TDHCA

02079

Region 9

General
Set-Aside

Development Name: **Arbor Terrace II Apartments** TDHCA #: **02079**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 9
Site Address: SE corner of Monahans and Terlingua
City: Odessa
County: Ector
Zip Code: 79761

LIHTC Primary Set Aside: G
Additional Elderly Set Aside: ☐
Purpose / Activity: NC
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: 9 Units for Handicapped/Developmentally Disabled

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Arbor Terrace II, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
Antiqua Development II Joint Venture	Albert E. Magill, III	100 %
Magill Development Company, LLP	Jennifer Magill	50 %
Kilday Realty Corporation, Inc.	Diane Kilday	50 %
NA	NA	%
NA	NA	0 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$925,169** Allocation over 10 Years: $9,251,690
Credits Requested: $1,060,162 Eligible Basis Amount: $925,169 Equity/Gap Amount: $947,417

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	0	12	0	0	12
50%	0	0	28	20	0	0	48
60%	0	0	39	19	0	0	58
MR	0	0	0	0	0	0	0
Total	0	0	68	52	0	0	

Total LI Units: 120
Owner/Employee Units: 0
Total Project Units: 120
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: **$8,931,591**
Gross Building Square Feet: 124,480
Total NRA SF: 121,480
Gross/Net Rentable: 1.02
Average Square Feet/Unit: 1,012
Cost Per Net Rentable Square Foot: $73.52
Credits per Low Income Unit: $7,710

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $602,268
Total Expenses: $425,185
Net Operating Income: $177,083
Estimated 1st Year Debt Coverage Ratio: 1.10

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Terrace Development Limited
Housing GC: William Taylor & Company
Infrastructure GC: William Taylor & Company
Cost Estimator: William Taylor & Company
Architect: Thompson Nelson Group
Property Manager: Orion Management
Engineer: NA
Syndicator: Lend Lease Real Estate Investment

Market Analyst: Apt Market Data Research
Originator/UW: NA
Appraiser: NA
Attorney: Coats Rose Ryman & Lee
Supp Services: Greater Opportunities of the Permian Basin, Inc.
Accountant: Novogradac & Company, LLP
Permanent Lender: Lend Lease Real Estate Investment, Inc.

DEPARTMENT EVALUATION

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

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

Project Name: Arbor Terrace II Apartments　　Project Number: 02079

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	Richard Morton, City Manager, S
TX Rep.:	George West,	Dist. 81	S	Mary E. Dominguez, City of Odessa Comm. Dev., S
TX Sen.:	Robert Duncan,	Dist. 28	S	
US Rep.:				
US Sen.:				

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR).

Receipt, review, and acceptance of permanent financing commitments reflecting annual debt service not to exceed $160,863 unless condition 3 is met and the supportive income of $6,672 annually can be achieved; in which case this debt service cap could increase to $166,319.

Receipt, review, and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).

Receipt, review, and acceptance of documentation reflecting compliance with all Phase I ESA recommendations including removal of the debris and 55 gallon drum found on the site in accordance with all federal, state and local regulations.

Receipt, review, and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule.

Receipt, review, and acceptance of a third party engineer or architect's detailed site work cost breakdown to include all electrical sitework costs, plumbing site work costs and all other site work costs, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Receipt, review, and acceptance of a fixed-priced contract evidencing the developer's ability to develop these units for not more than 2% above the Underwriter's total budget or the resulting gap in costs cannot be filled with repayable deferred developer fees and the application would be deemed infeasible.

Should the terms or interest rate on the proposed loan change an adjustment to the debt service cap and/or the fixed-price contract requirement may be needed and these 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 the highest scoring development in Region 9.

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

Project Name: Arbor Terrace II Apartments

Project Number: 02079

☐ **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 #: 02079

Project Name: Arbor Terrace II Apartments

Project City:

LIHTC 9% ☑ LIHTC 4% ☐
HOME ☐ HTF ☐
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 3 # not yet monitored or pending review 5

of projects grouped by score 0-9: 3 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD ☐

National Previous Participation Certification Received N/A

Non-Compliance Reported

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

Single Audit

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

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

Comments:

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

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

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

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

monitoring review not applicable ☑ monitoring review pending ☐

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

Comments:

Completed by ________________ **Completed on** ________________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ________________ **Completed on** ________________

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

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

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

monitoring review not applicable ☐ monitoring review pending ☐

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

Comments:

Completed by ________________ **Completed on** ________________

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

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

DATE: May 29, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02079

DEVELOPMENT NAME

Arbor Terrace II Apartments

APPLICANT

Name: Arbor Terrace II, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 6524 San Felipe, # 274 **City:** Houston **State:** TX

Zip: 77057 **Contact:** Bert Magill **Phone:** (713) 785-6006 **Fax:** (713) 785-6363

PRINCIPALS of the APPLICANT

Name	(%)	Title
Antiqua Development II Joint Venture	0.01	Managing General Partner
Lend Lease Real Estate Investment	99.99	Limited Partner
Magill Development Company, LLC		50% Owner of GP
Kilday Realty Corp.		50% Owner of GP
Jennifer Magill		52% Owner of Magill Devel.
Albert Magill		48% Owner of Magill Devel
Dianne Kilday		51% Owner of Kilday Realty
R. R. Kilday		49% Owner of Kilday Realty

GENERAL PARTNER

Name: Antiqua Development II Joint Venture **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 6524 San Felipe, # 274 **City:** Houston **State:** TX

Zip: 77057 **Contact:** Albert Magill III **Phone:** (713) 785-6006 **Fax:** (713) 785-6363

PROPERTY LOCATION

Location: Southeast corner of Monahans and Terlingua ☒ **QCT** ☐ **DDA**

City: Odessa **County:** Ector **Zip:** 79761

REQUEST

Amount	Interest Rate	Amortization	Term
$1,060,162	N/A	N/A	N/A

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

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size: 8.5 acres 370,260 square feet **Zoning/ Permitted Uses:** MH/LI*

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

* 2.47 acres currently zoned MH/Mobile Home and 6.03 acres currently zoned LI/Light Industrial; request for rezoning of entire 8.5 acres to GR/General Residential was approved by Planning and Zoning Commission, but must be forwarded to City Council of Odessa for final approval

** Ector County does not participate in the National flood Insurance Program, therefore the subject site is determined to lie within Zone Z. Zone Z is defined as: Areas of which flood plain levels have not been determined.

DESCRIPTION of IMPROVEMENTS

Total Units: 120 **# Rental Buildings** 11 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** N/A yrs

Number	Bedrooms	Bathroom	Size in SF
34	2	1	970
34	2	1	1,020
26	3	2	1,010
26	3	2	1,060

Net Rentable SF: 121,480 **Av Un SF:** 1,012 **Common Area SF:** 3,000 **Gross Bldng SF** 124,480

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a slab on grade, 30% brick veneer and 70% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,000 SF community building with lounge, management offices, laundry facilities, kitchen, restrooms, library, computer center, central mailroom, swimming pool, equipped children's play area

Uncovered Parking: 270 spaces **Carports:** None spaces **Garages:** None spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Lend Lease Real Estate Investments, Inc. **Contact:** Marie Keutmann

Principal Amount: $3,967,925 **Interest Rate:** Prime plus 75 bp's

Additional Information: Interest Only; $2M LOC to secure Fannie Mae Permanent Financing

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

LONG TERM/PERMANENT FINANCING

Source: Lend Lease Real Estate Investments, Inc. **Contact:** Marie Keutmann

Principal Amount: Up to $2,000,000 **Interest Rate:** 8.0% lender underwriting rate

Additional Information:

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

Annual Payment: $176,103 **Lien Priority:** 1st **Commitment Date** 2/ 14/ 2002

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments, Inc. **Contact:** Marie Keutmann

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 772-9455 **Fax:** (617) 790-4420

Net Proceeds: $7,950,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 75¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 14/ 2002

Additional Information: Commitment letter reflects proceeds of $7,950,000 based on credits of $10,601,620

APPLICANT EQUITY

Amount: $185,500 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 12.554 ac. $185,944 **Assessment for the Year of:** 2002

Land: 1 ac. $14,812 **Valuation by:** Ector County Appraisal District

Land: 8.5 ac. prorated $125,902 **Tax Rate:** 2.89785

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (8.5 acres)

Contract Expiration Date: 10/ 31/ 2002 **Anticipated Closing Date:** 10/ 15/ 2002

Acquisition Cost: $ 175,000 **Other Terms/Conditions:** $2,000 earnest money

Seller: Tom M. Davis Family Trust, Tom D. O'Leary, Trustee **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Arbor Terrace II Apartments is a proposed new construction development of 120 units of affordable housing located in southern Odessa. The development is comprised of 11 residential buildings as follows:

- (3) Building Type 1 with eight two-bedroom units and eight three- bedroom units;
- (1) Building Type 2 with sixteen two-bedroom units;
- (3) Building Type 3 with eight two-bedroom units;
- (3) Building Type 4 with eight three-bedroom units; and

- (1) Building Type 5 with four two-bedroom units and four three-bedroom units.

The submitted site plan and building configurations point to 32 two-bedroom (970SF) units, 36 two-bedroom (1,020 SF) units, 28 three-bedroom (1,010 SF) units and 24 three-bedroom (1,060 SF) units. However, the submitted rent schedule indicates 34 two-bedroom (970SF) units, 34 two-bedroom (1,020 SF) units, 26 three-bedroom (1,010 SF) units and 26 three-bedroom (1,060 SF) units. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule is a condition of this report. Based on the site plan the apartment buildings are distributed evenly throughout the site separated by parking lots, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,000 -square foot community building plan includes the management offices, a community lounge, library, computer room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Greater Opportunities of the Permian Basin (Go, Inc. Head Start) to provide the following supportive services to tenants: career counseling, workforce development training through technology and other training mechanisms, basic skills tutoring, GED preparation classes, and referrals to residents for other social serve needs. They will also coordinate after-school educational enrichment programs for children, and provide parenting seminars. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000, plus $100 per month for these support services.

Schedule: The Applicant anticipates construction to begin in March of 2003, to be completed in February of 2004, to be placed in service in August of 2004, and to be 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). 120 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, 12 of the units (10%) 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, 58 units (48%) will be reserved for households earning 60% or less of AMGI.

The Housing Authority of the City of Odessa will use Housing Assistance Program Contracts to provide qualified families assistance to occupy set-aside units for 30% of median income. The Tenant-Based Assistance Housing Choice Voucher Program Contract indicates a twelve month lease term with initial rents of $475 for two-bedroom units and $556 for three-bedroom units. At the beginning of the HAP Contract term, the amount of the housing assistance payment by the PHA to the owner is $650 per month. Since this is a tenant based program, the tenant is free to choose the participating apartment development that they wish to live in. When the tenant moves out the HAP contract expires; therefore, it is unclear how the housing authority will be able to guarantee assignment of eligible voucher holders to this property for an extended period of time or beyond the normal capacities or obligations of the PHA under this contract. Receipt, review and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program is a condition of this report. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).

Special Needs Set-Asides: Nine units (8%) will be handicapped-accessible. The Applicant has also indicated that all ground floor units are 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 22, 2002 was prepared by Apartment MarketData Report and highlighted the following findings:

Definition of Market/Submarket: “For this analysis, we defined the Primary Market Area as Ector County. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing” (p. 3)

Total Local/Submarket Demand for Rental Units: "The current supply of affordable housing in this market is far less than demand. The demand for new units in the Primary Market Area is projected to be 91-144 units per year based on the current population, household growth, and employment characteristics of the area." (p. 74)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	42	2%
Resident Turnover	2,063	98%
TOTAL ANNUAL DEMAND	**2,105**	**100%**

Ref: p. 7

Capture Rate: "We calculate the capture rate for the subject to be 5.7%." (p. 7) The Underwriter calculated a concentration capture rate of 11.8% based upon a revised supply of unstabilized comparable affordable units of 248 divided by a demand of 2,105. The additional 128 units in the adjacent complex were added to the subject's total of 120 due to the fact that the 2001 rent roll submitted in the 2001 financial statements for Arbor Terrace Phase I shows that some of the units in the development have not been rented for a full year.

Local Housing Authority Waiting List Information: "It is anticipated that many of the project's residents will be some of the 900 households on the Odessa Housing Authority Section 8 waiting list" (p. 8)

Market Rent Comparables: The market analyst surveyed 11 comparable apartment projects totaling 985 units in the market area. "These projects were built primarily during the 1970's and 1980's, as new construction was limited in the 1990's." (p. 81)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (30%)	$187	$188	-$1	$556	-$369
2-Bedroom (50%)	$379	$380	-$1	$556	-$177
2-Bedroom (60%)	$475	$476	-$1	$556	-$81
3-Bedroom (30%)	$223	$223	0	$642	-$419
3-Bedroom (40%)	$334	$334	0	$642	-$308
3-Bedroom (50%)	$445	$445	0	$642	-$197
3-Bedroom (60%)	$556	$556	0	$642	-$86

(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 92.4% with competing projects averaging 94.8% as a result of ever increasing demand. Occupancy is low due to the poor condition of several rental projects in the area. Better-maintained projects are experiencing occupancies in the mid-to-upper 90% range." (p. 8)

Absorption Projections: "Arbor Terrace I Apartments (128 units) was 100% absorbed within six months. It is anticipated that many of the project's residents will be some of the 900 households on the Odessa Housing Authority Section 8 waiting list." (p. 8)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Odessa is located in west Texas, approximately midway between Ft. Worth and El Paso, in Ector County. The site is an irregularly-shaped parcel located in the southern area of Odessa and is situated on the southeast corner of the intersection of Terlingua Avenue and Monahans Street.

Population: The estimated 2001 population of Ector County was 120,853 and is expected to increase by 3%

to approximately 124,237 by 2006. Within the primary market area there were estimated to be 43,258 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly older single-family homes, apartments, retail and industrial uses, churches, light office, schools, and undeveloped land. Adjacent land uses include:

- **North:** East Monahans Street and vacant land
- **South:** Vacant land
- **East:** Vacant land
- **West:** Terlingua Avenue, single family residential property and Snyder Street

Site Access: Access to the property is from the east or west along East Monahans Street. The development is to have one main entry from the north. The site is within ½ mile of Grandview Avenue and Dixie Avenue, two of the major north-south thoroughfares through Odessa. The site is also 0.25 miles from Interstate Highway 20, a major east-west thoroughfare that connects to Midland to the east.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Residents would have easy access to employment centers, financial centers, shopping, schools, recreational facilities, literary and cultural centers, and medical facilities offered through Odessa.

Special Adverse Site Characteristics:

- Ector County does not participate in the National flood Insurance Program, therefore the subject site is determined to lie within Zone Z. Zone Z is defined as: Areas of which flood plain levels have not been determined.
- Request for Zoning Amendment: A request is pending to rezone the subject site from Mobile Home (MH) and Light Industrial (LI) to General Residential (GR). Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR) 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 27, 2002 was prepared by Phase Engineering, Inc. and contained the following findings and recommendations:

Findings: "A search of federal, state and local records indicate that two RCRA Corrective Action (CORRACTS) facilities are located within the standard ASTM search radius. Also areas of dumping, including household debris and empty 55 gallon drum, were observed at the southwest site corner."

Recommendations: "No recognized environmental conditions appear to exist provided the debris and 55 gallon drum are disposed of off site in accordance with all applicable federal, state and local regulations."

Compliance with all Phase I recommendations is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The 2002 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines. The Applicant stated that they will pay for natural gas for heating and water heating in this project, and rents and expenses were calculated accordingly. The Applicant also stated that they will receive a HAP Contract amounting to $650 per month to subsidize the units restricted at 30% of AMGI. If confirmed, this subsidy should be annualized and included as a source of secondary income in the effective gross income estimate; the Applicant included $621 per month as a source of potential rental income. As discussed above, the proposed HAP contract appears to be a tenant based program and, absent documentation that substantiates otherwise, cannot be included as a subsidy for the property because these vouchers are subject to availability and the tenant's willingness to live at the property.

Expenses: The Applicant's estimate of total operating expense is 4.9% 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 ($9K lower), payroll ($7K lower), repairs and maintenance ($7K lower), insurance ($5K higher).

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in 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 $160,863. Should the voucher subsidy be confirmed as a project based subsidy by the PHA this debt cap could increase to $166,319.

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant claimed sitework costs of $6,525K per unit. The Applicant further indicated that a portion of the direct costs for electrical and plumbing appear to be more appropriately described as site work costs. For example, the Applicant indicates that $155,000 of the anticipated electrical work cost is due to distribution costs associated with bringing the electrical lines to the buildings. These costs have previously been more typically borne by the utility provider, but since deregulation many of the utility providers are shifting this cost to the developer. In this case, the project engineer has indicated that Oncore Energy Delivery will credit $20,000 of this cost. However, the resulting net cost of $135,000 is still more than double the cost listed for on-site electrical in the site work section of the project cost schedule.

Similarly, the proposed plumbing costs in the direct cost estimate of $450,000 appear to be high relative to a true direct versus site work cost breakdown. Moreover, the engineer indicated in a letter dated February 18, 2002 that "the sanitary sewer main is within 80 feet of the site. It is customary for plumbing/on-site utility contractors to include short sewer main extensions and taps in their base bids… As with Arbor Terrace phase I, we will dedicate the on-site water and sewer mains to the City of Odessa." While it is unclear where in the site work or direct cost estimate these items are included, it is likely that they should be accounted for as an off-site improvement since they will forever benefit the land and be deeded by the city.

Since the site work costs most assuredly exceed the $6,500 per unit benchmark, they require more detailed explanation and itemization by a third party engineer or architect. Moreover, the appropriateness of inclusion of these costs in eligible basis should be reviewed by a third party CPA as the portions attributed to either off-site costs, deeded to the city, or other concerns raised by recent IRS rulings must be excluded from basis. Therefore, this report is conditioned upon receipt, review and acceptance of this information and the credit amount could be reduced as a result.

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 significantly overstated. While the Underwriter can and will provide an alternative acceptable construction budget, successful completion of this development will require the developer and contractor to re-evaluate these costs. In fact, if a fixed-price-contract cannot be obtained to build this development for not more than 2% above the Underwriter's total development costs, the gap that would have to be paid with deferred developer fees would likely exceed the amount repayable in 15 years. Therefore, this transaction would be characterized as infeasible.

Ineligible Costs: The Applicant incorrectly included $15,000 in marketing, as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines based on the Applicant's budget as these costs are multiples of the overstated direct costs. They are $226,000 overstated compared to the Underwriters costs.

Conclusion: Due to the Applicant's higher direct construction cost, the Applicant's total development cost is more than 5% higher than the Underwriter's estimate. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result, an adjusted eligible basis of $8,432,091 is used to determine a credit allocation of $925,169. Should the Applicant not be able to obtain a fixed-price-contract reflecting a significant hard cost reduction from the submitted application cost, this transaction will be deemed infeasible.

FINANCING STRUCTURE ANALYSIS

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

The Applicant intends to use Lend Lease Real Estate Investment for all facets of financing. The interim construction loan of $3,967,925 will be provided for a term of 24 months at a rate of Prime plus 75 basis points The permanent loan of up to $2,000,000 will be provided for a term of 15 years at a lender-determined fixed interest rate and amortized over 30 years. The lender's underwriting rate of 8.0% was utilized in this analysis. The syndication commitment letter shows net proceeds are anticipated to be $7,950,000 based on a syndication factor of 75%. The funds would be disbursed in a seven-phased pay-in schedule:

1. 30% upon admission date, close of construction loan, receipt of permanent loan commitment;
2. 10% upon admission + 90 days;
3. 15% upon admission + 180 days;
4. 15% upon admission + 270 days;
5. 10% upon completion of construction;
6. 10% upon final closing of the permanent loan, tax credit determination;
7. 10% upon 115% debt service coverage for 3 consecutive months, receipt of form 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $185,500 amount to 16% of the total fees.

Financing Conclusions: Based on the Underwriter's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $925,169 annually for ten years, resulting in syndication proceeds of approximately $6,938,074. As stated above, the Underwriter's estimated debt coverage ratio (DCR) of 1.01 is less than the program minimum standard of 1.10 and, therefore, the maximum debt service for this development should be limited to $160,863. The current financing terms result in a reduced loan amount of $1,826,913. Based on the underwriting analysis, the Applicant's deferred developer fee will also be $166,605. This amount is repayable form cashflow within ten years of stabilized operation. Should the Applicant's final total development cost exceed the cost estimate used to determine credits in this analysis by more than 2%, additional repayable deferred developer's fee may not be available to fund those development cost overruns.

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. The submitted site plan and building configurations point to 32 two-bedroom (970SF) units, 36 two-bedroom (1,020 SF) units, 28 three-bedroom (1,010 SF) units and 24 three-bedroom (1,060 SF) units. However, the submitted rent schedule indicates 34 two-bedroom (970 SF) units, 34 two-bedroom (1,020 SF) units, 26 three-bedroom (1,010 SF) units and 26 three-bedroom (1,060 SF) units. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule is a condition of this report. In addition, the smaller bedrooms in all of the units are less than 100 square feet in area. Each unit has a semi-private exterior entry that is shared with one other unit. The units are in two-story five units or more structures with mixed brick/wood siding exterior finish and hipped roofs.

IDENTITIES of INTEREST

The principals of Magill Development Company, LLC and Kilday Realty Corp. are 100% owners of the General Partnership and also own the Developer, Terrace Development Limited. These are common 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 50% Owner of the General Partner, Magill Development Company, LLC, submitted an unaudited financial statement as of January 31, 2002 reporting total assets of $1.3M and consisting of $128K in

cash, $75K in receivables, $5K in office equipment, and $1.1M in partnership interests. No liabilities, resulting in a net worth of $1.3M.

- The 50% Owner of the General Partner, Kilday Realty Corp, submitted an unaudited financial statement as of December 31, 2001 reporting total assets of $119K and consisting of $47K in cash, $2K in organization costs, and $70K in business interests. No liabilities, resulting in a net worth of $119K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 50% Owners of the General Partner, Albert Magill and Jennifer Magill, have completed four housing developments totaling 504 units since 1996.
- The 50% Owners of the General Partner, R.R. Kilday and Dianne Kilday, have completed five housing developments totaling 750 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational risk exists regarding the property's need to be rezoned.
- 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 $925,169 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation stating that the zoning on this subject site has been changed to General Residential (GR).
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.
3. Receipt, review and acceptance of documentation from the PHA that evidences how the proposed assistance is more assistance than is already required by law to be provided any apartment development willing and able to participate in the program. Further, since this is the form of subsidy that is being used to qualify for points for units serving residents at 30% of AMGI, absent the documentation required in this condition, those points awarded should be reviewed as they do not appear to meet the spirit or letter of the requirements in the QAP section (49)(f)(7)(c)(i).
4. Receipt, review and acceptance of documentation reflecting compliance with all Phase I ESA recommendations including removal of the debris and 55 gallon drum found on the site in accordance with all federal, state and local regulations.
5. Receipt, review and acceptance of revised architectural plans reflecting the unit mix presented in the submitted rent schedule.
6. Receipt, review, and acceptance of a third party engineer or architect's detailed site work cost breakdown to include all electrical sitework costs, plumbing site work costs and all other site work costs, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
7. Receipt, review and acceptance of a fixed-price-contract evidencing the developer's ability to develop these units for not more than 2% above the Underwriter's total budget or the resulting gap in costs cannot be filled with repayable deferred developer fees and the application would be

deemed infeasible.

8. Receipt, review and acceptance of permanent financing commitments reflecting annual debt service not to exceed $160,863 unless condition 3 is met and the supportive income of $6,672 annually can be achieved; in which case this debt service cap could increase to $166,319.
9. Should the terms or interest rate on the proposed loan change an adjustment to the debt service cap and/or the fixed-price-contract requirement may be needed and these conditions and recommendations should be re-evaluated.

Associate Underwriter:	*Carl Hoover*	**Date:**	May 29, 2002
Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	May 29, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	May 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Arbor Terrace II, Odessa, LIHTC #02079

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh,
TC (30%)	1	2	1	970	$288	$188	$188	$0.19	$156.23	$39.40
TC (50%)	14	2	1	970	480	$380	5,315	0.39	$156.23	$39.40
TC (60%)	19	2	1	970	576	$476	9,037	0.49	$156.23	$39.40
TC (50%)	14	2	1	1,020	480	$380	5,315	0.37	$156.23	$39.40
TC (60%)	20	2	1	1,020	576	$476	9,512	0.47	$156.23	$39.40
TC (30%)	1	3	2	1,010	333	$223	223	0.22	$167.05	$46.96
TC (40%)	6	3	2	1,010	444	$334	2,004	0.33	$167.05	$46.96
TC (50%)	10	3	2	1,010	555	$445	4,450	0.44	$167.05	$46.96
TC (60%)	9	3	2	1,010	666	$556	5,004	0.55	$167.05	$46.96
TC (40%)	6	3	2	1,060	444	$334	2,004	0.32	$167.05	$46.96
TC (50%)	10	3	2	1,060	555	$445	4,450	0.42	$167.05	$46.96
TC (60%)	10	3	2	1,060	666	$556	5,560	0.52	$167.05	$46.96
TOTAL:	120		**AVERAGE:**	1,012	$547	$442	$53,058	$0.44	$160.92	$42.68

INCOME	Total Net Rentable Sq Ft:	121,480			**TDHCA**	**APPLICANT**			
POTENTIAL GROSS RENT					$636,701	$643,680			
Secondary Income			Per Unit Per Month:	$10.00	14,400	14,400	$10.00	Per Unit Per Month	
Other Support Income:									
POTENTIAL GROSS INCOME					$651,101	$658,080			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(48,833)	(49,356)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$602,268	$608,724			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.31%	$316	$0.31	$37,976	$29,000	$0.24	$242	4.76%
Management		5.00%	251	0.25	30,113	31,109	0.26	259	5.11%
Payroll & Payroll Tax		16.60%	833	0.82	99,960	93,000	0.77	775	15.28%
Repairs & Maintenance		7.29%	366	0.36	43,935	37,000	0.30	308	6.08%
Utilities		8.83%	443	0.44	53,197	52,000	0.43	433	8.54%
Water, Sewer, & Trash		5.86%	294	0.29	35,281	34,000	0.28	283	5.59%
Property Insurance		4.13%	208	0.21	24,903	30,000	0.25	250	4.93%
Property Tax	2.89785	11.84%	594	0.59	71,319	70,000	0.58	583	11.50%
Reserve for Replacements		3.98%	200	0.20	24,000	24,000	0.20	200	3.94%
Other Expenses: Compliance Fee		0.75%	38	0.04	4,500	4,500	0.04	38	0.74%
TOTAL EXPENSES		70.60%	$3,543	$3.50	$425,185	$404,609	$3.33	$3,372	66.47%
NET OPERATING INC		29.40%	$1,476	$1.46	$177,083	$204,115	$1.68	$1,701	33.53%
DEBT SERVICE									
Lend Lease Real Estate Investmen		29.24%	$1,468	$1.45	$176,103	$176,103	$1.45	$1,468	28.93%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		0.16%	$8	$0.01	$979	$28,012	$0.23	$233	4.60%
AGGREGATE DEBT COVERAGE RATIO					1.01	1.16			
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)		1.96%	$1,458	$1.44	$175,000	$175,000	$1.44	$1,458	1.73%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		8.77%	6,525	6.45	783,000	783,000	6.45	6,525	7.73%
Direct Construction		51.52%	38,345	37.88	4,601,433	5,579,000	45.93	46,492	55.04%
Contingency	3.06%	1.85%	1,375	1.36	165,000	165,000	1.36	1,375	1.63%
General Requireme	6.00%	3.62%	2,692	2.66	323,066	380,000	3.13	3,167	3.75%
Contractor's G &	2.00%	1.21%	897	0.89	107,689	125,000	1.03	1,042	1.23%
Contractor's Prof	6.00%	3.62%	2,692	2.66	323,066	380,000	3.13	3,167	3.75%
Indirect Construction		6.19%	4,604	4.55	552,500	552,500	4.55	4,604	5.45%
Ineligible Expenses		1.95%	1,454	1.44	174,500	174,500	1.44	1,454	1.72%
Developer's G & A	2.00%	1.64%	1,222	1.21	146,645	120,000	0.99	1,000	1.18%
Developer's Profit	13.00%	10.67%	7,943	7.85	953,193	1,075,000	8.85	8,958	10.61%
Interim Financing		5.33%	3,971	3.92	476,500	476,500	3.92	3,971	4.70%
Reserves		1.68%	1,250	1.23	150,000	150,000	1.23	1,250	1.48%
TOTAL COST		100.00%	$74,430	$73.52	$8,931,591	$10,135,500	$83.43	$84,463	100.00%
Recap-Hard Construction Costs		*70.57%*	***$52,527***	***$51.89***	***$6,303,253***	***$7,412,000***	***$61.01***	***$61,767***	*73.13%*

SOURCES OF FUNDS

						RECOMMENDED
Lend Lease Real Estate Investmen	22.39%	$16,667	$16.46	$2,000,000	$2,000,000	$1,826,913
Additional Financing	0.00%	$0	$0.00	0		
LIHTC Syndication Proceeds	89.01%	$66,250	$65.44	7,950,000	7,950,000	6,938,074
Deferred Developer Fees	2.08%	$1,546	$1.53	185,500	185,500	166,605
Additional (excess) Funds Requir	-13.48%	($10,033)	($9.91)	(1,203,909)	0	0
TOTAL SOURCES				$8,931,591	$10,135,500	$8,931,591

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Arbor Terrace II, Odessa, LIHTC #02079

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.25	$4,889,588
Adjustments				
Exterior Wall Finish	3.10%		$1.25	$151,577
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.98)	(119,050)
Floor Cover			1.82	221,094
Porches/Balconies	$28.10	12,360	2.86	347,316
Plumbing	$585	156	0.75	91,260
Built-In Appliances	$1,550	120	1.53	186,000
Stairs	$800	60	0.40	48,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	171,287
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$56.86	3,000	1.40	170,586
Other:			0.00	0
SUBTOTAL			50.69	6,157,657
Current Cost Multiplier	1.04		2.03	246,306
Local Multiplier	0.88		(6.08)	(738,919)
TOTAL DIRECT CONSTRUCTION COSTS			$46.63	$5,665,045
Plans, specs, survy, bld	3.90%		($1.82)	($220,937)
Interim Construction Int	3.38%		(1.57)	(191,195)
Contractor's OH & Profit	11.50%		(5.36)	(651,480)
NET DIRECT CONSTRUCTION COSTS			$37.88	$4,601,433

PAYMENT COMPUTATION

Primary	$2,000,000	Term	360
Int Rate	8.00%	DCR	1.01

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.01

Additional		Term	
Int Rate		Aggregate DCR	1.01

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$160,863
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$16,220

Primary	$1,826,913	Term	360
Int Rate	8.00%	DCR	1.10

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

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

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$636,701	$655,802	$675,476	$695,740	$716,612	$830,750	$963,067	$1,116,459	$1,500,427
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	651,101	670,634	690,753	711,475	732,820	849,539	984,848	1,141,709	1,534,362
Vacancy & Collection Loss	(48,833)	(50,298)	(51,806)	(53,361)	(54,961)	(63,715)	(73,864)	(85,628)	(115,077)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$602,268	$620,336	$638,946	$658,115	$677,858	$785,823	$910,985	$1,056,081	$1,419,285
EXPENSES at 4.00%									
General & Administrative	$37,976	$39,495	$41,075	$42,718	$44,427	$54,052	$65,763	$80,011	$118,435
Management	30,113	31,017	31,947	32,906	33,893	39,291	45,549	52,804	70,964
Payroll & Payroll Tax	99,960	103,958	108,117	112,441	116,939	142,274	173,098	210,601	311,740
Repairs & Maintenance	43,935	45,692	47,520	49,421	51,398	62,533	76,081	92,564	137,018
Utilities	53,197	55,325	57,538	59,839	62,233	75,716	92,120	112,078	165,903
Water, Sewer & Trash	35,281	36,692	38,160	39,686	41,274	50,216	61,096	74,332	110,030
Insurance	24,903	25,900	26,936	28,013	29,133	35,445	43,125	52,468	77,665
Property Tax	71,319	74,172	77,139	80,224	83,433	101,509	123,502	150,258	222,419
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	4,500	4,680	4,867	5,062	5,264	6,405	7,793	9,481	14,034
TOTAL EXPENSES	$425,185	$441,892	$459,257	$477,308	$496,071	$601,602	$729,686	$885,161	$1,303,056
NET OPERATING INCOME	$177,083	$178,445	$179,689	$180,807	$181,787	$184,222	$181,299	$170,920	$116,229
DEBT SERVICE									
First Lien Financing	$160,863	$160,863	$160,863	$160,863	$160,863	$160,863	$160,863	$160,863	$160,863
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	$16,220	$17,582	$18,826	$19,944	$20,924	$23,359	$20,436	$10,057	($44,634)
DEBT COVERAGE RATIO	1.10	1.11	1.12	1.12	1.13	1.15	1.13	1.06	0.72

LIHTC Allocation Calculation - Arbor Terrace II, Odessa, LIHTC #02079

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$175,000	$175,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$783,000	$783,000	$783,000	$783,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$5,579,000	$4,601,433	$5,579,000	$4,601,433
(4) Contractor Fees & General Requirements				
Contractor overhead	$125,000	$107,689	$125,000	$107,689
Contractor profit	$380,000	$323,066	$380,000	$323,066
General requirements	$380,000	$323,066	$380,000	$323,066
(5) Contingencies	$165,000	$165,000	$165,000	$165,000
(6) Eligible Indirect Fees	$552,500	$552,500	$552,500	$552,500
(7) Eligible Financing Fees	$476,500	$476,500	$476,500	$476,500
(8) All Ineligible Costs	$174,500	$174,500		
(9) Developer Fees				
Developer overhead	$120,000	$146,645	$120,000	$146,645
Developer fee	$1,075,000	$953,193	$1,075,000	$953,193
(10) Development Reserves	$150,000	$150,000		
TOTAL DEVELOPMENT COSTS	$10,135,500	$8,931,591	$9,636,000	$8,432,091

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$9,636,000	$8,432,091
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$12,526,800	$10,961,718
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$12,526,800	$10,961,718
Applicable Percentage			8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS			$1,057,262	$925,169
	Syndication Proceeds	**0.7499**	**$7,928,671**	**$6,938,074**

TDHCA

02104

Region 9

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: **Santa Rita Senior Village** TDHCA #: **02104**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 9
Site Address: SE corner of E. Golf Course Rd. and Tilden St.
City: Midland
County: Midland
Zip Code: 79703

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

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

Special Needs: Units for

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: UAH Santa Rita, L.P.

Principal Names:	Principal Contact:	Percentage Ownership:
United A F Management, LLC	Randy Stevenson	100 %
R. Randy Stevenson		50 %
Kent Hance	NA	25 %
Ron Hance	NA	12 %
Susan Sorrells	NA	12 %

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **$821,462** Allocation over 10 Years: $8,214,620

Credits Requested: $790,000 Eligible Basis Amount: $821,462 Equity/Gap Amount: $840,936

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	5 BR	Total
30%	0	0	0	0	0	0	0
40%	0	26	2	0	0	0	28
50%	0	41	14	0	0	0	55
60%	0	41	12	0	0	0	53
MR	0	0	0	0	0	0	0
Total	0	108	28	0	0	0	

Total LI Units: 136
Owner/Employee Units: 0
Total Project Units: 136
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: **$8,032,019**
Gross Building Square Feet: 106,287
Total NRA SF: 102,416
Gross/Net Rentable: 1.04
Average Square Feet/Unit: 753
Cost Per Net Rentable Square Foot: $78.43
Credits per Low Income Unit $6,040

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $592,824
Total Expenses: $414,121
Net Operating Income: $178,703
Estimated 1st Year Debt Coverage Ratio: 1.18

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: United Affordable Housing Development, LP
Housing GC: NA
Infrastructure GC: NA
Cost Estimator: NA
Architect: Beeler, Guest, Owens Architects, LP
Property Manager: Devonshire Real Estate & Asset Management
Engineer: NA
Syndicator: Lend Lease Real Estate Investments, Inc.

Market Analyst: Mark C. Temple
Originator/UW: NA
Appraiser: NA
Attorney: McWhorter, Cobb & Johnson
Supp Services: Casa de Amigos
Accountant: Thomas Stephen & Company, LLP
Permanent Lender: Lend Lease Mortgage Capital

DEPARTMENT EVALUATION

Points Awarded: 135 Site Review: Acceptable Underwriting Finding: AC

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

Project Name: Santa Rita Senior Village   Project Number: 02104

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

# of Letters, Petitions, or Witness Affirmation Forms(not from Officials):   Support: **7**   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:	Michael J. Canon, Mayor, S	Dennis W. Clayton, Midland Chamber of Commerce, Manager, S
TX Rep.:	Tom Craddick, Dist. 82 S	Larry Combest, US Representative, District 19, S
TX Sen.:	Teel Bivins, Dist. 31 S	
US Rep.:		
US Sen.:		

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation from the City confirming successful rezoning of the property such that the proposed development is a conforming use.

Alternate Recommendation:

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

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

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

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

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

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

Comment: If only the highest scoring development had been awarded in Region 9, there would have been a shortfall in the region equal to 18% of its entire regional allocation. This is the third highest shortfall among all regions statewide, so this development, as the only other development in Region 9, is recommended.

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

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

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board   Date

Compliance Status Summary

Project ID #: 02104 LIHTC 9% ☑ LIHTC 4% ☐

Project Name: Santa Rita Senior Village HOME ☐ HTF ☐

Project City: Midland 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 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 [x] 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 [x] 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 29, 2002 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 02104

DEVELOPMENT NAME

Santa Rita Senior Village

APPLICANT

Name: UAH Santa Rita, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2400-A Roosevelt Drive **City:** Arlington **State:** TX

Zip: 76016 **Contact:** Sharon Laurence **Phone:** (817) 261-5088 **Fax:** (817) 261-5095

PRINCIPALS of the APPLICANT

Name	(%)	Title
United AF Management, L.L.C.	0.01	Managing General Partner
Lend Lease Real Estate Investments	99.99	Limited Partner
R. Randy Stevenson		50% Owner of MGP
Kent R. Hance		25% Owner of MGP
Ron Hance		12.5% Owner of MGP
Susan Sorrells		12.5% Owner of MGP

GENERAL PARTNER

Name: United AF Management, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2400-A Roosevelt Drive **City:** Arlington **State:** TX

Zip: 76016 **Contact:** Randy Stevenson **Phone:** (817) 261-5088 **Fax:** (817) 261-5095

PROPERTY LOCATION

Location: South Side of East Golf Course Road just East of Tilden Street ☒ **QCT** ☐ **DDA**

City: Midland **County:** Midland **Zip:** 79703

REQUEST

Amount	Interest Rate	Amortization	Term
$790,000	N/A	N/A	N/A

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

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

SITE DESCRIPTION

Size: 10.0 acres 435,600 square feet **Zoning/ Permitted Uses:** 2F & C3*

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

* Applicant has applied for rezoning to MF-2 and City of Midland has confirmed receipt of application for rezoning; no timeline given

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 136 **# Rental Buildings** 20 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** ___ at / /

Number	Bedrooms	Bathroom	Size in SF
108	1	1	716
28	2	2	896

Net Rentable SF: 102,416 **Av Un SF:** 753 **Common Area SF:** 3,871 **Gross Bldng SF** 106,287

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% brick veneer/15% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,871 SF community building with community room, management offices, exercise/hobby, laundry facilities, kitchen, restrooms, business center, central mailroom, picnic pavillion, barber shop, perimeter fencing with limited access gate.

Uncovered Parking: 204 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: American State Bank of Lubbock **Contact:** Clay Leaverton

Principal Amount: Up to $1,725,000 **Interest Rate:** Floating rate of Wall Street Journal Prime + 1%

Additional Information: Interest payable on a quarterly basis

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

LONG TERM/PERMANENT FINANCING

Source: Lend Lease Mortgage Capital **Contact:** Yvette Ingram

Principal Amount: Up to $1,725,000 **Interest Rate:** 8.0%, underwriten interest rate

Additional Information: Fannie Mae

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

Annual Payment: $151,889 **Lien Priority:** 1st **Commitment Date** 2/ 28/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments, Inc. **Contact:** Marie H. Keutmann

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 772-9455 **Fax:** (617) 790-2002

Net Proceeds: $5,924,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 75¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 27/ 2002

Additional Information: Commitment letter relects proceeds of $5,924,000 based on credits of $7,900,000

APPLICANT EQUITY

Amount: $383,019 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 48.768 ac.	$106,220	**Assessment for the Year of:**	2000
Land: 1 ac.	$2,178	**Valuation by:**	Midland County Appraisal District
Prorated Value: 10 ac.	$21,780	**Tax Rate:**	2.604

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 10/ 15/ 2002 **Anticipated Closing Date:** 10/ 15/ 2002

Acquisition Cost: $ 160,000 **Other Terms/Conditions:** $2,500 earnest money

Seller: 1986 Children's Irrevocable Trust **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Santa Rita Senior Village is a proposed new construction development of 136 units of affordable housing located in east Midland. The development is comprised of 20 residential buildings as follows:

- (4)Building Type A with four one-bedroom units;
- (2) Building Type B with four two-bedroom units;
- (9) Building Type C with eight one-bedroom units; and
- (5) Building Type D with four one-bedroom units, four two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site and separated by parking lots, with the community building and mailboxes located near the entrance to the site. The 3,871-square foot community building plan includes the management office, a community room, exercise/hobby room, kitchen, restrooms, business center, barber shop, and laundry facilities. There is also to be a picnic pavilion.

Supportive Services: The Applicant has contracted with Casa de Amigos to provide the following supportive services to tenants: senior nutrition meals, senior activities, social services, health screening and education sessions and dental services. 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 $3,000 per year

Schedule: The Applicant anticipates construction to begin in April of 2003, to be completed in April of 2004, to be placed in service in September 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. All of the units (100% of the total) will be reserved for low-income/elderly tenants. Twenty-eight of the units (21%) will be reserved for households earning 40% or less of AMGI, 55 units (40%) will be reserved for households earning 50% or less of AMGI, and 53 units (39%) will be reserved for households earning 60% or less of AMGI.

Special Needs Set-Asides: There are no plans to reserve units exclusively for special needs tenants, but all units will be constructed to be easily modifiable to accommodate persons with disabilities.

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

MARKET HIGHLIGHTS

A market feasibility study dated March 25, 2002 was prepared by Mark C. Temple, Real Estate Economist, Market Analyst and highlighted the following findings:

Definition of Market/Submarket: "In estimating housing demand for the subject project, it is viewed that Midland County is the primary market area. (p. ES-6)

Total Local/Submarket Demand for Rental Units: "Between 2002 to 2006, it is projected there will be a total demand of 1,716 senior household units in the Midland Market Area." (p. ES-6)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	69	8%
Resident Turnover	818	92%
TOTAL ANNUAL DEMAND	**887**	**100%**

Ref: p. ES-8 & 4-2

Capture Rate: "Based upon the income qualification banding methodology, the 136 Low Income Housing Tax Credit (LIHTC) units of the apartment project represents a 15.7 percent capture rate of all income appropriate senior households within the market area depending on management's criteria for qualifying potential renters" (p. ES-8)

Local Housing Authority Waiting List Information: "There are currently 5 apartment projects in the Midland Market Area that provide federal subsidies. Currently, all of the projects maintain a 100 percent occupancy level with a waiting list" (p. ES-5)

Market Rent Comparables: The market analyst surveyed seven comparable apartment projects totaling 1,646 units in the market area. (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (40%)	$272	$276	-$4	$436	-$164
1-Bedroom (50%)	$352	$356	-$4	$436	-$84
1-Bedroom (60%)	$432	$436	-$4	$436	-$4
2-Bedroom (40%)	$328	$333	-$5	$577	-$249
2-Bedroom (50%)	$424	$429	-$5	$577	-$153
2-Bedroom (60%)	$520	$525	-$5	$577	-$57

(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 average rents in this market are $386 and $517 for a one and two-bedroom unit respectively. The market

rate listed above is the adjusted market rate.
Submarket Vacancy Rates: "With a vacancy rate in the Market Area reported to be approximately 4.3 percent, market rents should continue to rise." (p. ES-4)
Absorption Projections: "According to the Midland Chamber of Commerce and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the Midland Market Area range from 10 to 12 units per month." (p. IV-6)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Midland is located in west Texas, approximately halfway between Fort Worth and El Paso in Midland County. The site is a rectangular-shaped parcel located in the east area of Midland, approximately two miles from the central business district. The site is located just west of Fairgrounds Road at East Golf Course Road and Tilden Street.
Population: The estimated 2001 population of +55 seniors in Midland County was 21,723 and is expected to increase by 15% to approximately 24,925 by 2006. Within the primary market area there were estimated to be 15,000 households in 2006.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, older single family, and commercial. Adjacent land uses include:

- **North:** older single-family residential
- **South:** vacant land
- **East:** vacant land
- **West:** commercial

Site Access: Access to the property is from the east or west along East Golf Course Road. The development is to have one main entry, one from the north from East Golf Course Road. Access to Interstate Highway I-20 is 2.8 miles south, which provides connections to all other major roads serving the Midland area.
Public Transportation: Public transportation is not available in the City of Midland.
Shopping & Services: Accessibility to supportive retail/service facilities within the immediate Midland Market Area is considered good along the corridors of Big Sprig and Loop 250. Retail/service facilities along these major traffic corridors include grocery stores, drug stores, restaurants, financial institutions, and multipurpose stores. (p. I-3)
Special Adverse Site Characteristics: Applicant has applied for rezoning from 2F to MF-2 and the City of Midland has confirmed receipt of the application. A timeline for the rezoning approval process has not been submitted. Receipt, review and acceptance of documentation from the city confirming successful rezoning of the property such that the proposed development is a conforming use.
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 14, 2002 was prepared by Barnett Engineering, Inc. and contained the following findings and recommendations:
Findings: Based on the results of this reconnaissance, we believe that significant surface or subsurface contamination on the subject property is unlikely. A level II survey to further examine this area for contamination is not warranted.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross rent figure is $7K less than the Underwriter's estimate due to the Applicant's use of overstated utility allowances in calculating net rents for the development. However, the Applicant's secondary income and vacancy assumptions are inline with underwriting guidelines.
Expenses: The Applicant's total expense estimate of $3,045 per unit is within 5% of a TDHCA database-derived estimate of $3,135 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 general and administrative ($5.4K lower), payroll ($37.9K lower), utilities ($7K higher), property insurance ($11.1K higher), and property tax ($11.6K higher).

Conclusion: The Applicant's total estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income 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 net operating income estimates result in a debt coverage ratio (DCR) that is within the Department's DCR guideline of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant's claimed sitework costs of $5,200 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $4.3M or 1.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is regarded as reasonable as submitted.

Fees: The Applicant's contingency exceeds the 5% maximum allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible cost in this area has been reduced by $35,205 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $5,281.

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, adjusted for overstated contingency costs and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of $7,486,890 is used to determine a credit allocation of $821,462 from this method. This is $31,462 more than initially requested due to the Applicant's use of a lower applicable percentage of 8.2% rather than the 8.44% underwriting rate used for developments being presented to the Board in July 2002.

FINANCING STRUCTURE ANALYSIS

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

Construction Financing: The Applicant intends to use American State Bank of Lubbock for an interim construction loan of up to $1,725,000, and to fund the remainder of the construction phase with $5,153,684 in LIHTC syndication proceeds and $1,153,335 from internal sources.

Permanent Financing: Permanent mortgage financing will be provided by Lend Lease Mortgage Capital in the form of an 18-year term loan of up to $1,725,000. The interest rate is estimated by the lender to be approximately 8.0% and the loan will amortize over a full 30 years.

LIHTC Syndication: Lend Lease Real Estate Investments, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,924,000 based on a syndication factor of 75%. The funds would be disbursed in a six-phased pay-in schedule:

1. 25% upon admission to the partnership, close of construction loan, and receipt of permanent loan commitment;
2. 25% upon admission + 90 days;
3. 20% upon admission + 180 days;
4. 10% upon completion;
5. 10% upon final closing of the permanent loan, and tax credit determination;
6. 10% upon 115% debt service coverage for 3 consecutive months, and receipt of form 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $383,019 amount to 39% of the total proposed fees. However, based upon the Underwriter's proforma; using Applicant's income and expenses, net available cash flow appears to be able to repay this amount of deferral in between 10-15 years.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $821,462 annually for ten years, resulting in syndication proceeds of approximately $6,160,345. Based on this increase in anticipated syndication proceeds, the Applicant's deferred developer fee will be reduced to $146,671. Deferred developer fees in this amount appear to be repayable from cashflow within ten 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 patios with small outdoor storage closets. Each unit has a semi-private exterior entry that is shared with another unit. The units are in one-story four unit or more structures with mixed brick and wood siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

The Developer, United Affordable Housing Development, L.P., is also owned by the principals of the General Partner. It should be noted that while the body of the application indicates a third party property manager, the submitted organizational chart indicates a property management firm that is related to the General Partner. These are common 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.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principles of the General Partner have completed 3 LIHTC/affordable housing developments totaling 328 units since 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant location risk exists regarding the property's need to be rezoned.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $821,462 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 from the City confirming successful rezoning of the property such that the proposed development is a conforming use.

Underwriter:	_______________ *Carl Hoover*	**Date:**	May 29, 2002
Credit Underwriting Supervisor:	_______________ *Lisa Vecchietti*	**Date:**	May 29, 2002
Director of Credit Underwriting:	_______________ *Tom Gouris*	**Date:**	May 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Santa Rita Senior Village, Midland, LIHTC #02104

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (40%)	26	1	1	716	$320	$276	$7,176	$0.39	$44.00	$39.75
LIHTC (50%)	41	1	1	716	400	356	14,596	0.50	44.00	39.75
LIHTC (60%)	41	1	1	716	480	436	17,876	0.61	44.00	39.75
LIHTC (40%)	2	2	2	896	384	333	666	0.37	51.00	42.25
LIHTC (50%)	14	2	2	896	480	429	6,006	0.48	51.00	42.25
LIHTC (60%)	12	2	2	896	576	525	6,300	0.59	51.00	42.25
TOTAL:	136		AVERAGE:	753	$432	$387	$52,620	$0.51	$45.44	$40.26

INCOME Total Net Rentable Sq Ft: 102,416

			TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$631,440	$624,576		
Secondary Income	Per Unit Per Month:	$10.00	16,320	16,320	$10.00	Per Unit Per Month
Other Support Income: (describe)			0			
POTENTIAL GROSS INCOME			$647,760	$640,896		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(48,582)	(48,072)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0			
EFFECTIVE GROSS INCOME			$599,178	$592,824		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.24%	$275	$0.36	$37,361	$31,960	$0.31	$235	5.39%
Management		5.00%	220	0.29	29,959	29,641	0.29	218	5.00%
Payroll & Payroll Tax		18.26%	804	1.07	109,388	71,500	0.70	526	12.06%
Repairs & Maintenance		7.86%	346	0.46	47,091	51,000	0.50	375	8.60%
Utilities		3.16%	139	0.18	18,911	26,000	0.25	191	4.39%
Water, Sewer, & Trash		9.60%	423	0.56	57,495	55,100	0.54	405	9.29%
Property Insurance		3.14%	138	0.18	18,797	29,920	0.29	220	5.05%
Property Tax	2.604	11.68%	515	0.68	69,983	81,600	0.80	600	13.76%
Reserve for Replacements		4.54%	200	0.27	27,200	27,200	0.27	200	4.59%
Other Expenses: Compliance Fee:		1.70%	75	0.10	10,200	10,200	0.10	75	1.72%
TOTAL EXPENSES		71.16%	$3,135	$4.16	$426,383	$414,121	$4.04	$3,045	69.86%
NET OPERATING INC		28.84%	$1,271	$1.69	$172,795	$178,703	$1.74	$1,314	30.14%
DEBT SERVICE									
Lend Lease Mortgage Capital		25.35%	$1,117	$1.48	$151,889	$151,889	$1.48	$1,117	25.62%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		3.49%	$154	$0.20	$20,905	$26,814	$0.26	$197	4.52%
AGGREGATE DEBT COVERAGE RATIO					1.14	1.18			
ALTERNATIVE DEBT COVERAGE RATIO						1.18			

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)		1.98%	$1,176	$1.56	$160,000	$160,000	$1.56	$1,176	1.99%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.75%	5,200	6.91	707,200	707,200	6.91	5,200	8.80%
Direct Construction		54.48%	32,370	42.98	4,402,350	4,322,056	42.20	31,780	53.81%
Contingency	5.00%	3.16%	1,879	2.49	255,478	286,668	2.80	2,108	3.57%
General Requireme	5.91%	3.73%	2,219	2.95	301,755	301,755	2.95	2,219	3.76%
Contractor's G &	1.97%	1.24%	740	0.98	100,585	100,585	0.98	740	1.25%
Contractor's Prof	5.91%	3.73%	2,219	2.95	301,755	301,755	2.95	2,219	3.76%
Indirect Construction		3.21%	1,907	2.53	259,300	259,300	2.53	1,907	3.23%
Ineligible Expenses		2.14%	1,273	1.69	173,140	173,140	1.69	1,273	2.16%
Developer's G & A	1.99%	1.62%	963	1.28	130,911	130,911	1.28	963	1.63%
Developer's Profit	12.90%	10.53%	6,257	8.31	850,921	850,921	8.31	6,257	10.59%
Interim Financing		3.29%	1,958	2.60	266,225	266,225	2.60	1,958	3.31%
Reserves		2.12%	1,261	1.67	171,503	171,503	1.67	1,261	2.14%
TOTAL COST		100.00%	$59,420	$78.90	$8,081,123	$8,032,019	$78.43	$59,059	100.00%
Recap-Hard Construction Costs		*75.10%*	***$44,626***	***$59.26***	***$6,069,123***	***$6,020,019***	***$58.78***	***$44,265***	*74.95%*

SOURCES OF FUNDS

						RECOMMENDED
Lend Lease Mortgage Capital	21.35%	$12,684	$16.84	$1,725,000	$1,725,000	$1,725,000
Additional Financing	0.00%	$0	$0.00	0	0	0
LIHTC Syndication Proceeds	73.31%	$43,559	$57.84	5,924,000	5,924,000	6,160,345
Deferred Developer Fees	4.74%	$2,816	$3.74	383,019	383,019	146,674
Additional (excess) Funds Requir	0.61%	$361	$0.48	49,104	0	0
TOTAL SOURCES				$8,081,123	$8,032,019	$8,032,019

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Santa Rita Senior Village, Midland, LIHTC #02104

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.76	$4,379,801
Adjustments				
Exterior Wall Finish	6.55%		$2.80	$286,877
Elderly	5.00%		2.14	218,990
Roofing			0.00	0
Subfloor			(1.96)	(200,735)
Floor Cover			1.82	186,397
Porches/Balconies	$28.10	14,216	3.90	399,470
Plumbing	$585	84	0.48	49,140
Built-In Appliances	$1,550	136	2.06	210,800
Fireplaces	$2,100	1	0.02	2,100
Floor Insulation			0.00	0
Heating/Cooling			1.41	144,407
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.28	3,871	2.09	213,999
Other:			0.00	0
SUBTOTAL			57.52	5,891,245
Current Cost Multiplier	1.04		2.30	235,650
Local Multiplier	0.88		(6.90)	(706,949)
TOTAL DIRECT CONSTRUCTION COSTS			$52.92	$5,419,945
Plans, specs, survy, bld	3.90%		($2.06)	($211,378)
Interim Construction Int	3.38%		(1.79)	(182,923)
Contractor's OH & Profit	11.50%		(6.09)	(623,294)
NET DIRECT CONSTRUCTION COSTS			$42.98	$4,402,350

PAYMENT COMPUTATION

Primary	$1,725,000	Term	360
Int Rate	8.00%	DCR	1.14

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.14

Additional		Term	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$151,889
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$20,905

Primary	$1,725,000	Term	360
Int Rate	8.00%	DCR	1.18

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.18

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

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$624,576	$643,313	$662,613	$682,491	$702,966	$814,930	$944,727	$1,095,198	$1,471,854
Secondary Income	16,320	16,810	17,314	17,833	18,368	21,294	24,685	28,617	38,459
Other Support Income: (desc	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	640,896	660,123	679,927	700,324	721,334	836,224	969,413	1,123,815	1,510,313
Vacancy & Collection Loss	(48,072)	(49,509)	(50,994)	(52,524)	(54,100)	(62,717)	(72,706)	(84,286)	(113,274)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$592,824	$610,614	$628,932	$647,800	$667,234	$773,507	$896,707	$1,039,529	$1,397,040
EXPENSES at 4.00%									
General & Administrative	$31,960	$33,238	$34,568	$35,951	$37,389	$45,489	$55,344	$67,335	$99,672
Management	29,641	30,531	31,447	32,390	33,362	38,675	44,835	51,976	69,852
Payroll & Payroll Tax	71,500	74,360	77,334	80,428	83,645	101,767	123,815	150,640	222,984
Repairs & Maintenance	51,000	53,040	55,162	57,368	59,663	72,589	88,315	107,449	159,051
Utilities	26,000	27,040	28,122	29,246	30,416	37,006	45,024	54,778	81,085
Water, Sewer & Trash	55,100	57,304	59,596	61,980	64,459	78,424	95,415	116,087	171,838
Insurance	29,920	31,117	32,361	33,656	35,002	42,585	51,812	63,037	93,310
Property Tax	81,600	84,864	88,259	91,789	95,460	116,142	141,305	171,919	254,482
Reserve for Replacements	27,200	28,288	29,420	30,596	31,820	38,714	47,102	57,306	84,827
Other	10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,810
TOTAL EXPENSES	$414,121	$430,390	$447,300	$464,878	$483,149	$585,910	$710,630	$862,018	$1,268,911
NET OPERATING INCOME	$178,703	$180,224	$181,632	$182,922	$184,085	$187,597	$186,076	$177,511	$128,129
DEBT SERVICE									
First Lien Financing	$151,889	$151,889	$151,889	$151,889	$151,889	$151,889	$151,889	$151,889	$151,889
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	$26,814	$28,335	$29,743	$31,033	$32,196	$35,708	$34,187	$25,622	($23,760)
DEBT COVERAGE RATIO	1.18	1.19	1.20	1.20	1.21	1.24	1.23	1.17	0.84

LIHTC Allocation Calculation - Santa Rita Senior Village, Midland, LIHTC

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$160,000	$160,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$707,200	$707,200	$707,200	$707,200
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$4,322,056	$4,402,350	$4,322,056	$4,402,350
(4) Contractor Fees & General Requirements				
Contractor overhead	$100,585	$100,585	$100,585	$100,585
Contractor profit	$301,755	$301,755	$301,755	$301,755
General requirements	$301,755	$301,755	$301,755	$301,755
(5) Contingencies	$286,668	$255,478	$251,463	$255,478
(6) Eligible Indirect Fees	$259,300	$259,300	$259,300	$259,300
(7) Eligible Financing Fees	$266,225	$266,225	$266,225	$266,225
(8) All Ineligible Costs	$173,140	$173,140		
(9) Developer Fees			$976,551	
Developer overhead	$130,911	$130,911		$130,911
Developer fee	$850,921	$850,921		$850,921
(10) Development Reserves	$171,503	$171,503		
TOTAL DEVELOPMENT COSTS	$8,032,019	$8,081,123	$7,486,890	$7,576,480

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$7,486,890	$7,576,480
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$9,732,957	$9,849,424
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$9,732,957	$9,849,424
Applicable Percentage		8.44%	8.44%
TOTAL AMOUNT OF TAX CREDITS		$821,462	$831,291
Syndication Proceeds	**0.7499**	**$6,160,345**	**$6,234,062**