rents, the development would produce \$3,840 less annually. The Applicant stated they will pay water, sewer, & trash in this project, and rents and expenses were calculated accordingly. The Applicant projected secondary income at \$1.79 per unit per month, while the Underwriter estimated \$5.00 per unit per month. Both the Applicant and Underwriter projected a vacancy and collection loss of 7.5% of potential gross rent.

**Expenses:** The Applicant's estimate of total operating expense is less than 3% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. Individual differences reflect the Applicant's lower water, sewer, & trash amount by \$5K compared to the Underwriter, and the Applicant's higher repairs and maintenance amount by \$8K compared to the Underwriter. The Applicant included \$10,000, or \$359 per unit, in reserves for replacement which is higher than the TDHCA standard of \$200 per unit, but this is substantiated by a USDA requirement that the reserve be equal to 1% of the loan amount. Therefore, the \$10,000 amount was accepted by the Underwriter.

**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. Both the Underwriter's and Applicant's NOI estimates provide a

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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DCR within an acceptable range.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The subject's land cost is \$156,000, or \$1.61 per square foot. According to the market analyst, the Seller, the local bank, stated that this is a reasonable price for land in Roma. The assessment of the site is \$104,326 for 8.654 acres, however, the Applicant is only purchasing 2.23 acres of the land. This suggests a much lower value. The purchase is an arm's-length transaction, however, and therefore no further justification is required.

**Sitework Cost Sitework Cost:** The Applicant's claimed sitework costs of \$5,745 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$5K less, or 1% lower, 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 \$3,032 in tax credit fees as eligible costs when these fees are paid to the Department and are generally not considered eligible costs. Thus, the Applicant's eligible basis was reduced by an equivalent amount.

**Fees:** The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Due to the slight overstatement of eligible basis described above, the Applicant's developer fee exceeds the 15% maximum by \$455 and eligible basis must be further reduced by this amount.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$1,292,080 is used to determine a credit allocation of \$61,645 from this method.

**FINANCING STRUCTURE ANALYSIS**

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

**Construction Financing:** The Applicant intends to use First State Bank for an interim construction loan of \$1,000,000 and to fund the remainder of the construction phase with \$475,901 in LIHTC syndication proceeds. The interest rate on the interim loan will be 7.5% with a term of one year.

**Permanent Financing:** Permanent mortgage financing will be provided by United States Department of Agriculture, Rural Development in the form of a 30-year term loan of \$1,000,000. The interest rate will be at market rate but reduced to 1%, amortized over 50 years in return for maintaining USDA rent restrictions.

**LIHTC Syndication:** Raymond James Tax Credit Funds has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$475,901 based on a syndication factor of 77%. The funds would be disbursed in a three-phased pay-in schedule:

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

**Deferred Developer's Fees:** The Applicant's proposed deferred developer's fees of \$7,286 amount to 4% of the total proposed fees.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$61,645 annually for ten years, resulting in syndication proceeds of approximately \$469,921, or \$5,980 less than originally anticipated. The permanent financing estimate provided by the Applicant of \$1,000,000 is reasonable according to the Underwriter, provided that USDA will provide rental assistance to support the rents for the one-bedroom units at \$334 and the two-bedroom units at \$411. Based on the slight reduction in syndication proceeds, the Applicant would need to defer \$13,266 of the developer fee. As projected by the Underwriter, the deferred fees appear to be repayable from cash flow by year 4.

**REVIEW of ARCHITECTURAL DESIGN**

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios and small indoor storage closets with hookups for full-size appliances. Each unit has a semi-private exterior entry that is shared with another unit, as well as both units sharing a large covered porch in the rear. The units are in one-story four-plex-style structures with mixed brick veneer and Hardiboard siding exterior finish and pitched roofs.

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant, HVM Roma, Ltd., submitted an unaudited financial statement as of February 25, 2002 reporting total assets of \$78,206 with all the funds in receivables. A principal of the developer is listed as a debtor owing \$74,296, while HVM Housing, LLC owes \$3,910. There were no listed liabilities, resulting in a net worth of \$78,206.
- The General Partner, HVM Housing, LLC, submitted an unaudited financial statement as of February 25, 2002 reporting total assets of \$29,563.06 and consisting of \$20,969.92 in cash and \$8,593.14 in real property. Liabilities totaled \$14,666, resulting in a net worth of \$14,897.06.

**Background & Experience:**

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- None noted

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$61,645 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS:

**CONDITIONS**

1. Receipt, review, and acceptance of a satisfactory loan agreement from USDA Rural Development;
2. Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development that reflects support for the Basic Rents as proposed by the Applicant. Should the rental assistance agreement be for less than 16 units or support different Basic Rents, a re-evaluation of the net operating income and financing structure should be conducted.

Underwriter:

\_\_\_\_\_  
*Mark Fugina*

Date: May 13, 2002

Credit Underwriting Supervisor:

\_\_\_\_\_  
*Jim Anderson*

Date: May 13, 2002

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

**Director of Credit Underwriting:**

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

**Date:** May 13, 2002

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Rio Vista Apartments, Roma, program & file 02154**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%	3	1	1	650	\$203	\$334	\$1,002	\$0.51	\$55.60	\$29.00
>TC40%	6	1	1	650	271	\$334	2,004	0.51	55.60	29.00
>TC50%	9	1	1	650	338	\$334	3,006	0.51	55.60	29.00
<TC60%	6	1	1	650	406	\$334	2,004	0.51	55.60	29.00
<TC60%	4	2	1	763	487	\$411	1,644	0.54	62.75	29.00
<b>TOTAL:</b>	<b>28</b>		<b>AVERAGE:</b>	<b>666</b>	<b>\$345</b>	<b>\$345</b>	<b>\$9,660</b>	<b>\$0.52</b>	<b>\$56.62</b>	<b>\$29.00</b>

INCOME				Total Net Rentable Sq Ft: 18,652		TDHCA		APPLICANT		
<b>POTENTIAL GROSS RENT</b>						\$115,920	\$115,920			
Secondary Income		Per Unit Per Month:	\$5.00	1,680	600	\$1.79	Per Unit Per Month			
Other Support Income: (describe)						0				
<b>POTENTIAL GROSS INCOME</b>						\$117,600	\$116,520			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(8,820)	(8,736)	-7.50%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions						0				
<b>EFFECTIVE GROSS INCOME</b>						\$108,780	\$107,784			
<b>EXPENSES</b>				% OF EGI	PER UNIT	PER SQ FT	TDHCA		APPLICANT	
General & Administrative	5.66%	\$220	\$0.33	\$6,159	\$4,000	\$0.21	\$143	3.71%		
Management	7.87%	306	0.46	8,563	9,324	0.50	333	8.65%		
Payroll & Payroll Tax	11.88%	461	0.69	12,918	11,776	0.63	421	10.93%		
Repairs & Maintenance	8.10%	315	0.47	8,815	17,500	0.94	625	16.24%		
Utilities	3.50%	136	0.20	3,805	2,400	0.13	86	2.23%		
Water, Sewer, & Trash	12.53%	487	0.73	13,628	8,200	0.44	293	7.61%		
Property Insurance	3.23%	125	0.19	3,509	2,940	0.16	105	2.73%		
Property Tax	2.66796	10.30%	400	11,205	10,060	0.54	359	9.33%		
Reserve for Replacements	9.19%	357	0.54	10,000	10,000	0.54	357	9.28%		
Other Expenses: Services	0.92%	36	0.05	1,000	1,000	0.05	36	0.93%		
<b>TOTAL EXPENSES</b>	<b>73.18%</b>	<b>\$2,843</b>	<b>\$4.27</b>	<b>\$79,604</b>	<b>\$77,200</b>	<b>\$4.14</b>	<b>\$2,757</b>	<b>71.62%</b>		
<b>NET OPERATING INC</b>	<b>26.82%</b>	<b>\$1,042</b>	<b>\$1.56</b>	<b>\$29,176</b>	<b>\$30,584</b>	<b>\$1.64</b>	<b>\$1,092</b>	<b>28.38%</b>		
<b>DEBT SERVICE</b>						TDHCA		APPLICANT		
USDA Loan	23.37%	\$908	\$1.36	\$25,423	\$25,423	\$1.36	\$908	23.59%		
LIHTC Syndication Proceeds	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%		
<b>NET CASH FLOW</b>	<b>3.45%</b>	<b>\$134</b>	<b>\$0.20</b>	<b>\$3,753</b>	<b>\$5,161</b>	<b>\$0.28</b>	<b>\$184</b>	<b>4.79%</b>		
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.15	1.20			
<b>ALTERNATIVE DEBT COVERAGE RATIO</b>							1.20			

<b>CONSTRUCTION COST</b>						TDHCA		APPLICANT	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA		APPLICANT		
Acquisition Cost (site or bldg)		10.49%	\$5,575	\$8.37	\$156,100	\$156,100	\$8.37	\$5,575	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	
Sitework		10.81%	5,745	8.62	160,850	160,850	8.62	5,745	
Direct Construction		50.93%	27,070	40.64	757,947	752,940	40.37	26,891	
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	
General Requirement	5.97%	3.68%	1,958	2.94	54,820	54,820	2.94	1,958	
Contractor's G & A	1.99%	1.23%	653	0.98	18,270	18,270	0.98	653	
Contractor's Profit	5.97%	3.68%	1,958	2.94	54,820	54,820	2.94	1,958	
Indirect Construction		3.79%	2,013	3.02	56,368	56,368	3.02	2,013	
Ineligible Expenses		0.60%	320	0.48	8,962	8,962	0.48	320	
Developer's G & A	1.97%	1.50%	796	1.19	22,275	0	0.00	0	
Developer's Profit	13.00%	9.86%	5,240	7.87	146,712	168,987	9.06	6,035	
Interim Financing		1.71%	910	1.37	25,480	25,480	1.37	910	
Reserves		1.72%	914	1.37	25,590	25,590	1.37	914	
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$53,150</b>	<b>\$79.79</b>	<b>\$1,488,194</b>	<b>\$1,483,187</b>	<b>\$79.52</b>	<b>\$52,971</b>	
<b>Recap-Hard Construction Costs</b>		<b>70.33%</b>	<b>\$37,382</b>	<b>\$56.12</b>	<b>\$1,046,707</b>	<b>\$1,041,700</b>	<b>\$55.85</b>	<b>\$37,204</b>	
<b>SOURCES OF FUNDS</b>						TDHCA		APPLICANT	
USDA Loan		67.20%	\$35,714	\$53.61	\$1,000,000	\$1,000,000	\$1,000,000		
LIHTC Syndication Proceeds		31.98%	\$16,996	\$25.51	475,901	475,901	469,921		
Additional Financing		0.00%	\$0	\$0.00	0	0	0		
Deferred Developer Fees		0.49%	\$260	\$0.39	7,286	7,286	13,266		
Additional (excess) Funds Required		0.34%	\$179	\$0.27	5,007	0	0		
<b>TOTAL SOURCES</b>					<b>\$1,488,194</b>	<b>\$1,483,187</b>	<b>\$1,483,187</b>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**  
**Rio Vista Apartments, Roma, program & file 02154**

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

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.75	\$834,703
<b>Adjustments</b>				
Exterior Wall Finish	3.31%		\$1.48	\$27,629
Elderly	1.05%		0.47	8,764
Roofing			0.00	0
Subfloor			(1.96)	(36,558)
Floor Cover			1.82	33,947
Porches/Balconies	\$28.10	3170.9	4.78	89,102
Plumbing	\$585		0.00	0
Built-In Appliances	\$1,550	28	2.33	43,400
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	26,299
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$70.55	642	2.43	45,294
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.50</b>	<b>1,072,580</b>
Current Cost Multiplier	1.04		2.30	42,903
Local Multiplier	0.83		(9.78)	(182,339)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.03</b>	<b>\$933,145</b>
Plans, specs, survy, bld p	3.90%		(\$1.95)	(\$36,393)
Interim Construction Intere	3.38%		(1.69)	(31,494)
Contractor's OH & Profit	11.50%		(5.75)	(107,312)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.64</b>	<b>\$757,947</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.15

<b>Secondary</b>	\$475,901	Term	
Int Rate	0.00%	Subtotal DCR	1.15

<b>Additional</b>	\$0	Term	
Int Rate		Aggregate DCR	1.15

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$25,423
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$3,753</b>

<b>Primary</b>	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.20

<b>Secondary</b>	\$475,901	Term	0
Int Rate	0.00%	Subtotal DCR	1.20

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.20

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

	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
<b>POTENTIAL GROSS RENT</b>		\$115,920	\$119,398	\$122,980	\$126,669	\$130,469	\$151,249	\$175,339	\$203,266	\$273,173
Secondary Income		1,680	1,730	1,782	1,836	1,891	2,192	2,541	2,946	3,959
Other Support Income: (descri:		0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>		<b>117,600</b>	<b>121,128</b>	<b>124,762</b>	<b>128,505</b>	<b>132,360</b>	<b>153,441</b>	<b>177,881</b>	<b>206,212</b>	<b>277,132</b>
Vacancy & Collection Loss		(8,820)	(9,085)	(9,357)	(9,638)	(9,927)	(11,508)	(13,341)	(15,466)	(20,785)
Employee or Other Non-Rental		0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>		<b>\$108,780</b>	<b>\$112,043</b>	<b>\$115,405</b>	<b>\$118,867</b>	<b>\$122,433</b>	<b>\$141,933</b>	<b>\$164,540</b>	<b>\$190,746</b>	<b>\$256,347</b>
<b>EXPENSES at 4.00%</b>										
General & Administrative		\$6,159	\$6,405	\$6,662	\$6,928	\$7,205	\$8,766	\$10,666	\$12,976	\$19,208
Management		8,563	8,820	9,085	9,357	9,638	11,173	12,953	15,016	20,180
Payroll & Payroll Tax		12,918	13,435	13,972	14,531	15,113	18,387	22,370	27,217	40,288
Repairs & Maintenance		8,815	9,168	9,535	9,916	10,313	12,547	15,265	18,573	27,492
Utilities		3,805	3,957	4,115	4,280	4,451	5,416	6,589	8,016	11,866
Water, Sewer & Trash		13,628	14,173	14,740	15,329	15,942	19,396	23,599	28,711	42,500
Insurance		3,509	3,650	3,796	3,948	4,105	4,995	6,077	7,394	10,944
Property Tax		11,205	11,654	12,120	12,605	13,109	15,949	19,404	23,608	34,946
Reserve for Replacements		10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
Other		1,000	1,040	1,082	1,125	1,170	1,423	1,732	2,107	3,119
<b>TOTAL EXPENSES</b>		<b>\$79,604</b>	<b>\$82,702</b>	<b>\$85,922</b>	<b>\$89,268</b>	<b>\$92,745</b>	<b>\$112,286</b>	<b>\$135,971</b>	<b>\$164,687</b>	<b>\$241,730</b>
<b>NET OPERATING INCOME</b>		<b>\$29,176</b>	<b>\$29,341</b>	<b>\$29,483</b>	<b>\$29,599</b>	<b>\$29,688</b>	<b>\$29,648</b>	<b>\$28,568</b>	<b>\$26,060</b>	<b>\$14,618</b>
<b>DEBT SERVICE</b>										
First Lien Financing		\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423
Second Lien		0	0	0	0	0	0	0	0	0
Other Financing		0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>		<b>\$3,753</b>	<b>\$3,918</b>	<b>\$4,060</b>	<b>\$4,176</b>	<b>\$4,265</b>	<b>\$4,225</b>	<b>\$3,145</b>	<b>\$636</b>	<b>(\$10,806)</b>
<b>DEBT COVERAGE RATIO</b>		<b>1.15</b>	<b>1.15</b>	<b>1.16</b>	<b>1.16</b>	<b>1.17</b>	<b>1.17</b>	<b>1.12</b>	<b>1.03</b>	<b>0.57</b>

**LIHTC Allocation Calculation - Rio Vista Apartments, Roma, program & fil**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$156,100	\$156,100		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$160,850	\$160,850	\$160,850	\$160,850
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$752,940	\$757,947	\$752,940	\$757,947
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$18,270	\$18,270	\$18,270	\$18,270
Contractor profit	\$54,820	\$54,820	\$54,820	\$54,820
General requirements	\$54,820	\$54,820	\$54,820	\$54,820
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$56,368	\$56,368	\$56,368	\$56,368
<b>(7) Eligible Financing Fees</b>				
	\$25,480	\$25,480	\$25,480	\$25,480
<b>(8) All Ineligible Costs</b>				
	\$8,962	\$8,962		
<b>(9) Developer Fees</b>				
			\$168,532	
Developer overhead		\$22,275		\$22,275
Developer fee	\$168,987	\$146,712		\$146,712
<b>(10) Development Reserves</b>				
	\$25,590	\$25,590		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$1,483,187</b>	<b>\$1,488,194</b>	<b>\$1,292,080</b>	<b>\$1,297,542</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			\$1,292,080	\$1,297,542
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			\$1,679,704	\$1,686,804
Applicable Fraction			100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,679,704	\$1,686,804
Applicable Percentage			3.67%	3.67%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$61,645	\$61,906
<b>Syndication Proceeds</b>		<b>0.7623</b>	<b>\$469,921</b>	<b>\$471,907</b>