

TDHCA #

03013

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Casa Aguila Apartments**

TDHCA #: **03013**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: Southeast Corner of Las Milpas and Jackson
 City: Pharr ETJ County: Hidalgo Zip Code: 78577
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 100 Elderly: 0 Handicapped/Disabled 14 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Aguila Village Housing Development

Principal Names	Principal Contact	Percentage Ownership
Rufino Contreras Affordable Housing Corporation, I	Robert Joy	51% of GP
National Farm Workers Service Center, Inc.	Emilio J. Huerta	99.9% of Owner
Encinas Group of Texas, Inc.	William Encinas	49% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,171,547** Allocation over 10 Years: \$11,715,470
 Credits Requested: \$1,199,966 Eligible Basis Amount: \$1,171,547 Equity/Gap Amount: \$1,327,753

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	16	16	32
40%	0	0	8	8	16
50%	0	0	16	16	32
60%	0	0	40	40	80
MR	0	0	20	20	40
Total	0	0	100	100	
Total LI Units:					160
Owner/Employee Units:					0
Total Project Units:					200
Applicable Fraction:					80.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	\$14,904,402	Average Square Feet/Unit	995
Gross Building Square Feet	202,412	Cost Per Net Rentable Square Foot	\$74.90
Total Net Rentable Area Square Feet:	199,000	Credits per Low Income Uni	\$7,322

INCOME AND EXPENSE INFORMATION

Effective Gross Income	\$1,052,640
Total Expenses:	\$605,839
Net Operating Income	\$446,801
Estimated 1st Year Debt Coverage Ratio	1.26

FINANCING

Permanent Principal Amount:	\$4,550,000
Applicant Equity:	\$1,218,166
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.7798

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Encinas Group of Tx/Nat'l. Farm Workers	Market Analyst:	Apt. Market Data Research
Housing GC:	Encinas Construction Corp.	Originator/UW:	Bank of America
Engineer:	Dannenbaum Engineering Co.	Appraiser:	NA
Cost Estimator:	William Encinas	Attorney:	Emilio J. Huerta, Att'y at Law
Architect:	Rodriquez & Simon Design Assoc.	Accountant:	Novogradac & Company, LLC
Property Manager	Capstone Real Estate Svcs, Inc.	Supp Services	La Union del Pueblo Entero
Syndicator:	Related Capital Co.	Permanent Lender	Bank of America

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

of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **5** Opposition: **1**

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

Local/State/Federal Officials with Jurisdiction:	Comment from Other Public Officials:
Local Official: Ramon Garcia, Hidalgo County Judge, S	Roy Navarro, Executive Director Pharr Housing Authority, initially Hector Palacios, County Commissioner, S
TX Representative: Kino Flores, District 36, S	
TX Senator: Juan "Chuy" Hinojosa, District 20, S	
US Representative: Ruben Hinojosa, S	
US Senator:	

General Summary of Comment: One letter of opposition was received. The stated reason for opposition was that the proposed development is within 3/4 of a mile of 2 other tax credit developments. The writer asserts that an additional 200 tax credit units in the area could cause the 2 previously funded developments to have problems reaching stabilized occupancy and could cause a default. It should be noted that there is also broad support for this development.

DEPARTMENT EVALUATION		
Points Awarded: 104	Site Finding: Acceptable	Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

The Applicant shall comply with the restriction against placing buildings of any type within the 50-foot gas pipeline easement which crosses the property; and

Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

Explanation: The application was terminated on June 16, 2003.

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
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_____ 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 any):

Approved Credit Amount: Date of Determination:

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

Project ID # **03013**

Name: **Casa Aguila Apartments**

City: **Edinburg**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 3

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: June 5, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03013

DEVELOPMENT NAME

Casa Aguila Apartments

APPLICANT

Name: Aguila Village Housing Development, L.P. **Type:** For Profit
Address: 3270 Nacogdoches, #1104 **City:** San Antonio **State:** TX
Zip: 78217 **Contact:** Robert Joy **Phone:** (210) 637-1055 **Fax:** (619) 233-5141

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: <u>Rufino Contreras Affordable Housing Corp., Inc.</u>	(%): <u>.051%</u>	Title: <u>Managing General Partner</u>
Name: <u>Encinas Group of Texas, Inc.</u>	(%): <u>.049%</u>	Title: <u>Co-G.P. & Co-Developer</u>
Name: <u>William Encinas</u>	(%): <u>N/A</u>	Title: <u>Owner of Co-G.P. & General Contractor & guarantor of G.P.</u>
Name: <u>National Farm Workers Service Center, Inc.</u>	(%): <u>N/A</u>	Title: <u>Co-Developer & guarantor of G.P.</u>

PROPERTY LOCATION

Location: SE corner of intersection of Las Milpas & Jackson Roads **QCT** **DDA**
City: Pharr ETJ **County:** Hidalgo **Zip:** 78577

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,199,966	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Set-Aside(s): <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,171,547 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. The Applicant shall comply with the restriction against placing buildings of any type within the 50-foot gas pipeline easement which crosses the property; and
2. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	200	# Rental Buildings	50	# Common Area Bldgs	5	# of Floors	1	Age:	0 yrs	Vacant:	N/A	at	/	/
Net Rentable SF:	<u>199,000</u>	Av Un SF:	<u>995</u>	Common Area SF:	<u>3,412</u>	Gross Bldg SF:	<u>202,412</u>							

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 3,412-SF community building with activity room, management offices, kitchen, restrooms, & computer/business center. A swimming pool will be located behind the community building, & three laundry facilities will be placed throughout the site, along with equipped children's play areas & perimeter fencing with a limited access gate.

Uncovered Parking:	<u>400</u>	spaces	Carpports:	<u>0</u>	spaces	Garages:	<u>0</u>	spaces
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PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Casa Aguila Apartments is a moderately dense (ten units per acre) new construction development of 200 units of mixed income housing located just outside the southeastern city limits of Pharr. The development is comprised of 50 fourplex residential buildings as follows:

- 25 Building Type I with four two-bedroom/ one-bath units; and
- 25 Building Type II with four three-bedroom/two-bath units.

Architectural Review: Based on the site plan the apartment buildings are distributed evenly and very densely throughout the site, with the only open space over a gas pipeline easement. The residential and community buildings feature attractive southwestern architectural features such as stucco exterior wall finish, arched window lintels, and ornamental chimneys. The community building has a very unusual design featuring two separate wings connected by a covered walkway.

Supportive Services: The Applicant intends to use La Union del Pueblo Entero to provide the following supportive services to tenants: basic adult education, English as a second language, scholastic tutoring, and community computer facilities. The residents will be charged for these services. The Applicant will pay the utilities for the community services building and has included this amount in the operating budget.

Schedule: The Applicant anticipates construction to begin in January 2004, to be completed and placed in service in December of 2004, and to be substantially leased-up in January of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	<u>20</u> acres	<u>871,200</u> square feet	Zoning/ Permitted Uses:	<u>No zoning (in county)</u>
Flood Zone Designation:	<u>Zone X</u>	Status of Off-Sites:	<u>Partially improved</u>	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Pharr is located in far south Texas, approximately six miles west of McAllen and 47 miles northwest of Brownsville in Hidalgo County. The site is a rectangularly-shaped parcel located just outside the southwestern city limits in the city's ETJ, approximately four miles from the central business district. The site is situated approximately 600 feet east of the southeast corner of the intersection of S. Jackson and Las Milpas Roads.

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MULTIFAMILY UNDERWRITING ANALYSIS**

Adjacent Land Uses:

- **North:** Las Milpas Road with undeveloped land, a communications tower, and single-family residential beyond
- **South:** Agricultural land with single-family residential and a public school beyond
- **East:** a drainage ditch with agricultural land beyond
- **West:** agricultural land with Jackson Road and more agricultural land beyond

Site Access: Access to the property is from the east or west along Las Milpas Road or the north or south from S. Jackson Road. The development is to have a single entry from Las Milpas Road. Access to U.S. Highways 281 and 83 is 1.2 miles south and 5.6 miles north, respectively, which provide connections to all other major roads serving the area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within two miles of a major grocery/pharmacy, and a variety of other retail establishments, restaurants, schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: A natural gas pipeline crosses the site and is discussed further in the next section.

Site Inspection Findings: The site was inspected by a TDHCA staff member on May 22, 2003 and found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 7, 2003 was prepared by Raba-Kistner Consultants, Inc. and contained the following findings and recommendations:

Findings:

- “The site is currently an unfenced tract of farmland...R-K found no evidence or reason to believe that the site had been developed [prior to its agricultural use] in a manner that would potentially present recognized environmental conditions.
- Markers indicate that an underground natural gas pipeline exists on site...a 50-foot-wide easement operated by Mission Pipeline Gas Company roughly bisects the site in a northwest-southeast direction.” (p. 12)

Recommendations: “Based on the information reviewed, no further environmental assessment is deemed warranted for the site at this time. However, it is recommended that the underground gas pipeline operators be contacted with respect to any proposed development of the site. Pipeline companies typically have requirements related to construction and encroachment along their pipeline easements.” (p. 13)

In response to this recommendation the Applicant provided a letter from Dannenbaum Engineering Corporation which states, “The integrity of this gas pipeline is within the normally accepted standards for gas line distributors. No buildings of any type will be allowed within the 50-foot gas line easement. Roadways and driveways will be permitted to cross the pipeline.” It is a condition of this report that this building placement restriction be complied with.

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 30% or less of AMGI, 16 units (8%) will be reserved for households earning 40% or less of AMGI, 32 units (16%) will be reserved for households earning 50% or less of AMGI, 80 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 40 units (20%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

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

MARKET HIGHLIGHTS

A market feasibility study dated March 11, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: “For this analysis we utilized a primary market area comprising a 129-square mile trade area within Hidalgo County. The trade area is inclusive of the McAllen MSA and was drawn to include a population of 250,000, while also including areas with higher renter tenure. This was done because the county has large agricultural tracts from which the property is not expected to draw residents.” (p. 32) The site is located in the far southern portion of the trade area approximately three miles from the nearest southern boundary and over 15 miles from the northern boundary of the trade area.

Population: The estimated 2002 population of the primary market area was 249,786 and is expected to increase by 10% to approximately 274,762 by 2007. Within the primary market area there were estimated to be 75,129 households in 2002.

Total Local/Submarket Demand for Rental Units: “In the primary market area we have determined that there is a demand for a minimum of 1,109 rental units per year, based on the employment growth analysis. This site is located in an area in which the demand for ‘affordable housing’ is high.” (p. 19)

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	136	1%	156	3%
Resident Turnover	7,725	98%	6,075	97%
Other Sources: 10 yrs pent-up demand	40	<1%	0	0%
TOTAL ANNUAL DEMAND	7,901	100%	6,230	100%

Ref: p. 46

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 9.1%. (p. 47) The Underwriter initially calculated an inclusive capture rate of 11.5% based upon a revised demand of 6,230 units and the comparable restricted units in four developments identified by the Market Analyst. The Market Analyst excluded El Patrimonio Apartments in McAllen, which was awarded credits in 2000 for 144 restricted, 180 total units. El Patrimonio development was completed in 2001. The Market Analyst does not indicate precisely when El Patrimonio achieved stabilized occupancy but did indicate current occupancy at well over 95%. The Market Analyst also discussed but did not include 208 tax credit proposed units 10 miles north in Edinburgh (Galilean Apartments) or 176 tax credit, 208 total proposed units 13 miles northwest in Mission (Rio De Vida Apartments). It should be noted that the demand in the case of the subject is higher than in the case of the market analysis conducted by the same Market Analyst in the two other proposed transactions due to the lower income targeting and thus wider eligible income band for the subject. Including only the tax credit portion of these developments raised the capture rate to 16%. The Underwriter calculated an inclusive capture rate of 20% based upon a supply of unstabilized comparable affordable units. When all proposed units restricted and unrestricted, are included, the Underwriter’s calculated capture rate is 21%.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 845 units in the market area. “The proposed rental rate structure is significantly less than comparable market rate units available in the marketplace.” (transmission letter)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Avg. Market	Differential
2-Bedroom (30%)	\$208	\$208	\$0	\$756	-\$548
2-Bedroom (40%)	\$302	\$302	\$0	\$756	-\$454
2-Bedroom (50%)	\$394	\$394	\$0	\$756	-\$362
2-Bedroom (60%)	\$487	\$487	\$0	\$756	-\$269
2-Bedroom (MR)	\$575	N/A	N/A	\$756	-\$181
3-Bedroom (30%)	\$240	\$240	\$0	\$874	-\$634

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MULTIFAMILY UNDERWRITING ANALYSIS**

3-Bedroom (40%)	\$347	\$347	\$0	\$874	-\$527
3-Bedroom (50%)	\$454	\$454	\$0	\$874	-\$420
3-Bedroom (60%)	\$561	\$561	\$0	\$874	-\$313
3-Bedroom (MR)	\$675	N/A	N/A	\$874	-\$199

(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 96.9% as a result of ever-increasing demand. Demand for new rental apartments is considered to be stable.” (p.85)

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 an 18-month lease-up period to achieve stabilized occupancy].” (p. 82)

Known Planned Development: The analyst listed the following known developments: (p. 85)

- In lease-up: El Pueblo Dorado, Pharr, 176 units, in lease-up (9% LIHTC #01035/02003)
- In planning:
 - Edinburg Apartments, Edinburg, 120 units, 221(d)(4)
 - Padre de Vida, McAllen, 180 units, 9% LIHTC #02032
 - Pueblo de Paz, Mission, 200 units, 9% LIHTC #02033
 - Valley View, Pharr, 128 units, 9% LIHTC #02103
- Other 2003 9% LIHTC applications:
 - Galilean, Edinburg, 208 units
 - Rio de Vida, Mission, 208 units

Effect on Existing Housing Stock: “The housing development, upon completion and considering vacancy and absorption rates, is not likely to result in an unreasonable vacancy rate for comparable units within the development’s competitive market area (i.e., standard, well-maintained units...that are reserved for occupancy by lower-income eligible tenants, as applicable.” (p. 22)

Despite the unusually large market area, the Underwriter found the market study to provide sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are attainable according to the Market Analyst. The Applicant’s potential gross rent is understated by \$192 due to a small rounding error in computing tenant-paid utility allowances. The Applicant stated that tenants will pay for water in this development, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant’s effective gross income estimate generally agrees with the Underwriter’s estimate.

Expenses: The Applicant’s estimate of total operating expense is within 1% of 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 repairs and maintenance (\$17K higher), utilities (\$25K lower), and water, sewer, and trash (\$17K higher).

Conclusion: The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 43.87 acres	\$526,440	Assessment for the Year of:	2002
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**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Per acre, prorated:	<u>\$12,000</u>	Valuation by:	<u>Hidalgo County Appraisal District</u>
20 acres, prorated:	<u>\$240,000</u>	Tax Rate:	<u>2.164</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Farm and ranch earnest money contract						
Contract Expiration Date:	<u>9/</u>	<u>4/</u>	<u>2003</u>	Anticipated Closing Date:	<u>10/</u>	<u>31/</u>	<u>2003</u>
Acquisition Cost:	<u>\$400,000</u>			Other Terms/Conditions:	<u>\$5,000 earnest money</u>		
Seller:	<u>Mary A. Dyer, Gladys C. East, Frances J. Ramsey, Betty A. Busch, & Barbara J. Wood</u>				Related to Development Team Member:	<u>No</u>	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$400,000 (\$0.46/SF or \$20K/acre) is reasonably substantiated by the tax assessed value of \$12K per acre, and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,215 per unit are within the Department's guideline for site work costs that do not require additional documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$222K or 3.1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant's contingency allowance exceeds the 5% maximum TDHCA guideline by \$16.5K and eligible basis is therefore reduced by an equivalent amount.

Ineligible Costs: The Applicant included \$60K in marketing expenses as an eligible cost. Marketing costs are rarely eligible since they are typically considered an operating expense and therefore 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 exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$46,200 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 \$238,212.

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 \$13,507,040 is used to determine a credit allocation of \$1,171,547 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

INTERIM CONSTRUCTION or GAP FINANCING

Source:	<u>Bank of America</u>	Contact:	<u>John Yochum</u>
Principal Amount:	<u>\$4,550,000*</u>	Interest Rate:	<u>Freddie Mac Reference Rate at time of rate lock, estimated at 5.85%</u>
Additional Information:	<u>* Amount least of \$4,588,145 or 85% LTC or 80% LTV, interest-only payments</u>		
Amortization:	<u>N/A</u> yrs	Term:	<u>26</u> mo.
Commitment:	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional

INTERIM CONSTRUCTION or GAP FINANCING

Source:	<u>Bank of America</u>	Contact:	<u>John Yochum</u>
Principal Amount:	<u>\$875,815*</u>	Interest Rate:	<u>90-day LIBOR + 315 basis points</u>

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

DEVELOPMENT TEAM

IDENTITIES of INTEREST

William Encinas owns the Encinas Group of Texas, Inc., the Co-General Partner/Co-Developer, and the General Contractor, the Encinas Construction Group. The project attorney, Emilio J. Huerta, is general counsel and secretary for the Managing General Partner, Rufino Contreras Affordable Housing Corporation, Inc., and the Co-Developer and guarantor, the National Farm Workers Service Center, Inc. These appear to be acceptable relationships.

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 Managing General Partner, Rufino Contreras Affordable Housing Corporation, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$13.8M and consisting of \$167K in cash, \$123K in receivables and prepaids, \$11.9M in real property, \$525K in impounds and reserves, and \$1.1M in work in progress and intangibles. Liabilities totaled \$12.8M, resulting in net equity of \$930K.
- The Co-General Partner and Co-Developer, the Encinas Group of Texas, Inc., submitted an unaudited financial statement as of February 3, 2003 reporting total assets of \$194K and consisting of \$104K in cash, \$139K in receivables, and (\$49K) in unspecified other assets. Liabilities totaled \$89K, resulting in a net worth of \$105K.
- The National Farm Workers Service Center, Inc., submitted an audited financial statement as of December 31, 2001 reporting total assets of \$41.9M and consisting of \$2.8M in cash, \$1.2M in receivables, \$808K in other current assets, 24.8M in property and equipment, and \$12.4M in other assets. Liabilities totaled \$19.6M, resulting in net assets of \$22.3M.
- William Encinas, the principal of the Co-General Partner/Co-Developer and General Contractor, submitted an unaudited financial statement as of February 3, 2003 and is anticipated to be a guarantor of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Paul Chavez, Emilio Huerta, and Eva Vasquez-Camacho, the principals of the Managing General Partner, listed participation in 12 previous affordable housing developments totaling 1,806 units since 1992.
- William Encinas listed participation in six previous affordable housing developments totaling 739 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant environmental risk exists regarding the existing gas pipeline easement which traverses the site.

Underwriter:

Jim Anderson

Date: June 5, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: June 5, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Casa Aguila Apartments, Pharr ETJ, 9% LIHTC #03013

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.59	\$8,475,826
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(2.02)	(401,980)
Floor Cover			1.92	382,080
Porches/Balconies	\$29.24	34,904	5.13	1,020,593
Plumbing	\$615	400	1.24	246,000
Built-In Appliances	\$1,625	200	1.63	325,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	292,530
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$58.46	3,412	1.00	199,462
Other: laundry & maint bldgs	\$43.26	1,894	0.41	81,940
SUBTOTAL			53.37	10,621,451
Current Cost Multiplier	1.03		1.60	318,644
Local Multiplier	0.80		(10.67)	(2,124,290)
TOTAL DIRECT CONSTRUCTION COSTS			\$44.30	\$8,815,805
Plans, specs, survy, bld prn	3.90%		(\$1.73)	(\$343,816)
Interim Construction Interes	3.38%		(1.50)	(297,533)
Contractor's OH & Profit	11.50%		(5.09)	(1,013,818)
NET DIRECT CONSTRUCTION COSTS			\$35.98	\$7,160,637

PAYMENT COMPUTATION

Primary	\$4,550,000	Term	360
Int Rate	6.80%	DCR	1.26

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$9,359,000	Term	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

Primary Debt Service	\$355,951
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$90,849

Primary	\$4,550,000	Term	360
Int Rate	6.80%	DCR	1.26

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.26

Additional	\$9,359,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.26

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

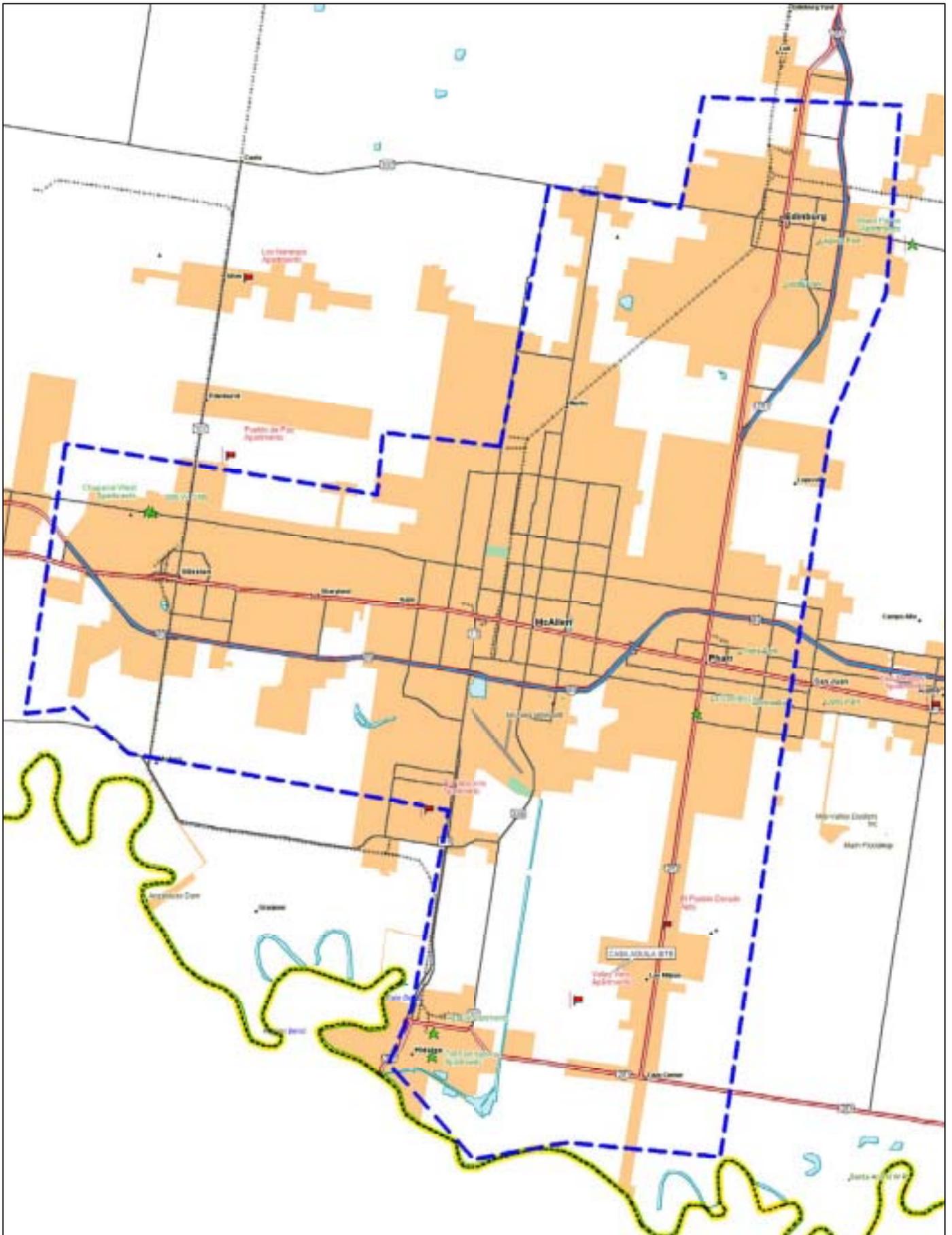
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,113,984	\$1,147,404	\$1,181,826	\$1,217,280	\$1,253,799	\$1,453,496	\$1,685,001	\$1,953,378	\$2,625,176
Secondary Income	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	56,558
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,137,984	1,172,124	1,207,287	1,243,506	1,280,811	1,484,811	1,721,303	1,995,462	2,681,734
Vacancy & Collection Loss	(85,344)	(87,909)	(90,547)	(93,263)	(96,061)	(111,361)	(129,098)	(149,660)	(201,130)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,052,640	\$1,084,214	\$1,116,741	\$1,150,243	\$1,184,750	\$1,373,450	\$1,592,205	\$1,845,802	\$2,480,604
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$61,000	\$63,440	\$65,978	\$68,617	\$71,361	\$86,822	\$105,632	\$128,518	\$190,238
Management	52,632	54,210,713	55,837,03418	57,512,14521	59,237,50957	68,672,50907	79,610,25938	92,290,10974	124,030,1901
Payroll & Payroll Tax	125,000	130,000	135,200	140,608	146,232	177,914	216,460	263,356	389,831
Repairs & Maintenance	85,000	88,400	91,936	95,613	99,438	120,982	147,192	179,082	265,085
Utilities	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Water, Sewer & Trash	65,400	68,016	70,737	73,566	76,509	93,085	113,252	137,788	203,960
Insurance	41,790	43,462	45,200	47,008	48,888	59,480	72,367	88,045	130,328
Property Tax	115,617	120,242	125,052	130,054	135,256	164,560	200,212	243,588	360,570
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
TOTAL EXPENSES	\$605,839	\$629,546	\$654,186	\$679,795	\$706,412	\$856,059	\$1,037,587	\$1,257,815	\$1,849,291
NET OPERATING INCOME	\$446,801	\$454,668	\$462,554	\$470,448	\$478,338	\$517,391	\$554,619	\$587,987	\$631,312
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$355,951	\$355,951	\$355,951	\$355,951	\$355,951	\$355,951	\$355,951	\$355,951	\$355,951
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	\$90,849	\$98,717	\$106,603	\$114,496	\$122,387	\$161,440	\$198,667	\$232,036	\$275,361
DEBT COVERAGE RATIO	1.26	1.28	1.30	1.32	1.34	1.45	1.56	1.65	1.77

LIHTC Allocation Calculation - Casa Aguila Apartments, Pharr ETJ, 9% LIHTC #03013

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	\$410,000	\$410,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,443,000	\$1,443,000	\$1,443,000	\$1,443,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,382,590	\$7,160,637	\$7,382,590	\$7,160,637
(4) Contractor Fees & General Requirements				
Contractor overhead	\$183,112	\$172,073	\$176,512	\$172,073
Contractor profit	\$549,335	\$516,218	\$529,535	\$516,218
General requirements	\$549,335	\$516,218	\$529,535	\$516,218
(5) Contingencies				
	\$457,780	\$430,182	\$441,280	\$430,182
(6) Eligible Indirect Fees				
	\$664,100	\$664,100	\$664,100	\$664,100
(7) Eligible Financing Fees				
	\$578,700	\$578,700	\$578,700	\$578,700
(8) All Ineligible Costs				
	\$611,450	\$611,450		
(9) Developer Fees				
			\$1,761,788	
Developer overhead	\$267,000	\$229,623		\$229,623
Developer fee	\$1,733,000	\$1,492,547		\$1,492,547
(10) Development Reserves				
	\$75,000	\$143,114		
TOTAL DEVELOPMENT COSTS	\$14,904,402	\$14,367,862	\$13,507,040	\$13,203,298

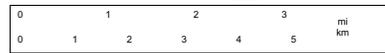
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$13,507,040	\$13,203,298
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$17,559,152	\$17,164,287
Applicable Fraction			80.00%	80.00%
TOTAL QUALIFIED BASIS			\$14,047,322	\$13,731,430
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$1,171,547	\$1,145,201

Syndication Proceeds	0.7798	\$9,136,236	\$8,930,783
Total Credits (Eligible Basis Method)		\$1,171,547	\$1,145,201
Syndication Proceeds		\$9,136,236	\$8,930,783
Requested Credits		\$1,199,966	
Syndication Proceeds		\$9,357,863	
Gap of Syndication Proceeds Needed		\$10,354,402	
Credit Amount		\$1,327,753	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 10-5 Datum: WGS84

Scale 1 : 137 500
 1" = 2.17 mi



TDHCA #

03029

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **La Villita Apartments**

TDHCA #: **03029**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: 600 block Old Port Isabel Rd.
 City: Brownsville County: Cameron Zip Code: 78521
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 128 Elderly: 0 Handicapped/Disabled 9 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Housing Associates of Brownsville, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Texas Housing Associates, Inc.	Laura Musemeche	40% of GP
Housing Associates, Inc.	Dan Allgeier	40% of GP
Neighbors in Need of Services, Inc.	Manuela Rendon	20% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$851,428** Allocation over 10 Years: **\$8,514,280**
 Credits Requested: **\$856,933** Eligible Basis Amount: **\$851,428** Equity/Gap Amount: **\$865,032**

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	5	0	5
40%	0	0	4	0	4
50%	0	0	5	0	5
60%	0	32	50	32	114
MR	0	0	0	0	0
Total	0	32	64	32	
Total LI Units:					128
Owner/Employee Units:					0
Total Project Units:					128
Applicable Fraction:					100.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost: **\$8,779,421** Average Square Feet/Unit: **933**
 Gross Building Square Feet: **126,780** Cost Per Net Rentable Square Foot: **\$73.55**
 Total Net Rentable Area Square Feet: **119,360** Credits per Low Income Uni: **\$6,652**

INCOME AND EXPENSE INFORMATION

Effective Gross Income: **\$647,047**
 Total Expenses: **\$448,119**
 Net Operating Income: **\$198,928**
 Estimated 1st Year Debt Coverage Ratio: **1.13**

FINANCING

Permanent Principal Amount: **\$2,263,254**
 Applicant Equity: **\$51,784**
 Equity Source: **Deferred Developer Fee**
 Syndication Rate: **\$0.7592**

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Kingsway Development Group, LLC Market Analyst: Ipser and Associates, Inc.
 Housing GC: Alpha Construction Company Originator/UW: NA
 Engineer: NA Appraiser: NA
 Cost Estimator: NA Attorney: NA
 Architect: Holcomb, Musemeche, & Associates, Inc. Accountant: Novogradac & Company, LLC
 Property Manager: Integrity Management Supp Services: Neighbors in Need of Services
 Syndicator: Midland Equity Corporation Permanent Lender: MunieMae Midland, LLC

Developer Evaluation

Project ID # **03029/03813**

Name: **La Villita Apartments**

City: **Brownsville**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 3 Projects grouped by score 0-9 1 10-19 0 20-29 2

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 5

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 6 /4 /2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 6 /4 /2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6 /10 /2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 6 /6 /2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

DATE: June 10, 2003 **PROGRAM:** 9% LIHTC
HTF **FILE NUMBER:** 03029
03813

DEVELOPMENT NAME

La Villita Apartments

APPLICANT

Name: Housing Associates of Brownsville, Ltd. **Type:** For Profit
Address: 1013 Van Buren **City:** Houston **State:** TX
Zip: 77019 **Contact:** Mark Musemeche **Phone:** (713) 522-4141 **Fax:** (713) 522-9775

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: <u>Texas Housing Associates, Inc. (THAI)</u>	(%): <u>1%</u>	Title: <u>Managing General Partner</u>
Name: <u>Daniel Allgeier</u>	(%): _____	Title: <u>100% owner of HAI</u>
Name: <u>Housing Associates, Inc. (HAI)</u>	(%): <u>1%</u>	Title: <u>Co-General Partner</u>
Name: <u>Laura Musemeche</u>	(%): <u>N/A</u>	Title: <u>President & 75% owner of THAI</u>
Name: <u>Mark Musemeche</u>	(%): <u>N/A</u>	Title: <u>Vice president & 25% owner of THAI</u>
Name: <u>Neighbors in Need of Services (NINOS)</u>	(%): <u>.05</u>	Title: <u>Nonprofit Co-General Partner</u>
Name: <u>Albert Garcia</u>	(%): <u>N/A</u>	Title: <u>President of NINOS</u>
Name: <u>Kingsway Development Group, LLC</u>	(%): <u>N/A</u>	Title: <u>Developer</u>

PROPERTY LOCATION

Location: 600 block of Old Port Isabel Road **QCT** **DDA**
City: Brownsville **County:** Cameron **Zip:** 78521

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$856,933	N/A	N/A	N/A
2) \$175,000	1%	30 yrs	18 yrs
3) \$50,000	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits
2) Housing Trust Fund loan
3) SECO grant

Proposed Use of Funds: New construction **Property Type:** Multifamily

Set-Aside(s): General Rural TX RD Non-Profit Elderly At Risk

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$851,428

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

ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$170,000, STRUCTURED AS AN 18-YEAR TERM LOAN (AS REQUESTED), AMORTIZING OVER 30 YEARS AT 1% INTEREST, AND A GRANT OF SECO FUNDS IN THE AMOUNT OF \$50,000, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>128</u>	# Rental Buildings	<u>8</u>	# Common Area Bldgs	<u>2</u>	# of Floors	<u>2</u>	Age:	<u>0</u> yrs	Vacant:	<u>N/A</u>	at	<u>/</u>	/	<u>/</u>
Net Rentable SF:	<u>119,360</u>	Av Un SF:	<u>933</u>	Common Area SF:	<u>7,420</u>	Gross Bldg SF:	<u>126,780</u>								

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% brick veneer 25% cementitious fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl & tile 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

A 3,120-SF community building with activity rooms, management offices, fitness facilities, kitchen, restrooms, & conference room, along with a swimming pool, are to be located at the eastern entrance to the site. A 3,500-SF daycare & learning center & equipped children's play area are to be located at the western entrance of the property. In addition, another play area and an 800-SF maintenance building are also planned for the site.

Uncovered Parking:	<u>288</u>	spaces	Carpports:	<u>0</u>	spaces	Garages:	<u>0</u>	spaces
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PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: La Villita Apartments is a moderately dense (10.43 units per acre) new construction development of 128 units of affordable housing located in north central Brownsville. The development is comprised of eight fairly evenly distributed medium sized, garden style, walk-up residential buildings as follows:

- Four Building Type I with eight one-bedroom/one-bath units and eight two- bedroom/two-bath units; and
- Four Building Type II with eight two-bedroom/one-bath units and eight three-bedroom/two-bath units.

Architectural Review: The residential building elevations are attractive, with pitched and hipped roofs and 75% brick veneer exterior wall finishes. The three unit types are well laid out and feature built-in computer work areas and covered patios with storage closets. There are both one- and two-bath versions of the 940-SF, two-bedroom units, which are used interchangeably.

Supportive Services: The Applicant proposes to use Neighbors in Need of Services, one of the Co-General Partners, as the supportive services provider to provide Head Start and adult learning classes. The Applicant states that the services will be provided at no cost to the property.

Schedule: The Applicant anticipates construction to begin in February of 2004, to be completed in February

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

of 2005, and to be placed in service and substantially leased-up in May of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 12.28 acres 534,917 square feet **Zoning/ Permitted Uses:** Apartment "F"
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Brownsville is located in far south Texas, on the Mexican border in Cameron County. The site is an irregularly-shaped parcel located in the north central area of the city, approximately 2.5 miles from the central business district. The site is situated on the west side of Old Port Isabel Road and the east side of Rockwell Drive.

Adjacent Land Uses:

- **North:** vacant land and single-family residential with a Catholic school beyond
- **South:** single-family residential
- **East:** Old Port Isabel Road with single-family residential beyond
- **West:** Rockwell Road with residential beyond

Site Access: Access to the property is from the northeast or southwest from Old Port Isabel Road or Rockwell Drive. The development is to have two entries, one each from Old Port Isabel Road and Rockwell Drive. Access to State Highway 48 is one mile south, which provides connections to all other major roads serving the Brownsville area.

Public Transportation: The Applicant indicates that a public bus stop is located adjacent to the site.

Shopping & Services: The site is within two miles of two major grocery/pharmacies. Shopping centers and a variety of other retail establishments and restaurants as well as 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 May 15, 2003 and found the location to be acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 12, 2003 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 adjoining properties are currently under environmental regulatory review or enforcement action. The site reconnaissance and interview sources did not reveal any recognized environmental conditions involving the site and adjoining properties." (p. 13)

Recommendations: "Based on the information presented herein, no further environmental related actions are deemed warranted for the site at this time." (p. 14)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 128 of the units will be reserved for low-income tenants. Five units (4% of the total) will be reserved for households earning 30% or less of AMGI, four units (3%) will be reserved for households earning 40% or less of AMGI, five units (4%) will be reserved for households earning 50% or less of AMGI, and the remaining 114 (89%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

MARKET HIGHLIGHTS

A market feasibility study dated March 10, 2003, 2003 was prepared by Ipser & Associates, Inc. and

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highlighted the following findings:

Definition of Market/Submarket: “The primary market area for the proposed family housing complex is considered to be the City of Brownsville.” (p. 2-5)

Population: The estimated 2000 population of Brownsville was 139,722 and is expected to increase by 12.1% to approximately 156,622 by 2005. Within the primary market area there were estimated to be 38,174 households in 2000.

Total Local/Submarket Demand for Rental Units: “Our demand analysis..., based solely on projected household growth and a very low replacement rate (units lost by demolition or catastrophic losses and substandard units), in effect considers the market in balance and looks only on future needs. The figures from these analysis methods indicate a need for 1,076 rental units in Brownsville over the two-year time frame from 2003 to 2005, and a continuing demand for 2,663 rental units between 2005 and 2010. An alternate approach to a demand analysis (based on projected growth, existing households, income limits, and turnover) indicates a figure of 1,624 income-qualified renter households in the next year in Brownsville.” (p. 3-3)

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	85	5%	80	6%
Resident Turnover	1,391	86%	1,322	94%
Other Sources: 10% of growth & turnover demand	148	9%	0	0%
TOTAL ANNUAL DEMAND	1,624	100%	1,402	100%

Ref: Ex. N-1

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 15.5%. (Ex. N-1) The Underwriter calculated an inclusive capture rate of 18% based upon a revised demand of 1,402 units. The supply of unstablized units includes 124 restricted units from the 2001 LIHTC funded development known as El Dorado Village.

Local Housing Authority Waiting List Information: “According to the Brownsville Housing Authority, the wait for a vacant public housing unit is one year..., and the Section 8 waiting list has 710 names...” (p. 2-20)

Market Rent Comparables: “The comparable market data used in this report consists of 2,953 total units, including 1,645 private market units at 12 locations (55.7% of all units) and 1,308 rental-assisted units at three locations (44.3%). The 12 private market projects consist of eight conventional complexes with 961 units and four LIHTC properties with 684 units (23.2% of all units). Two of the three rental-assisted complexes are project-based Section 8 complexes (228 units), while the remaining 1,080 units are managed by the Brownsville Housing Authority.” (p. 2-19)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential*	Market	Differential
1-Bedroom (60%)	\$404	\$391	+\$13	\$490	-\$86
2-Bedroom (30%)	\$202	\$189	+\$13	\$580	-\$378
2-Bedroom (40%)	\$295	\$283	+\$13	\$580	-\$285
2-Bedroom (50%)	\$387	\$375	+\$13	\$580	-\$193
2-Bedroom (60%)	\$480	\$468	+\$13	\$580	-\$100
3-Bedroom (60%)	\$549	\$537	+\$13	\$635	-\$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)

*Combined amount of Brownsville Housing Authority’s miscellaneous and electrical flat fees.

Submarket Vacancy Rates: “The current survey of apartments in Brownsville found 95% economic occupancy in the private market locations, and 99% occupancy in LIHTC projects...and 100% in the rental-

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assisted units. Based on the survey reports, at least 353 applicants are on waiting lists, including more than 305 in LIHTC family projects...” (p. 3-2)

Absorption Projections: “Absorption of the subject’s competitively priced affordable units is estimated at approximately 12 to 14 units per month. It is expected that an eight- to nine-month lease-up period will be required to achieve 92.5% occupancy of the 128 units. Acceptance of Section 8 certificates and vouchers will accelerate the absorption, but Section 8 tenants should be limited to 15% to 20% of the total units.” (p. 3-4)

Known Planned Development: No information was provided by the Market Analyst other than inclusion of El Dorado Village (a 146 total, 124 unit restricted LIHTC development funded in 2001) in the inclusive capture rate calculation.

Effect on Existing Housing Stock: “The addition of the proposed 128 units to the Brownsville/Cameron County market is expected to have little impact on existing rental properties, since occupancy is over 95% and many projects report waiting lists.” (p. 3-3)

The Underwriter found the market study to be acceptable.

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 utility allowances published by the Brownsville Housing Authority include an electricity flat fee of \$4.75 per unit and a “miscellaneous fee” of \$8.20 per unit. When queried by the Underwriter, the Housing Authority stated that the flat fees are environmental and maintenance fees which are charged to all users. The Applicant, however, did not include these fees in the tenant-paid utility allowance and informed the Underwriter that these fees are not paid by the Developer’s other properties in the area. In light of this discrepancy the Underwriter has elected to conservatively increase the tenant paid utility allowances by the amount of these fees, which has the effect of reducing potential gross rent by \$18,713. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the Underwriter’s increased tenant-paid utility allowances and commensurately decreased net rents, the Underwriter’s effective gross income estimate is \$17,849 less than the Applicant’s. This amount also represents the amount of additional effective gross income the development could achieve if the miscellaneous utility allowance fees were ignored.

Expenses: The Applicant’s estimate of total operating expense is 2% lower than the Underwriter’s 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 payroll (\$20K lower), repairs and maintenance (\$24K higher, utilities (\$20K lower), and insurance (\$16K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: Although the Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate, the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. This would also be the case if the additional income resulting from the Applicant’s higher net rents were combined with the Underwriter’s higher expenses.

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ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 12.153 acres	\$145,836	Assessment for the Year of:	2002
Building:	N/A	Valuation by:	Cameron County Appraisal District
Total Assessed Value:	\$145,836	Tax Rate:	2.691661
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Option agreement		
Contract Expiration Date:	Earlier of carryover deadline or 9/15/2003	Anticipated Closing Date:	10/ 7/ 2003
Acquisition Cost:	\$636,000	Other Terms/Conditions:	\$500/month earnest money
Seller:	Henry A. Willms	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION	
<u>Acquisition Value:</u>	The site cost of \$636,000 (\$1.19/SF or \$51.8K/acre), although over four times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.
<u>Site work Cost:</u>	The Applicant's claimed site work costs of \$7,148 per unit are considered reasonable compared to the Department's safe harbor guidelines for site work costs for multifamily projects.
<u>Direct Construction Cost:</u>	The Applicant's costs are \$404K (9%) lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.
<u>Ineligible Costs:</u>	The Applicant included \$20K 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.
<u>Interim Financing Fees:</u>	The Underwriter reduced the Applicant's eligible interim financing fees by \$15,918 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.
<u>Fees:</u>	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's fees are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by \$5,387.
<u>Conclusion:</u>	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 \$7,853,055 is used to determine a credit allocation of \$851,428 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	
INTERIM CONSTRUCTION or GAP FINANCING	
Source: <u>MuniMae Midland, LLC</u>	Contact: <u>John Mullaney</u>
Principal Amount: <u>\$2,545,943</u>	Interest Rate: <u>6%</u>
Additional Information: _____	
Amortization: <u>N/A</u> yrs	Term: <u>2</u> yrs
Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	

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LONG TERM/PERMANENT FINANCING			
Source: MuniMae Midland, LLC			Contact: John Mullaney
Principal Amount: \$2,036,754	Interest Rate:	40 basis points over unspecified index rate, 6.125% minimum, 8.625% maximum, underwritten at 7.375%	
Additional Information:			
Amortization: 30 yrs	Term: 18 yrs	Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: \$168,276	Lien Priority: 1st	Commitment Date 2/ 11/ 2003	
LONG TERM/PERMANENT FINANCING			
Source: City of Brownsville CDBG funds			Contact: Charlie Cabler
Principal Amount: \$1,500	Interest Rate:	(Grant)	
Additional Information: Application only, uses restricted to city-approved utility infrastructure			
Amortization: N/A yrs	Term: N/A yrs	Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: (None)	Lien Priority: N/A	Commitment Date 2/ 25/ 2003	
LIHTC SYNDICATION			
Source: Midland Equity Corporation			Contact: Mark George
Address: 33 N. Garden Avenue, #1200	City: Clearwater		
State: FL	Zip: 33755	Phone: (727) 461-4801	Fax: (727) 443-6067
Net Proceeds: \$6,506,177	Net Syndication Rate (per \$1.00 of 10-yr LIHTC)		76¢
Commitment	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional Date: 2/ 26/ 2003
Additional Information:			
APPLICANT EQUITY			
Amount: \$9,989	Source: Deferred Developer Fee		
FINANCING STRUCTURE ANALYSIS			
<p><u>Permanent Financing:</u> The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p>The Housing Trust Fund loan of \$175,000 is recommended to be structured as requested, with a 1% interest rate, an 18-year term, and a 30-year amortization schedule, and the SECO grant is recommended in the full amount of \$50,000.</p> <p><u>LIHTC Syndication:</u> The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.</p> <p><u>Deferred Developer's Fees:</u> The anticipated deferred developer's fees of \$9,989 amount to 1% of the total eligible fees.</p> <p><u>Financing Conclusions:</u> Since the Applicant's total development costs were within 5% of the Underwriter's estimate, the Applicant's adjusted development costs were used to determine an eligible basis of \$7,853,055, yielding a recommended tax credit allocation of \$851,428 per year. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$51,784, which represents approximately 5% of the eligible fee and which should be repayable from cash flow within three years.</p> <p>The development remains feasible without the HTF and SECO funds, and the Applicant's eligible basis-driven LIHTC allocation remains the recommended amount. Based on the underwriting analysis, the Applicant's deferred developer fee would be increased to \$276,784 the amount of the HTF and SECO funds if they are not approved. This represents approximately 27% of the eligible fee, should be repayable from cash flow within ten years.</p>			

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MULTIFAMILY UNDERWRITING ANALYSIS**

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

- Mark Musemeche is a principal of both Texas Housing Associates, Inc. and the project architect.
- Daniel Allgeier is a principal of both Housing Associates, Inc. and the General Contractor.
- Neighbors in Need of Services, Inc. will also be the supportive services provider.

These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- Housing Associates, Inc., a Co-General Partner, submitted an unaudited financial statement as of February 9, 2003 reporting total assets of \$2.36M and consisting of \$80K in cash, \$513K in receivables, \$1.8M in real property, and \$6K in machinery, equipment, and fixtures. Liabilities totaled \$108K, resulting in a net worth of \$2.26M.
- Neighbors in Need of Services, Inc., the nonprofit Co-General Partner, submitted an audited financial statement as of March 31, 2002 reporting total assets of \$3.66M and consisting of \$266K in cash, \$1.32M in receivables and prepaids, and \$2.1M in property and equipment. Liabilities totaled \$1.29M, resulting in net assets of \$2.1M.
- Texas Housing Associates, Inc. the remaining Co-General Partner, submitted an unaudited financial statement as of February 11, 2003 reporting total assets of \$1.88M and consisting of \$34K in cash, \$735K in receivables, \$1.1M in real property, and \$42K in other assets. Liabilities totaled \$20K, resulting in a net worth of \$1.86M.
- The principals of the for-profit General Partners, Daniel Allgeier and Laura and Mark Musemeche, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Laura and Mark Musemeche listed participation in eight previous LIHTC-funded affordable housing developments totaling 830 units since 1997.
- Daniel Allgeier listed participation in nine previous LIHTC-funded affordable housing developments totaling 904 units since 1997.
- The principals of Neighbors in Need of Services, Inc. claimed no previous experience in the development of affordable housing.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.

Underwriter:

Jim Anderson

Date: June 10, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: June 10, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

La Villita Apartments, Brownsville, 9% LIHTC #03029

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 (60%)	32	1	1	725	\$463	\$391	\$12,519	\$0.54	\$71.77	\$44.62
TC (30%)	5	2	1 or 2	940	277	189	943	0.20	88.50	48.02
TC (40%)	4	2	1 or 2	940	371	283	1,130	0.30	88.50	48.02
TC (50%)	5	2	1 or 2	940	463	375	1,873	0.40	88.50	48.02
TC (60%)	50	2	1 or 2	940	556	468	23,375	0.50	88.50	48.02
TC (60%)	32	3	2	1,125	642	537	17,173	0.48	105.34	54.86
TOTAL:	128		AVERAGE:	933	\$534	\$445	\$57,012	\$0.48	\$88.53	\$48.88

INCOME				TOTAL Net Rentable Sq Ft: 119,360		TDHCA	APPLICANT			
POTENTIAL GROSS RENT						\$684,150	\$703,452	USS Region 11		
Secondary Income	Per Unit Per Month:	\$10.00				15,360	15,360	\$10.00	IREM Region	
Other Support Income:						0	0		Per Unit Per Month	
POTENTIAL GROSS INCOME						\$699,510	\$718,812			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%				(52,463)	(53,916)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$647,047	\$664,896			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.99%	\$353	0.38		\$45,200	\$38,600	\$0.32	\$302	5.81%
Management		5.00%	253	0.27		32,367	\$33,245	0.28	260	5.00%
Payroll & Payroll Tax		13.81%	698	0.75		89,352	\$69,180	0.58	540	10.40%
Repairs & Maintenance		6.50%	329	0.35		42,069	\$65,600	0.55	513	9.87%
Utilities		5.36%	271	0.29		34,674	\$15,000	0.13	117	2.26%
Water, Sewer, & Trash		8.45%	427	0.46		54,684	\$58,000	0.49	453	8.72%
Property Insurance		4.61%	233	0.25		29,840	\$46,000	0.39	359	6.92%
Property Tax	2.691661	13.31%	673	0.72		86,133	\$79,170	0.66	619	11.91%
Reserve for Replacements		4.45%	225	0.24		28,800	\$28,800	0.24	225	4.33%
Other: compliance fees		0.77%	39	0.04		5,000	\$5,000	0.04	39	0.75%
TOTAL EXPENSES		69.26%	\$3,501	\$3.75		\$448,119	\$438,595	\$3.67	\$3,427	65.96%
NET OPERATING INC		30.74%	\$1,554	\$1.67		\$198,927	\$226,301	\$1.90	\$1,768	34.04%
DEBT SERVICE										
Midland Mortgage		26.09%	\$1,319	\$1.41		\$168,808	\$168,276	\$1.41	\$1,315	25.31%
Housing Trust Fund Loan		1.04%	\$53	\$0.06		6,754	6,781	\$0.06	\$53	1.02%
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
NET CASH FLOW		3.61%	\$183	\$0.20		\$23,364	\$51,244	\$0.43	\$400	7.71%
AGGREGATE DEBT COVERAGE RATIO						1.13	1.29			
RECOMMENDED DEBT COVERAGE RATIO						1.13				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		7.12%	\$5,117	\$5.49	\$655,000	\$655,000	\$5.49	\$5,117	7.46%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.95%	7,148	7.67	915,000	915,000	7.67	7,148	10.42%
Direct Construction		50.22%	36,078	38.69	4,618,022	4,214,000	35.30	32,922	48.00%
Contingency	4.36%	2.62%	1,883	2.02	241,059	241,059	2.02	1,883	2.75%
General Req'ts	5.48%	3.30%	2,369	2.54	303,240	303,240	2.54	2,369	3.45%
Contractor's G & A	1.83%	1.10%	790	0.85	101,080	101,080	0.85	790	1.15%
Contractor's Profit	5.48%	3.30%	2,369	2.54	303,240	303,240	2.54	2,369	3.45%
Indirect Construction		5.03%	3,612	3.87	462,284	462,284	3.87	3,612	5.27%
Ineligible Costs		1.50%	1,078	1.16	137,978	137,978	1.16	1,078	1.57%
Developer's G & A	1.24%	0.97%	699	0.75	89,439	0	0.00	0	0.00%
Developer's Profit	13.00%	10.23%	7,346	7.88	940,260	1,029,699	8.63	8,045	11.73%
Interim Financing		3.14%	2,257	2.42	288,841	288,841	2.42	2,257	3.29%
Reserves		1.52%	1,089	1.17	139,379	128,000	1.07	1,000	1.46%
TOTAL COST		100.00%	\$71,835	\$77.03	\$9,194,822	\$8,779,421	\$73.55	\$68,589	100.00%
Recap-Hard Construction Costs		70.49%	\$50,638	\$54.30	\$6,481,641	\$6,077,619	\$50.92	\$47,481	69.23%

SOURCES OF FUNDS					TDHCA	APPLICANT	RECOMMENDED		
Midland Mortgage		22.15%	\$15,912	\$17.06	\$2,036,754	\$2,036,754	\$2,036,754	Developer Fee Available	
Housing Trust Fund Loan		1.90%	\$1,367	\$1.47	175,000	175,000	175,000	\$1,029,699	
SECO Grant					50,000	50,000	50,000		
City Of Brownsville CDBG Funds					1,500	1,500	1,500		
LIHTC Syndication Proceeds		70.76%	\$50,830	\$54.51	6,506,177	6,506,177	6,464,383	% of Dev. Fee Deferred	
Deferred Developer Fees		0.11%	\$78	\$0.08	9,989	9,989	51,784	5%	
Additional (excess) Funds Required		4.52%	\$3,245	\$3.48	415,402	1	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$9,194,822	\$8,779,421	\$8,779,421	\$467,650.10	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
La Villita Apartments, Brownsville, 9% LIHTC #03029

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$5,055,240
Adjustments				
Exterior Wall Finish	6.25%		\$2.65	\$315,952
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(120,554)
Floor Cover			1.92	229,171
Porches/Balconies	\$18.37	23,188	3.57	425,964
Plumbing	\$615	192	0.99	118,080
Built-In Appliances	\$1,625	128	1.74	208,000
Stairs	\$1,625	32	0.44	52,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	175,459
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.01	6,620	3.27	390,650
Other:			0.00	0
SUBTOTAL			57.39	6,849,962
Current Cost Multiplier	1.03		1.72	205,499
Local Multiplier	0.80		(11.48)	(1,369,992)
TOTAL DIRECT CONSTRUCTION COSTS			\$47.63	\$5,685,469
Plans, specs, survy, bld prm	3.90%		(\$1.86)	(\$221,733)
Interim Construction Interest	3.38%		(1.61)	(191,885)
Contractor's OH & Profit	11.50%		(5.48)	(653,829)
NET DIRECT CONSTRUCTION COSTS			\$38.69	\$4,618,022

PAYMENT COMPUTATION

Primary	\$2,036,754	Term	360
Int Rate	7.375%	DCR	1.18

Secondary	\$175,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.13

Additional	\$6,506,177	Term	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$168,808
Secondary Debt Service	6,754
Additional Debt Service	0
NET CASH FLOW	\$23,364

Primary	\$2,036,754	Term	360
Int Rate	7.38%	DCR	1.18

Secondary	\$175,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.13

Additional	\$6,506,177	Term	0
Int Rate	0.00%	Aggregate DCR	1.13

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
INCOME at 3.00%									
POTENTIAL GROSS RENT	\$684,150	\$704,674	\$725,814	\$747,589	\$770,017	\$892,660	\$1,034,838	\$1,199,661	\$1,612,244
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	699,510	720,495	742,110	764,373	787,304	912,702	1,058,071	1,226,595	1,648,441
Vacancy & Collection Loss	(52,463)	(54,037)	(55,658)	(57,328)	(59,048)	(68,453)	(79,355)	(91,995)	(123,633)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$647,047	\$666,458	\$686,452	\$707,045	\$728,257	\$844,249	\$978,716	\$1,134,600	\$1,524,808
EXPENSES at 4.00%									
General & Administrative	\$45,200	\$47,008	\$48,888	\$50,844	\$52,877	\$64,333	\$78,272	\$95,229	\$140,963
Management	32,367	33,338	34,338	35,368	36,429	42,231	48,957	56,755	76,274
Payroll & Payroll Tax	89,352	92,926	96,644	100,509	104,530	127,176	154,729	188,252	278,659
Repairs & Maintenance	42,069	43,752	45,502	47,322	49,215	59,877	72,850	88,633	131,198
Utilities	34,674	36,061	37,504	39,004	40,564	49,353	60,045	73,054	108,138
Water, Sewer & Trash	54,684	56,872	59,146	61,512	63,973	77,833	94,695	115,211	170,541
Insurance	29,840	31,034	32,275	33,566	34,909	42,472	51,673	62,868	93,061
Property Tax	86,133	89,578	93,162	96,888	100,764	122,594	149,155	181,470	268,619
Reserve for Replacements	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Other	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
TOTAL EXPENSES	\$448,119	\$465,721	\$484,016	\$503,033	\$522,801	\$633,977	\$768,907	\$932,684	\$1,372,862
NET OPERATING INCOME	\$198,927	\$200,737	\$202,436	\$204,012	\$205,456	\$210,272	\$209,809	\$201,917	\$151,945
DEBT SERVICE									
First Lien Financing	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808	\$168,808
Second Lien	6,754	6,754	6,754	6,754	6,754	6,754	6,754	6,754	6,754
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$23,364	\$25,175	\$26,873	\$28,449	\$29,893	\$34,709	\$34,247	\$26,354	(\$23,617)
DEBT COVERAGE RATIO	1.13	1.14	1.15	1.16	1.17	1.20	1.20	1.15	0.87

LIHTC Allocation Calculation - La Villita Apartments, Brownsville, 9% LIHTC #03029

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	\$655,000	\$655,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$915,000	\$915,000	\$915,000	\$915,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$4,214,000	\$4,618,022	\$4,214,000	\$4,618,022
(4) Contractor Fees & General Requirements				
Contractor overhead	\$101,080	\$101,080	\$101,080	\$101,080
Contractor profit	\$303,240	\$303,240	\$303,240	\$303,240
General requirements	\$303,240	\$303,240	\$303,240	\$303,240
(5) Contingencies				
	\$241,059	\$241,059	\$241,059	\$241,059
(6) Eligible Indirect Fees				
	\$462,284	\$462,284	\$462,284	\$462,284
(7) Eligible Financing Fees				
	\$288,841	\$288,841	\$288,841	\$288,841
(8) All Ineligible Costs				
	\$137,978	\$137,978		
(9) Developer Fees			\$1,024,312	
Developer overhead		\$89,439		\$89,439
Developer fee	\$1,029,699	\$940,260		\$940,260
(10) Development Reserves				
	\$128,000	\$139,379		
TOTAL DEVELOPMENT COSTS	\$8,779,421	\$9,194,822	\$7,853,055	\$8,262,464

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			\$7,853,055	\$8,262,464
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$10,208,972	\$10,741,204
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$10,208,972	\$10,741,204
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$851,428	\$895,816

Syndication Proceeds	0.7592	\$6,464,383	\$6,801,395
Total Credits (Eligible Basis Method)		\$851,428	\$895,816
Syndication Proceeds		\$6,464,383	\$6,801,395
Requested Credits		\$856,933	
Syndication Proceeds		\$6,506,177	
Gap of Syndication Proceeds Needed		\$6,567,667	
Credit Amount		\$865,032	



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 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
 1" = 1.58 mi



TDHCA #

03035

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Rio De Vida Apartments**

TDHCA #: **03035**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: Inspiration Road near 1 Road
 City: Mission County: Hidalgo Zip Code: 78572
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 208 Elderly: 0 Handicapped/Disabled 15 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Rio De Vida Apartments

Principal Names	Principal Contact	Percentage Ownership
Rio de Vida Apartments I, L.L.C.	Kim Hatfield	0.1% of Owner
Bozrah International Ministries, Inc.	Kim Hatfield	25% of MGP
PRS Housing Corporation	Perry R. Smith	75% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$1,004,228** Allocation over 10 Years: \$10,042,280
 Credits Requested: \$1,044,231 Eligible Basis Amount: \$1,004,228 Equity/Gap Amount: \$1,153,091

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	12	24	36
60%	0	0	76	64	140
MR	0	0	16	16	32
Total	0	0	104	104	
Total LI Units:					176
Owner/Employee Units:					0
Total Project Units:					208
Applicable Fraction:					85.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	\$15,254,306	Average Square Feet/Unit	1,000
Gross Building Square Feet	214,920	Cost Per Net Rentable Square Foot	\$73.34
Total Net Rentable Area Square Feet:	208,000	Credits per Low Income Uni	\$5,706

INCOME AND EXPENSE INFORMATION

Effective Gross Income	\$1,341,221
Total Expenses:	\$674,934
Net Operating Income	\$666,287
Estimated 1st Year Debt Coverage Ratio	1.30

FINANCING

Permanent Principal Amount:	\$6,154,000
Applicant Equity:	\$1,174,841
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.7892

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	PRS Housing Corporation	Market Analyst:	Apartment Market Data Research
Housing GC:	Texas Regional Construction Inc.	Originator/UW:	NA
Engineer:	Melden & Hunt	Appraiser:	NA
Cost Estimator:	Texas Regional Construction Inc.	Attorney:	J. Michael Pruitt Law Office
Architect:	The Clerkley Group	Accountant:	Novogradac & Company, LLC
Property Manager:	Texas Regional Asset Management	Supp Services:	Hidalgo County Head Start
Syndicator:	The Richmond Group	Permanent Lender:	GCC Group of Companies, Inc.

Developer Evaluation

Project ID # **03035**

Name: **The Rio De Vida Apartments,** City: **Mission**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 5

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: May 27, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03035

DEVELOPMENT NAME

Rio De Vida Apartments

APPLICANT

Name: Rio De Vida Apartments, L.P. **Type:** For Profit
Address: 17336 W. Little York Road **City:** Houston **State:** TX
Zip: 77084 **Contact:** Kim Hatfield **Phone:** (281) 550-7111 **Fax:** (281) 550-1941

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Rio De Vida Apartments I, LLC	(%): 0.10	Title: Managing General Partner
Name: PRS Housing Corporation	N/A	Title: 75% Owner of MGP
Name: Bozrah International Minisities	N/A	Title: 25% Owner of MGP
Name: Perry R. Smith	N/A	Title: 100% Owner of PRS Corp.
Name: John Pitts	N/A	Title: President of Bozrah
Name: Emma Hall	N/A	Title: Board Member of Bozrah
Name: James Gasaway	N/A	Title: Treasurer of Bozrah
Name: Ethel Dunn	N/A	Title: Secretary of Bozrah

PROPERTY LOCATION

Location: Inspiration Road Approximately 1,000 feet north of Mile 1 Road **QCT** **DDA**
City: Mission **County:** Hildalgo **Zip:** 78582

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,044,231	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Property Type:** Multifamily

Set-Aside(s): General Rural TX RD Non-Profit Elderly At Risk

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,004,228 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt review and acceptance by commitment execution of a revised commitment for syndicator reflecting the syndicator's willingness to acquire at least 99% of the allocation of credits for at least \$.79 per credit acquired.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 208 **# Rental Buildings:** 13 **# Common Area Bldgs:** 3 **# of Floors:** 2 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 208,000 **Av Un SF:** 1,000 **Common Area SF:** 6,920 **Gross Bldg SF:** 214,920

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 5% Stucco/95% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 3,211 square foot community building with activity room, management offices, TV room and restrooms will be located at the front of the property. Adjacent to this clubhouse a mail-kiosk, swimming pool, equipped children's play area will be located. In addition a 2,889 square foot daycare facility will be located at the entrance to the property. The entire property will be surrounded by perimeter fencing with a limited access gate. An 820 square foot centrally located laundry facility is also planned.

Uncovered Parking: 244 spaces **Carpools:** 208 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Rio De Vida is a relatively dense disbursed multifamily with 16 units per acres new construction development of 208 units of mixed income housing located in southwest Mission. The development is comprised of 13 evenly distributed medium garden style walk-up low-rise residential buildings as follows:

∅ (13) Building Type A with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. The units all have covered balconies with storage closets.

Supportive Services: Supportive Services will be free and optional to the tenants and a cost for this has been included in the operating expenses. These services will be provided by Hidalgo County Head Start Program and will consist of: Daycare/School Facility.

Schedule: The Applicant anticipates construction to begin in February of 2004, to be completed in February of 2005, to be placed in service in February of 2005, and to be substantially leased-up in August of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 13.79 acres 600,692 square feet **Zoning/ Permitted Uses:** R-3
Flood Zone Designation: Zone: B **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Mission is located in the lower valley, approximately six miles west of McAllen in Hidalgo County. The site is an irregularly-shaped parcel located in the west area of Mission, situated on the east side of Inspiration Road Street.

Adjacent Land Uses:

∅ **north:** generally residential
 ∅ **south:** vacant land

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

- € **east:** vacant land and residential
- € **west:** Inspiration Road and vacant land beyond

Site Access: Access to the property is along Inspiration Road. The subject site has access to major thoroughfares via both Inspiration Road (north) and Mile One South Road (south and east). From these two thoroughfares one can easily connect to Business 83 and Expressway 83, leading to downtown Mission, McAllen, Pharr, Edinburg and other surrounding communities.

Public Transportation: The availability of public transportation is unknown.

Site Inspection Findings: TDHCA staff performed a site inspection on May 22, 2003 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 March 14, 2003 was prepared by Melden & Hunt, Inc. and contained the following findings and recommendations:

Findings: The assessment has revealed no evidence of recognized environmental conditions in connection with the property.

Recommendations: Based on these findings and conclusions, Melden & Hunt, Inc. recommends no further environmental assessment of the subject site.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 176 of the units (85% of the total) will be reserved for low-income/elderly tenants. 36 of the units (17%) will be reserved for households earning 50% or less of AMGI, 140 units (67%) will be reserved for households earning 60% or less of AMGI, and the remaining 32 (15%) units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

MARKET HIGHLIGHTS

A market feasibility study dated March 11, 2003 was prepared by Apartment Market Data Research Services and highlighted the following findings:

Definition of Market/Submarket: “For this analysis we utilized a primary market area comprising an 129 square mile trade area within Hidalgo County. The trade area is inclusive of the McAllen MSA and was drawn to include a population of 250,000, while also including areas with higher renter tenure. This was done because the county has large agricultural tracts from which the property is not expected to draw residents.” (p. 3) The site is located in the far southwest corner of the trade area approximately two and a half miles from the nearest western boundary and even 17 miles from the northeastern most boundary of the trade area.

Population: The estimated 2000 population of the market area was 240,202 and is expected to increase by 14% to approximately 274,762 by 2007. Within the primary market area there were estimated to be 71,559 households in 2000.

Total Local/Submarket Demand for Rental Units: “Based on our analysis, it can be seen that the McAllen MSA is growing at a substantial rate. With continued job formation, the employment base and household formation will continue to be positive, resulting in the need for additional rental housing.” (p. 77)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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	82	2%	80	2%
Resident Turnover	4,674	97%	3,335	98%
Other Sources: pent-up demand	40	1%		
TOTAL ANNUAL DEMAND	4,796	100%	3,415	100%

Ref: p. 47

Inclusive Capture Rate: The Market Analyst concluded a capture rate of 15.28% using an additional 557 units of unstablized supply coming from four developments allocated credits in the past year in Pharr, McAllen and Mission. A fifth development in McAllen, El Patrimonio Apartments was awarded credits in 2000 for 144 restricted 180 total units. This development was completed in 2001. The Market Analyst does not indicate precisely when El Patrimonio achieved stabilized occupancy but did indicate current occupancy at well over 95%. The Market Analyst also discussed but did not include 160 tax credit, 200 total proposed units seven miles southeast in Pharr (Casa Aguila Apartments) or 176 tax credit, 208 total proposed units 13 miles northeast in Edinburg (Gallelian Apartments). Including only the tax credit portion of these developments raises the Market Analysts Capture rate to 23%. The Underwriter calculated an inclusive capture rate of 21% based upon a supply of unstablized comparable affordable units of 733 divided by a revised demand of 3,415. When all proposed units, restricted and unrestricted, are included, the underwriter’s calculated capture rate exceeds 25%. However unrestricted units are not included in the inclusive capture rate rule.

Market Rent Comparables: The Market Analyst surveyed comparable apartment projects totaling 618 income restricted units in the market area. (p. 106)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$430	\$430	\$0	\$756	-\$326
2-Bedroom (60%)	\$523	\$523	\$0	\$756	-\$233
2-Bedroom (MR)	\$650	N/A		\$756	-\$106
3-Bedroom (50%)	\$495	\$495	\$0	\$874	-\$379
3-Bedroom (60%)	\$602	\$602	\$0	\$874	-\$272
3-Bedroom (MR)	\$750	N/A		\$874	-\$124

(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 Occupancy Rates: “The current occupancy of the market area is 96.9%, as a result of ever increasing demand.” (p. 10)

Absorption Projections: “Absorption in the Mission/McAllen Area has been limited over the past decade, due to the financial infeasibility of conventionally financed market rate units. However, with the absorption rate has increased considerably over the last few years with the construction of several LIHTC projects.” (p. 108)

Known Planned Development: Four know developments have not reached a stabilized occupancy of 90% for the previous 12 months totaling 557 units in addition to the 176 units of Rio de Vida. (p. 47) The Market Analyst also identified two other tax credit applications in this trade area, the Gallelian Apartments and Casa Aguila Apartments consisting of a total of 408 additional units.

Despite the unusually large trade area (primary market area) the Underwriter found the market study to provide sufficient information to make a funding recommendation.

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

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$3,063 per unit is within 6% of a TDHCA database-derived estimate of \$3,245 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 (\$22.8K lower), insurance (\$8K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with the limited additional information provided by the Applicant.

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. 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 above the recommended acceptable TDHCA underwriting guidelines of 1.10. The Applicant's estimate is greater than 1.30 suggesting that additional debt may be achievable.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 25.47 acres	\$127,350	Assessment for the Year of:	2003
Prorated 1 acre:	\$5,000	Valuation by:	Hidalgo County Appraisal District
Prorated 13.79 acres:	\$68,950	Tax Rate:	2.9865

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Farm and Ranch Contract					
Contract Expiration Date:	10/	15/	2003	Anticipated Closing Date:	10/	15/ 2003
Acquisition Cost:	\$400,000			Other Terms/Conditions:	\$100 earnest money	
Seller:	Estate of Donald R. Deck			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition 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 \$7,500 per unit are at the 2003 underwriting maximum threshold to avoid further detailed documentation requirements.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$120K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$56.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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 exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$6.8K.

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

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

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 \$14,232,978 before reductions for grants or below market rate loans are considered is used to determine a credit allocation of \$1,004,228 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

INTERIM CONSTRUCTION or GAP FINANCING

Source: JP MorganChase **Contact:** Ken Overshiner
Principal Amount: \$7,113,313 **Interest Rate:** 5.5%
Additional Information: _____
Amortization: N/A yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: GCC Group of Companies, Inc. **Contact:** Steven Boughner
Principal Amount: \$6,104,000 **Interest Rate:** 7.5%
Additional Information: _____
Amortization: 30 yrs **Term:** 15 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$513,295 **Lien Priority:** 1st **Commitment Date** 1/ 23/ 2003

C.D.B.G FUNDS

Source: City of Mission **Principal Amount:** \$50,000

LIHTC SYNDICATION

Source: The Richman Group Capital Corporation **Contact:** Phil Corbett
Address: 8 Forge Pond Road **City:** Canton
State: MA **Zip:** 02021 **Phone:** (781) 828-6800 **Fax:** (781) 828-6807
Net Proceeds: \$8,090,993 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 79¢
Commitment LOI Firm Conditional **Date:** 1/ 17/ 2003
Additional information: based upon credit allocation of \$851,125, percentage of purchase may be reduced down to 90% if investor can not fund additional credits.

APPLICANT EQUITY

Amount: \$1,009,313 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. Based upon the Applicant's estimated NOI it is likely that additional debt will be available to the development.

CDBG Funds: The Applicant indicated that a \$50,000 application was made to the City of Mission's Community Development Block Grant. The documentation provided, however, does not identify the type of financing or the purpose of the funds. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds required will meet this requirement, but it is also uncertain if the Application will be successfully awarded these funds. The underwriter removed the funds from basis which resulted in a small decline in the recommended credit amount. If the funds are ultimately not awarded to benefit this development, it will still be feasible without such funds and the difference will be made up with additional deferred develop fees.

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 \$8,090,993 based on a syndication

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

factor of 79%. The funds would be disbursed in a four-phased pay-in schedule:

1. 60% paid in monthly installments on a draw basis as needed for development costs incurred;
2. 22.5% paid upon the latest of the following: (i) completion of construction, (ii) preliminary low-income housing tax credit certification, (iii) receipt of a payoff letter from the contractor, (iv) receipt of an estoppel letter from each lender, (v) receipt of certificates of insurance complying with the requirements described herein;
3. 7.5% paid upon achievement of 50%, 75%, and 100% occupancy;
4. 10% paid upon achievement of breakeven and receipt of an estoppel letter and receipt of form 8609

The syndicator anticipated only \$851,125 in allocated credits and has indicated acquisition of any amount over this is subject to the availability of investor funds. The syndicator further indicated that the acquisition percentage could be reduced from 99.9% to 90% if insufficient investor funds were available to absorb additional credits. The effect on the development would be a reduction in the syndication proceeds and possibly insufficient funds to complete the development. The Applicant submitted a revised commitment letter that corrected the syndicator amount and thus implied a syndicator rate of \$.95 per credit while stating a \$.79 per credit rate. Receipt review and acceptance of a revised commitment for syndicator reflecting the syndicator's willingness to acquire at least 99% of the allocation of credits for at least \$.79 per credit acquired is a condition of this report.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,009,313 amounts to 54% of the total fees. While the Underwriter's anticipated deferred developer fee is slightly higher at 64% it is still repayable within the first 10 years of stabilized operations.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$1,004,228 annually for ten years, resulting in syndication proceeds of approximately \$7,925,465. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$1,174,841. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, or should the \$50,000 CDBG funds not be awarded to the development, deferred developer's fee will be available to maintain feasibility.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer and Property Manager are all related entities. 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 75% owner of the General Partner, PRS Housing Corporation, submitted an unaudited financial statement reporting total assets of \$575K and consisting of \$197K in cash, \$40K in receivables, and \$338K in long term assets. Liabilities totaled \$2K, resulting in a net worth of \$575K.
- € The 25% co-owner of the General Partner, Bozrah International Ministries, Inc., submitted an unaudited financial statement as of February 14, 2003 reporting total assets of \$1.4M and consisting of \$4K in cash, \$1.2M in receivables, \$2K in other assets, and \$222.5K in real property. No liabilities were reported resulting in a net worth of \$1.4M.
- € The principal of the General Partner, Perry R. Smith, submitted an unaudited financial statement as of January 30, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Perry Smith, the principal of PRS Housing Corporation which owns 75% of the General Partner, has completed three conventional housing developments totaling 390 units since 1981.
- € Bozrah International Ministries, Inc., which owns 25% of the General Partner, has completed two LIHTC affordable housing developments totaling 204 units since 2000.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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.

Underwriter:	_____	Date:	_____
	<i>Carl Hoover</i>		May 27, 2003
Director of Real Estate Analysis:	_____	Date:	_____
	<i>Tom Gouris</i>		May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Rio De Vida Apartments, Mission, LIHTC #03035

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	12	2	2	900	\$463	\$430	\$5,162	\$0.48	\$32.85	\$20.73
TC (60%)	76	2	2	900	556	523	39,759	0.58	32.85	20.73
MR	16	2	2	900		650	10,400	0.72	32.85	20.73
TC (50%)	24	3	2	1,100	535	495	11,875	0.45	40.21	24.35
TC (60%)	64	3	2	1,100	642	602	38,515	0.55	40.21	24.35
MR	16	3	2	1,100		750	12,000	0.68	40.21	24.35
TOTAL:	208		AVERAGE:	1,000	\$489	\$566	\$117,711	\$0.57	\$36.53	\$22.54

INCOME				TDHCA		APPLICANT		USS Region		
Total Net Rentable Sq Ft: 208,000				\$1,412,529	\$1,411,536	IREM Region			11	
POTENTIAL GROSS RENT				37,440	37,440	\$15.00		Per Unit Per Month		
Secondary Income		Per Unit Per Month:	\$15.00	0						
Other Support Income:										
POTENTIAL GROSS INCOME				\$1,449,969	\$1,448,976					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(108,748)	(108,672)	-7.50%		of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions				0						
EFFECTIVE GROSS INCOME				\$1,341,221	\$1,340,304					
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	5.71%	\$368	0.37	76,562	\$53,800	\$0.26	\$259	4.01%		
Management	5.00%	322	0.32	67,061	\$67,015	0.32	322	5.00%		
Payroll & Payroll Tax	9.75%	629	0.63	130,756	\$132,000	0.63	635	9.85%		
Repairs & Maintenance	5.29%	341	0.34	71,015	\$70,000	0.34	337	5.22%		
Utilities	1.73%	112	0.11	23,251	\$28,000	0.13	135	2.09%		
Water, Sewer, & Trash	6.88%	444	0.44	92,291	\$82,000	0.39	394	6.12%		
Property Insurance	3.20%	207	0.21	42,961	\$35,000	0.17	168	2.61%		
Property Tax	2.9865%	597	0.60	124,238	\$121,500	0.58	584	9.07%		
Reserve for Replacements	3.10%	200	0.20	41,600	\$41,600	0.20	200	3.10%		
Other Expenses: Comp. Fees	0.39%	25	0.03	5,200	\$6,200	0.03	30	0.46%		
TOTAL EXPENSES	50.32%	\$3,245	\$3.24	\$674,934	\$637,115	\$3.06	\$3,063	47.54%		
NET OPERATING INC	49.68%	\$3,203	\$3.20	\$666,287	\$703,189	\$3.38	\$3,381	52.46%		
DEBT SERVICE										
GCC Group of Companies, Inc.	38.19%	\$2,462	\$2.46	\$512,161	\$513,295	\$2.47	\$2,468	38.30%		
C.D.B.G	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%		
C.D.B.G	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%		
NET CASH FLOW	11.49%	\$741	\$0.74	\$154,126	\$189,894	\$0.91	\$913	14.17%		
AGGREGATE DEBT COVERAGE RATIO				1.30	1.37					
RECOMMENDED DEBT COVERAGE RATIO				1.30						

CONSTRUCTION COST				TDHCA		APPLICANT		RECOMMENDED		
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL	
ACQUISITION COST (site or bldg)		2.66%	\$1,933	\$1.93	\$402,000	\$402,000	\$1.93	\$1,933	2.64%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		10.32%	7,500	7.50	1,560,000	1,560,000	7.50	7,500	10.23%	
Direct Construction		52.13%	37,882	37.88	7,879,533	8,000,000	38.46	38,462	52.44%	
Contingency	4.24%	2.65%	1,924	1.92	400,088	400,088	1.92	1,924	2.62%	
General Req'ts	6.00%	3.75%	2,723	2.72	566,372	573,600	2.76	2,758	3.76%	
Contractor's G & A	2.00%	1.25%	908	0.91	188,791	191,200	0.92	919	1.25%	
Contractor's Profit	6.00%	3.75%	2,723	2.72	566,372	573,600	2.76	2,758	3.76%	
Indirect Construction		3.77%	2,737	2.74	569,224	569,224	2.74	2,737	3.73%	
Ineligible Costs		2.12%	1,539	1.54	320,082	320,082	1.54	1,539	2.10%	
Developer's G & A	2.42%	1.97%	1,431	1.43	297,623	325,000	1.56	1,563	2.13%	
Developer's Profit	12.58%	10.22%	7,427	7.43	1,544,774	1,544,774	7.43	7,427	10.13%	
Interim Financing		3.65%	2,655	2.66	552,269	552,269	2.66	2,655	3.62%	
Reserves		1.78%	1,290	1.29	268,308	242,469	1.17	1,166	1.59%	
TOTAL COST		100.00%	\$72,670	\$72.67	\$15,115,437	\$15,254,306	\$73.34	\$73,338	100.00%	
Recap-Hard Construction Costs		73.84%	\$53,659	\$53.66	\$11,161,156	\$11,298,488	\$54.32	\$54,320	74.07%	

SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED		
GCC Group of Companies, Inc.	40.38%	\$29,346	\$29.35	\$6,104,000	\$6,104,000	\$6,104,000		Developer Fee Available		
C.D.B.G	0.33%	\$240	\$0.24	50,000	50,000	50,000		\$1,842,397		
LIHTC Syndication Proceeds	53.53%	\$38,899	\$38.90	8,090,993	8,090,993	7,925,465		% of Dev. Fee Deferred		
Deferred Developer Fees	6.68%	\$4,852	\$4.85	1,009,313	1,009,313	1,174,841		64%		
Additional (excess) Funds Required	-0.92%	(\$668)	(\$0.67)	(138,869)	0	(0)		15-Yr Cumulative Cash Flow		
TOTAL SOURCES				\$15,115,437	\$15,254,306	\$15,254,306		\$3,770,314.68		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Rio De Vida Apartments, Mission, LIHTC #03035

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.78	\$8,690,240
Adjustments				
Exterior Wall Finish	0.95%		\$0.40	\$82,557
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(210,080)
Floor Cover			1.92	399,360
Porches/Balconies	\$24.67	38,247	4.54	943,553
Plumbing	\$615	624	1.85	383,760
Built-In Appliances	\$1,625	208	1.63	338,000
Stairs/Fireplaces	\$1,625	52	0.41	84,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	305,760
Garages/Carports	\$7.83	33,696	1.27	263,840
Comm &/or Aux Bldgs	\$59.01	3,211	0.91	189,483
Daycare & Laundry	\$58.46	3,709	1.04	216,824
SUBTOTAL			56.19	11,687,798
Current Cost Multiplier	1.03		1.69	350,634
Local Multiplier	0.80		(11.24)	(2,337,560)
TOTAL DIRECT CONSTRUCTION COSTS			\$46.64	\$9,700,872
Plans, specs, survey, bid prep	3.90%		(1.82)	(378,334)
Interim Construction Interest	3.38%		(1.57)	(327,404)
Contractor's OH & Profit	11.50%		(5.36)	(1,115,600)
NET DIRECT CONSTRUCTION COSTS			\$37.88	\$7,879,533

PAYMENT COMPUTATION

Primary	\$6,104,000	Term	360
Int Rate	7.50%	DCR	1.30

Secondary	\$50,000	Term	
Int Rate	0.00%	Subtotal DCR	1.30

Additional	\$8,090,993	Term	
Int Rate		Aggregate DCR	1.30

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$512,161
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$154,126

Primary	\$6,104,000	Term	360
Int Rate	7.50%	DCR	1.30

Secondary	\$50,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	\$8,090,993	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

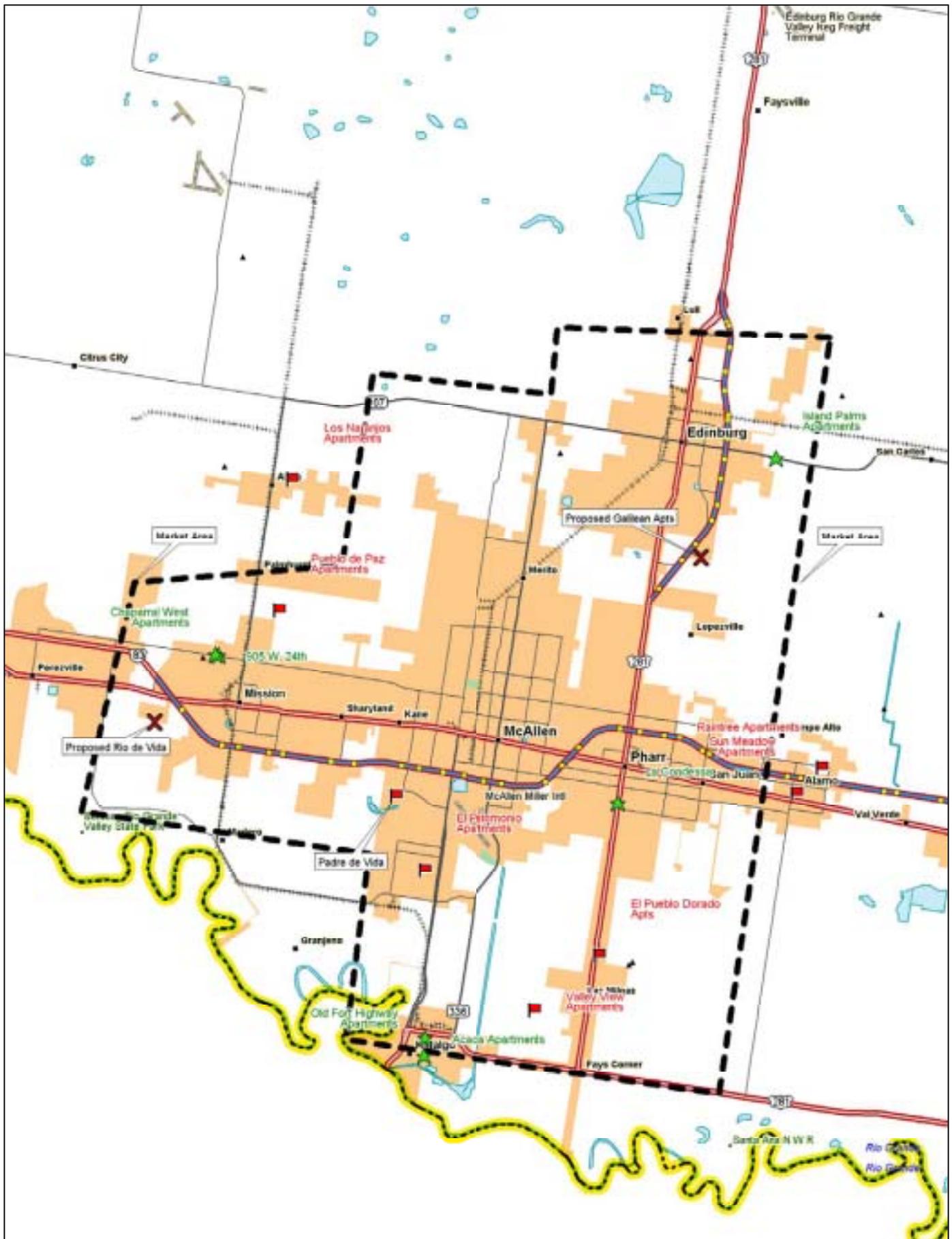
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,412,529	\$1,454,904	\$1,498,552	\$1,543,508	\$1,589,813	\$1,843,029	\$2,136,576	\$2,476,878	\$3,328,716
Secondary Income	37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,449,969	1,493,468	1,538,272	1,584,420	1,631,952	1,891,880	2,193,208	2,542,529	3,416,946
Vacancy & Collection Loss	(108,748)	(112,010)	(115,370)	(118,831)	(122,396)	(141,891)	(164,491)	(190,690)	(256,271)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,341,221	\$1,381,458	\$1,422,901	\$1,465,588	\$1,509,556	\$1,749,989	\$2,028,717	\$2,351,839	\$3,160,675
EXPENSES at 4.00%									
General & Administrative	\$76,562	\$79,624	\$82,809	\$86,122	\$89,567	\$108,971	\$132,580	\$161,304	\$238,770
Management	67,061	69,073	71,145	73,279	75,478	87,499	101,436	117,592	158,034
Payroll & Payroll Tax	130,756	135,986	141,425	147,082	152,966	186,106	226,427	275,483	407,781
Repairs & Maintenance	71,015	73,855	76,810	79,882	83,077	101,076	122,975	149,617	221,470
Utilities	23,251	24,181	25,148	26,154	27,200	33,093	40,263	48,986	72,511
Water, Sewer & Trash	92,291	95,983	99,822	103,815	107,967	131,359	159,818	194,443	287,824
Insurance	42,961	44,679	46,466	48,325	50,258	61,146	74,394	90,512	133,979
Property Tax	124,238	129,208	134,376	139,751	145,341	176,830	215,141	261,752	387,456
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
TOTAL EXPENSES	\$674,934	\$701,261	\$728,620	\$757,054	\$786,603	\$952,692	\$1,154,075	\$1,398,289	\$2,053,778
NET OPERATING INCOME	\$666,287	\$680,197	\$694,281	\$708,535	\$722,953	\$797,297	\$874,642	\$953,551	\$1,106,898
DEBT SERVICE									
First Lien Financing	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161	\$512,161
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	\$154,126	\$168,036	\$182,120	\$196,374	\$210,792	\$285,136	\$362,481	\$441,390	\$594,737
DEBT COVERAGE RATIO	1.30	1.33	1.36	1.38	1.41	1.56	1.71	1.86	2.16

LIHTC Allocation Calculation - Rio De Vida Apartments, Mission, LIHTC #03035

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				
Purchase of buildings	\$402,000	\$402,000		
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$8,000,000	\$7,879,533	\$8,000,000	\$7,879,533
(4) Contractor Fees & General Requirements				
Contractor overhead	\$191,200	\$188,791	\$191,200	\$188,791
Contractor profit	\$573,600	\$566,372	\$573,600	\$566,372
General requirements	\$573,600	\$566,372	\$573,600	\$566,372
(5) Contingencies				
	\$400,088	\$400,088	\$400,088	\$400,088
(6) Eligible Indirect Fees				
	\$569,224	\$569,224	\$569,224	\$569,224
(7) Eligible Financing Fees				
	\$552,269	\$552,269	\$552,269	\$552,269
(8) All Ineligible Costs				
	\$320,082	\$320,082		
(9) Developer Fees				
			\$1,862,997	
Developer overhead	\$325,000	\$297,623		\$297,623
Developer fee	\$1,544,774	\$1,544,774		\$1,544,774
(10) Development Reserves				
	\$242,469	\$268,308		
TOTAL DEVELOPMENT COSTS	\$15,254,306	\$15,115,437	\$14,282,978	\$14,125,046

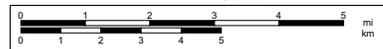
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis			\$50,000	\$50,000
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$14,232,978	\$14,075,046
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$14,232,978	\$14,075,046
Applicable Fraction			85%	85%
TOTAL QUALIFIED BASIS			\$12,041,100	\$11,907,489
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$1,004,228	\$993,085

Syndication Proceeds	0.7892	\$7,925,465	\$7,837,523
Total Credits (Eligible Basis Method)		\$1,004,228	\$993,085
Syndication Proceeds		\$7,925,465	\$7,837,523
Requested Credits		\$1,044,231	
Syndication Proceeds		\$8,241,175	
Gap of Syndication Proceeds Needed		\$9,100,306	
Credit Amount		\$1,153,091	



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 1" = 0.06 mi



TDHCA #

03036

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **The Galilean Apartments**

TDHCA #: **03036**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: Trenton @ "I" Rd.
 City: Edinburg County: Hidalgo Zip Code: 78539
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 208 Elderly: 0 Handicapped/Disabled 15 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: The Galilean Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
The Galilean Apartments I, L.L.C.	P. Rowan Smith	1% of Owner
P. Rowan Smith, Jr.	P. Rowan Smith	49% of MGP
Charissa Seipp Smith (CSI)	Charissa Smith	51% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation **\$1,200,000** Allocation over 10 Years: \$12,000,000
 Credits Requested \$1,200,000 Eligible Basis Amount: \$1,212,908 Equity/Gap Amount \$1,342,276

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	48	56	104
60%	0	0	56	48	104
MR	0	0	0	0	0
Total	0	0	104	104	
Total LI Units:					208
Owner/Employee Units:					0
Total Project Units:					208
Applicable Fraction:					100.00

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	\$15,581,078	Average Square Feet/Unit	1,000
Gross Building Square Feet	214,920	Cost Per Net Rentable Square Foot	\$74.91
Total Net Rentable Area Square Feet:	208,000	Credits per Low Income Uni	\$5,769

INCOME AND EXPENSE INFORMATION

Effective Gross Income \$1,210,898
 Total Expenses: \$672,339
 Net Operating Income \$538,559
 Estimated 1st Year Debt Coverage Ratio 1.30

FINANCING

Permanent Principal Amount: \$4,987,700
 Applicant Equity: \$1,122,858
 Equity Source: Deferred Developer Fee
 Syndication Rate: \$0.7892

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Texas Regional Properties, L.L.P.	Market Analyst:	Apartment Market Data Research
Housing GC:	Texas Regional Construction Inc.	Originator/UW:	NA
Engineer:	Melden & Hunt	Appraiser:	NA
Cost Estimator:	Rowan Smith	Attorney:	J. Michael Pruitt Law Office
Architect:	The Clerkly Group	Accountant:	Novogradac & Company, LLC
Property Manager	Texas Regional Asset Management	Supp Services	Hidalgo County Head Start
Syndicator:	The Richmond Group	Permanent Lender	Stearns Bank

Developer Evaluation

Project ID # **03036**

Name: **The Galilean Apartments**

City: **Edinburg**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 3 Projects grouped by score 0-9 3 10-19 0 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 4

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date Friday, May 23, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 5/16/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: May 27, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03036

DEVELOPMENT NAME

Galilean Apartments

APPLICANT

Name: The Galilean Apartments, LP **Type:** For Profit
Address: 17336 W. Little York Road **City:** Houston **State:** TX
Zip: 77084 **Contact:** Rowan Smith **Phone:** (281) 550-7111 **Fax:** (281) 550-1941

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: The Galilean Apartments I, LLC **(%):** 0.10 **Title:** Managing General Partner
Name: P. Rowan Smith, Jr. **(%):** N/A **Title:** 51% Owner of MGP
Name: Charissa Seipp Smith **(%):** N/A **Title:** 49% Owner of MGP

PROPERTY LOCATION

Location: 700 Feet north of Trenton on I Road **QCT** **DDA**
City: Edinburg **County:** Hidalgo **Zip:** 78539

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,200,000	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Property Type:** Multifamily

Set-Aside(s): **General** **Rural** **TX RD** **Non-Profit** **Elderly** **At Risk**

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,200,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 208 **# Rental Buildings:** 13 **# Common Area Bldgs:** 3 **# of Floors:** 2 **Age:** N/A yrs

Net Rentable SF: 208,000 **Av Un SF:** 1,000 **Common Area SF:** 6,920 **Gross Bldg SF:** 214,920

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 5% Stucco/95% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 3,211 square foot community building with activity room, management offices, TV room and restrooms will be located at the front of the property. Adjacent to this club house, a mail-kiosk, swimming pool and equipped children's play area will be located. In addition a 2,889 square foot daycare facility will be located at the entrance of this property. The entire property will be surrounded with perimeter fencing with a limited access gate. An 820 square foot centrally located laundry room is also planned.

Uncovered Parking: 244 spaces **Carpports:** 208 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Galilean is a relatively dense disbursed multifamily with 16 units per acres new construction development of 208 units of mixed income housing located in southeast Edinburg. The development is comprised of 13 evenly distributed medium garden style walk-up low-rise residential buildings as follows:

∅ (13) Building Type A with 8 two-bedroom/ two-bath units, 8 three- bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. The units all have covered balconies with storage closets.

Supportive Services: Supportive Services will be free and optional to the tenants and a cost for them has been included in the operating expenses. These services will be provided by Hidalgo County Head Start Program and will consist of: Daycare/School Facility.

Schedule: The Applicant anticipates construction to begin in March of 2004, to be completed in March of 2005, to be placed in service in March of 2005, and to be substantially leased-up in December of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 13.24 acres 576,734 **Square Feet:** **Zoning/ Permitted Uses:** R-3 Multi-Family

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Edinburg is located in the lower valley, approximately four miles north of McAllen in Hidalgo County. The site is an irregularly-shaped parcel located in the southeast area of Edinburg, situated on the west side of "I" Road. The rear of this site is approximately 200 feet from US Highway 281 frontage road through direct access to the frontage road does not appear to be planned.

Adjacent Land Uses:

∅ **North:** a residential home and a commercial building currently under construction

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MULTIFAMILY UNDERWRITING ANALYSIS**

- € **South:** open land being used for agricultural property
- € **East:** I Road and residential area and small park beyond
- € **West:** open land being used for agricultural property and US Highway 281

Site Access: Access to the property is from the north or south along I Road. The development is to have one main entry from the east side of the property. Access to the property is good. The subject site has excellent access to major transportation corridors via both I Road and Trenton. From these two thoroughfares one can easily connect to Highway 281, leading to Edinburg to the north or McAllen, Pharr and other surrounding communities to the south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: According to the Market Analyst, the site convenient to all parts of the local trade area, as well as to major employers and downtown areas. In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes.

Site Inspection Findings: TDHCA staff performed a site inspection on May 22, 2003 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 March 11, 2003 was prepared by Melden & Hunt, Inc. and contained the following findings and recommendations:

Findings: The assessment has revealed no evidence of recognized environmental conditions in connection with the property.

Recommendations: Based on these findings and conclusions, Melden & Hunt, Inc. recommends no further environmental assessment of the subject site.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 208 of the units (100% of the total) will be reserved for low-income/elderly tenants. 104 of the units (50%) will be reserved for households earning 50% or less of AMGI, 104 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

MARKET HIGHLIGHTS

A market feasibility study dated March 11, 2003 was prepared by MarketData Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: “For this analysis we utilized a primary market area comprising an 129 square mile trade area within Hidalgo County. The trade area is inclusive of the McAllen MSA and was drawn to include a population of 250,000, while also including areas with higher renter tenure. This was done because the county has large agricultural tracts from which the property is not expected to draw residents.” (p. 3) The site is located in the far north eastern portion of the trade area approximately three miles from the nearest eastern boundary and over 15 miles from the southwestern boundary of the trade area.

Population: The estimated 2000 population of the market area was 240,202 and is expected to increase by 14% to approximately 274,762 by 2007. Within the primary market area there were estimated to be 71,559 households in 2000.

Total Local/Submarket Demand for Rental Units: “Based on our analysis, it can be seen that the McAllen MSA is growing at a substantial rate. With continued job formation, the employment base and household formation will continue to be positive, resulting in the need for additional rental housing.” (p. 75)

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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	82	2%	89	3%
Resident Turnover	4,674	98%	3,335	97%
Pent-up Demand	40	1%		
TOTAL ANNUAL DEMAND	4,796	100%	3,424	100%

Ref: p. 45

Inclusive Capture Rate: The Market Analyst concluded a capture rate of 15.95% using an additional 557 units of unstablized supply coming from four development allocated credits in the past year in Pharr, McAllen and Mission. A fifth development in McAllen, El Patrimonio Apartments was awarded credits in 2000 for 144 restricted, 180 total units. This development was completed in 2001. The Market Analyst does not indicate precisely when El Patrimonio achieved stabilized occupancy but did indicate current occupancy at well over 95%. The Market Analyst also discussed but did not include 160 tax credit, 200 total 2003 proposed units 10 miles south in Pharr (Casa Aguila Apartments) or 176 tax credit, 208 total proposed units 13 miles southwest in Mission (Rio De Vida Apartments). Including only the tax credit portion of these developments raised the capture rate to 23%. The Underwriter calculated an inclusive capture rate of 22% based upon a supply of unstabilized comparable affordable units of 765 divided by a revised demand of 3,424. When all proposed units restricted and unrestricted, are included, the Underwriter's calculated capture rate exceeds 25%. However unrestricted units are not included in the inclusive capture rate rule.

Market Rent Comparables: "The market analyst surveyed 618 existing income restricted units and 845 conventional units within the Primary Trade Area." (p. 88)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	\$374	\$429	-\$55	\$785	-\$411
2-Bedroom (60%)	\$455	\$522	-\$67	\$785	-\$330
3-Bedroom (50%)	\$430	\$490	-\$60	\$874	-\$444
3-Bedroom (60%)	\$524	\$597	-\$73	\$874	-\$350

(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) Proposed units were based upon 2002 rent limits. The Applicant has revised rent projections to be consistent with the program measures.

Submarket Occupancy Rates: "The occupancy rate for the income restricted one bedrooms is 99.0%, for income restricted two bedrooms it is 98.9%, the occupancy for the income restricted three bedroom units 99.4%, and the overall average occupancy for income restricted units is 99.1%" (p. 88)

Absorption Projections: "Absorption in the Mission/McAllen Area has been limited over the past decade, due to the financial infeasibility of conventionally financed market rate units. However, with the absorption rate has increased considerably over the last few years with the construction of several LIHTC projects."

(p. 11)

Known Planned Development: Padre de Vida is a 180 unit development to be built in McAllen that was awarded a 2003 forward commitment tax credit allocation of \$1,025,408. The Market Analyst also identified two other tax credit applications in this trade area, Rio De Vida and Casa Aguila consisting of a total of 408 additional units.

Despite the unusually large market area, the Underwriter found the market study to provide sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. The Applicant subsequently submitted a revised rent schedule utilizing the new maximums. Based on the Applicant's intention to charge maximum program rents and the

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Market Analyst's confirmation that these rents are achievable in this market, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of \$159.7K in potential gross rent. The Applicant's reused potential gross rent is \$9k higher than the Underwriter's due to the use of slightly lower utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$3,023 per unit is within 6% of a TDHCA database-derived estimate of \$3,232 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 (\$31.8K lower), payroll (\$13.8K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile though the Applicant submitted a revised proforma along with the revised rent schedule that reflected expenses of \$3,210 per unit with modest increases in five categories, however, additional detail or explanation of this increase was not provided.

Conclusion: The Applicant's estimated income and 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 gross rents, the Underwriter's estimated debt coverage ratio (DCR) of 1.35 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$14,910 annually. This results in an additional potential \$177,700 in serviceable debt based on proposed debt terms, and may reduce the need for other funds. It should be noted that using the Applicant's revised income but original expenses results in a DCR of 1.50. The Applicant realized this is the revised proforma that was provided and adjusted the debt service amount up by \$106,875 to utilize this additional debt service capacity. While a revised financing commitment was not provided to verify this debt service level, utilizing the existing terms would suggest the revised debt service proposed by the Applicant would support an additional \$1.1m in debt.

ACQUISITION VALUATION INFORMATION						
ASSESSED VALUE						
Land: 21.96 acres	\$329,400	Assessment for the Year of:	2003			
Prorated 1 acre:	\$15,000	Valuation by:	Hidalgo County Appraisal District			
Prorated 13.24 acres:	\$198,600	Tax Rate:	3.039			
EVIDENCE of SITE or PROPERTY CONTROL						
Type of Site Control:	Farm and Ranch contract					
Contract Expiration Date:	10/	15/	2003	Anticipated Closing Date:	10/	15/ 2003
Acquisition Cost:	\$430,000			Other Terms/Conditions:	13 acres only, \$100 earnest money	
Seller:	Marissa Iselda Vega			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION
Acquisition 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 \$7,500 per unit are at the 2003 underwriting maximum threshold to avoid further detailed documentation requirements.
Direct Construction Cost: The Applicant's direct construction cost estimate is \$420K or 5% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate.
Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$102.2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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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 exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$14.3K.

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 \$14,593,257 before reductions for grants or below market rate loans are considered is used to determine a credit allocation in excess of \$1,200,000 thus the credit amount will be based on the Applicant's original credit requested.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: JP MorganChase **Contact:** Ken Overshiner
Principal Amount: \$6,046,005 **Interest Rate:** Prime Rate
Additional Information: JP MorganChase Prime rate floating (Estimated rate of 5.5%)
Amortization: N/A yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Stearns Bank **Contact:** Dennis Hanson
Principal Amount: \$4,760,000 **Interest Rate:** 7.50%
Amortization: 30 yrs **Term:** 15 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$394,947 **Lien Priority:** 1st **Commitment Date** 1/ 22/ 2003
Additional Information: A commitment from GCC Group on behalf of Massachusetts Mutual Life Insurance Company with comparable terms was also provided.

C.D.B.G. FUNDS

Source: City of Edinburg **Principal Amount:** \$50,000

LIHTC SYNDICATION

Source: The Richman Group Capital Corporation **Contact:** Phil Corbett
Address: 8 Forge Pond Road **City:** Canton
State: MA **Zip:** 02021 **Phone:** (781) 828-6800 **Fax:** (781) 828-6807
Net Proceeds: \$9,421,090 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 79¢
Commitment LOI Firm Conditional **Date:** 1/ 17/ 2003
Additional Information: Based upon credits of \$1,109,430 percentage of purchase may be reduced down to 90% if investor cannot fund additional credits.

APPLICANT EQUITY

Amount: \$1,349,988 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitments are consistent with the terms reflected in the sources and uses listed in the application. Two potential primary permanent sources have been identified. As a result of the additional debt service of at least \$14,910, the Applicant will likely secure significantly more debt for the proposed property. The syndication commitment reflects a first lien mortgage not to exceed \$6,046,005, which is \$1,108,305 more than the Applicant indicated on the other documentation provided in the application but consistent with the revised proforma submitted subsequently. The Underwriter recommends and has completed the analysis assuming that at least another \$177,700 in debt

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over the \$4.76M indicated in the application is achieved. This increase does little to reduce the anticipated deferred developer fee; however, the maximum debt of \$6,046M would fund nearly the entire anticipated developer fee leaving little to be deferred. Thus an increase in debt of more than the \$1.35M deferred developer fee anticipated by the Applicant would result in an excess gap and require a reduction of the credit allocation amount. Since the \$177,700 amount of additional debt required to absorb the excess debt coverage ratio is already included as deferred developer fee this report does not need to be conditioned upon a requirement to increase debt in order to maximize the credit amount.

CDBG Funds: The Applicant indicated that a \$50,000 application was made to the City of Edinburg Community Development Department. The documentation provided however does not identify the type of financing or the purpose of the funds. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds requested will meet this requirement, but it is also uncertain if the Applicant will be successfully awarded these funds, however, the development is feasible without these \$50,000 funds and would still be eligible for the \$1.2 credit allocation even if the \$50K is removed from basis.

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 \$9,421,090 based on a syndication factor of 79%. The funds would be disbursed in a four-phased pay-in schedule:

1. 60% paid in monthly installments on a draw basis as needed for development costs incurred;
2. 22.5% paid upon the latest of the following: (i) completion of construction, (ii) preliminary low-income housing tax credit certification, (iii) receipt of a payoff letter from the contractor, (iv) receipt of an estoppel letter from each lender, (v) receipt of certificates of insurance complying with the requirements described herein;
3. 7.5% paid upon achievement of 50%, 75%, and 100% occupancy;
4. 10% paid upon achievement of breakeven and receipt of an estoppel letter and receipt of form 8609

The syndicator anticipated \$1,109,430 in allocated credits and indicated acquisition of any amount over this is subject to the availability of investor funds. The syndicator further indicated that the acquisition percentage could be reduced from 99.9% to 90% if insufficient investor funds were available to absorb an increase in credits up to the requested \$1.2M level. The ultimate potential effect to the development would be a reduction in the syndication rate as some of the credit would need to be absorbed by the general partner, which is not anticipating making an additional equity contribution. The reduction in equity contribution that could be caused by this shortage of investor funds could be absorbed with additional deferred developer fees.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,349,988 amounts to 70% of the total fees. While the Underwriter's estimate is slightly lower based on full acquisition of the entire credit allocation by the purchaser and a slightly higher debt amount, deferred developer fees could quickly be absorbed by additional achievable first mortgage debt.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$1,200,000 annually for ten years, resulting in syndication proceeds of approximately \$9,470,520. Based on the underwriting analysis, the Applicant will have a deferred developer fee of \$1,122,858 which is repayable within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis or should the \$50,000 CDBG funds not be awarded to the development, deferred developer's fee will be available to maintain feasibility.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor and Property Manager firms are all related entities. These are common relationships for LIHTC-funded developments.

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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 principals of the General Partner, P. Rowan Smith and Charissa Smith, submitted unaudited financial statements as of February 14, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project. The General Partner, P. Rowan Smith has completed seven LIHTC/affordable housing developments totaling 1,162 units since 1996.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- € The Applicant's direct construction costs are more than 5% outside of the underwriter's verifiable range. The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Carl Hoover

Date: May 27, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: May 27, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

The Galilean Apartments, Edinburg, LIHTC #03036

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
TC (50%)	48	2	2	900	\$463	\$429	\$20,601	\$0.48	\$33.81	\$25.88
TC (60%)	56	2	2	900	556	522	29,243	0.58	33.81	25.88
TC (50%)	56	3	2	1,100	535	490	27,456	0.45	44.71	27.73
TC (60%)	48	3	2	1,100	642	597	28,670	0.54	44.71	27.73
TOTAL:	208		AVERAGE:	1,000	\$549	\$509	\$105,970	\$0.51	\$39.26	\$26.81

INCOME				TOTAL Net Rentable Sq Ft: 208,000		TDHCA	APPLICANT	USS Region	IREM Region	
POTENTIAL GROSS RENT						\$1,271,639	\$1,281,024		1 1	
Secondary Income		Per Unit Per Month:	\$15.00			37,440	37,440	\$15.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						\$1,309,079	\$1,318,464			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(98,181)	(98,880)	-7.50%	of Potential Gross Rent	
EFFECTIVE GROSS INCOME						\$1,210,898	\$1,219,584			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.32%	\$368	0.37		76,562	\$44,800	\$0.22	\$215	3.67%
Management		5.00%	291	0.29		60,545	\$53,161	0.26	256	4.36%
Payroll & Payroll Tax		10.80%	629	0.63		130,756	\$117,000	0.56	563	9.59%
Repairs & Maintenance		5.86%	341	0.34		71,015	\$64,000	0.31	308	5.25%
Utilities		2.06%	120	0.12		24,988	\$28,000	0.13	135	2.30%
Water, Sewer, & Trash		7.62%	444	0.44		92,291	\$82,000	0.39	394	6.72%
Property Insurance		3.55%	207	0.21		42,961	\$63,000	0.30	303	5.17%
Property Tax	3.039	10.44%	608	0.61		126,422	\$130,000	0.63	625	10.66%
Reserve for Replacements		3.44%	200	0.20		41,600	\$41,600	0.20	200	3.41%
Other Expenses: Supportive Services		0.43%	25	0.03		5,200	\$5,200	0.03	25	0.43%
TOTAL EXPENSES		55.52%	\$3,232	\$3.23		\$672,339	\$628,761	\$3.02	\$3,023	51.56%
NET OPERATING INC		44.48%	\$2,589	\$2.59		\$538,559	\$590,823	\$2.84	\$2,840	48.44%
DEBT SERVICE										
Stearns Bank		32.98%	\$1,920	\$1.92		\$399,391	\$394,947	\$1.90	\$1,899	32.38%
C.D.B.G.		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
LIHTC Syndication Proceeds		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%
NET CASH FLOW		11.49%	\$669	\$0.67		\$139,167	\$195,876	\$0.94	\$942	16.06%
AGGREGATE DEBT COVERAGE RATIO						1.35	1.50			
RECOMMENDED DEBT COVERAGE RATIO						1.30				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		2.87%	\$2,077	\$2.08	\$432,000	\$432,000	\$2.08	\$2,077	2.77%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		10.36%	7,500	7.50	1,560,000	1,560,000	7.50	7,500	10.01%
Direct Construction		52.33%	37,882	37.88	7,879,533	8,300,000	39.90	39,904	53.27%
Contingency	4.24%	2.66%	1,924	1.92	400,088	400,088	1.92	1,924	2.57%
General Req'ts	6.00%	3.76%	2,723	2.72	566,372	591,600	2.84	2,844	3.80%
Contractor's G & A	2.00%	1.25%	908	0.91	188,791	197,200	0.95	948	1.27%
Contractor's Profit	6.00%	3.76%	2,723	2.72	566,372	591,600	2.84	2,844	3.80%
Indirect Construction		3.78%	2,737	2.74	569,224	569,224	2.74	2,737	3.65%
Ineligible Costs		2.27%	1,642	1.64	341,569	341,569	1.64	1,642	2.19%
Developer's G & A	2.00%	1.62%	1,174	1.17	244,209	325,000	1.56	1,563	2.09%
Developer's Profit	13.00%	10.54%	7,632	7.63	1,587,359	1,592,788	7.66	7,658	10.22%
Interim Financing		3.19%	2,308	2.31	480,077	480,077	2.31	2,308	3.08%
Reserves		1.60%	1,159	1.16	241,096	199,932	0.96	961	1.28%
TOTAL COST		100.00%	\$72,388	\$72.39	\$15,056,691	\$15,581,078	\$74.91	\$74,909	100.00%
Recap-Hard Construction Costs		74.13%	\$53,659	\$53.66	\$11,161,156	\$11,640,488	\$55.96	\$55,964	74.71%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED		
Stearns Bank		31.61%	\$22,885	\$22.88	\$4,760,000	\$4,760,000	\$4,937,700	Developer Fee Available
C.D.B.G.		0.33%	\$240	\$0.24	50,000	50,000	50,000	\$1,831,569
LIHTC Syndication Proceeds		62.57%	\$45,294	\$45.29	9,421,090	9,421,090	9,470,520	% of Dev. Fee Deferred
Deferred Developer Fees		8.97%	\$6,490	\$6.49	1,349,988	1,349,988	1,122,858	61%
Additional (excess) Funds Required		-3.48%	(\$2,521)	(\$2.52)	(524,387)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES					\$15,056,691	\$15,581,078	\$15,581,078	\$2,879,067.02

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Galilean Apartments, Edinburg, LIHTC #03036

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.78	\$8,690,240
Adjustments				
Exterior Wall Finish	0.95%		\$0.40	\$82,557
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(210,080)
Floor Cover			1.92	399,360
Porches/Balconies	\$24.67	38,247	4.54	943,553
Plumbing	\$615	624	1.85	383,760
Built-In Appliances	\$1,625	208	1.63	338,000
Stairs/Fireplaces	\$1,625	52	0.41	84,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	305,760
Garages/Carports	\$7.83	33,696	1.27	263,840
Comm &/or Aux Bldgs	\$59.01	3,211	0.91	189,483
DayCare & Laundry	\$58.46	3,709	1.04	216,824
SUBTOTAL			56.19	11,687,798
Current Cost Multiplier	1.03		1.69	350,634
Local Multiplier	0.80		(11.24)	(2,337,560)
TOTAL DIRECT CONSTRUCTION COSTS				\$46.64
				\$9,700,872
Plans, specs, survy, bld prm	3.90%		(1.82)	(378,334)
Interim Construction Interest	3.38%		(1.57)	(327,404)
Contractor's OH & Profit	11.50%		(5.36)	(1,115,600)
NET DIRECT CONSTRUCTION COSTS			\$37.88	\$7,879,533

PAYMENT COMPUTATION

Primary	\$4,760,000	Term	360
Int Rate	7.50%	DCR	1.35

Secondary	\$50,000	Term	
Int Rate	0.00%	Subtotal DCR	1.35

Additional	\$9,421,090	Term	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$414,301
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$124,257

Primary	\$4,937,700	Term	360
Int Rate	7.50%	DCR	1.30

Secondary	\$50,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	\$9,421,090	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

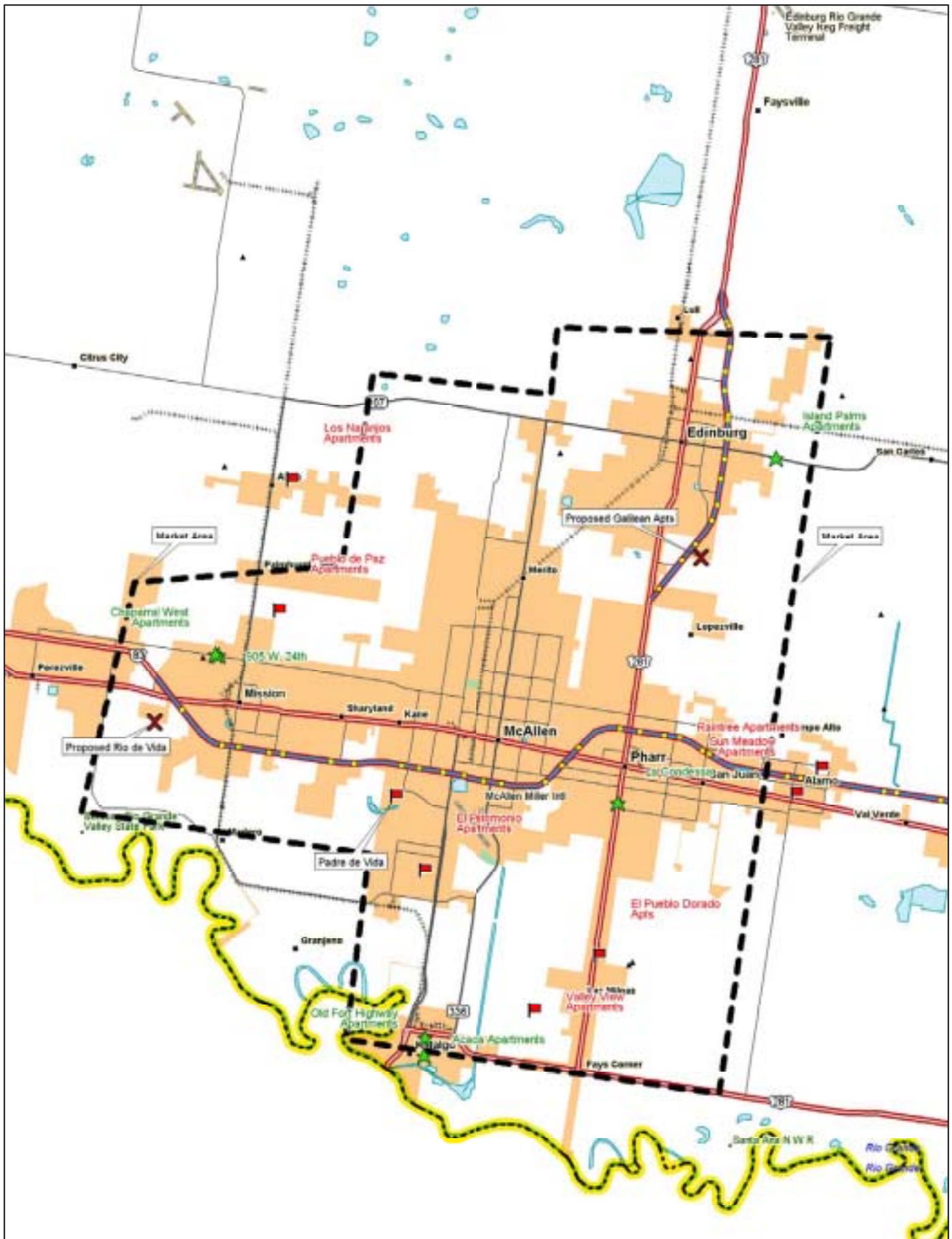
	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT		\$1,271,639	\$1,309,788	\$1,349,082	\$1,389,554	\$1,431,241	\$1,659,201	\$1,923,468	\$2,229,827	\$2,996,701
Secondary Income		37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		1,309,079	1,348,351	1,388,802	1,430,466	1,473,380	1,708,051	1,980,100	2,295,478	3,084,931
Vacancy & Collection Loss		(98,181)	(101,126)	(104,160)	(107,285)	(110,503)	(128,104)	(148,507)	(172,161)	(231,370)
Employee or Other Non-Rental		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		\$1,210,898	\$1,247,225	\$1,284,642	\$1,323,181	\$1,362,876	\$1,579,947	\$1,831,592	\$2,123,317	\$2,853,561
EXPENSES at 4.00%										
General & Administrative		\$76,562	\$79,624	\$82,809	\$86,122	\$89,567	\$108,971	\$132,580	\$161,304	\$238,770
Management		60,545	62,361	64,232	66,159	68,144	78,997	91,580	106,166	142,678
Payroll & Payroll Tax		130,756	135,986	141,425	147,082	152,966	186,106	226,427	275,483	407,781
Repairs & Maintenance		71,015	73,855	76,810	79,882	83,077	101,076	122,975	149,617	221,470
Utilities		24,988	25,988	27,027	28,108	29,233	35,566	43,271	52,646	77,930
Water, Sewer & Trash		92,291	95,983	99,822	103,815	107,967	131,359	159,818	194,443	287,824
Insurance		42,961	44,679	46,466	48,325	50,258	61,146	74,394	90,512	133,979
Property Tax		126,422	131,479	136,738	142,208	147,896	179,938	218,923	266,353	394,267
Reserve for Replacements		41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other		5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
TOTAL EXPENSES		\$672,339	\$698,628	\$725,949	\$754,345	\$783,857	\$949,772	\$1,151,010	\$1,395,125	\$2,050,652
NET OPERATING INCOME		\$538,559	\$548,597	\$558,693	\$568,836	\$579,020	\$630,176	\$680,582	\$728,193	\$802,909
DEBT SERVICE										
First Lien Financing		\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301	\$414,301
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		\$124,257	\$134,296	\$144,391	\$154,535	\$164,718	\$215,874	\$266,281	\$313,891	\$388,607
DEBT COVERAGE RATIO		1.30	1.32	1.35	1.37	1.40	1.52	1.64	1.76	1.94

LIHTC Allocation Calculation - The Galilean Apartments, Edinburg, LIHTC #03036

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	\$432,000	\$432,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$8,300,000	\$7,879,533	\$8,300,000	\$7,879,533
(4) Contractor Fees & General Requirements				
Contractor overhead	\$197,200	\$188,791	\$197,200	\$188,791
Contractor profit	\$591,600	\$566,372	\$591,600	\$566,372
General requirements	\$591,600	\$566,372	\$591,600	\$566,372
(5) Contingencies				
	\$400,088	\$400,088	\$400,088	\$400,088
(6) Eligible Indirect Fees				
	\$569,224	\$569,224	\$569,224	\$569,224
(7) Eligible Financing Fees				
	\$480,077	\$480,077	\$480,077	\$480,077
(8) All Ineligible Costs				
	\$341,569	\$341,569		
(9) Developer Fees				
			\$1,903,468	
Developer overhead	\$325,000	\$244,209		\$244,209
Developer fee	\$1,592,788	\$1,587,359		\$1,587,359
(10) Development Reserves				
	\$199,932	\$241,096		
TOTAL DEVELOPMENT COSTS	\$15,581,078	\$15,056,691	\$14,593,257	\$14,042,025

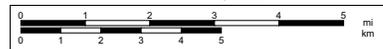
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis			\$50,000	\$50,000
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$14,543,257	\$13,992,025
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$14,543,257	\$13,992,025
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$14,543,257	\$13,992,025
Applicable Percentage			8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			\$1,212,908	\$1,166,935

Syndication Proceeds	0.7892	\$9,572,389	\$9,209,567
Total Credits (Eligible Basis Method)		\$1,212,908	\$1,166,935
Syndication Proceeds		\$9,572,389	\$9,209,567
Requested Credits		\$1,200,000	
Syndication Proceeds		\$9,470,520	
Gap of Syndication Proceeds Needed		\$10,593,378	
Credit Amount		\$1,342,276	



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 Zoom Level: 10-1 Datum: WGS84

Scale 1 : 187 500
 1" = 0.06 mi



TDHCA #

03247

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Las Brisas Apartments**

TDHCA #: **03247**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: South Tower Rd. and Moore Rd.
 City: Alamo County: Hidalgo Zip Code: 78516
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 0 Elderly: 26 Handicapped/Disabled 2 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: HVM Alamo II, Ltd.

Principal Names	Principal Contact	Percentage Ownership
HVM Housing L.L.C.	Dennis Hoover	5% of Owner
Dennis Hoover	Dennis Hoover	95% of Initial LP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$45,890** Allocation over 10 Years: **\$458,900**
 Credits Requested: **\$45,890** Eligible Basis Amount: **\$45,890** Equity/Gap Amount: **\$49,914**

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	24	2	0	26
MR	0	0	0	0	0
Total	0	24	2	0	
Total LI Units:					26
Owner/Employee Units:					0
Total Project Units:					26
Applicable Fraction:					100.00

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost: **\$1,379,293** Average Square Feet/Unit: **662**
 Gross Building Square Feet: **18,300** Cost Per Net Rentable Square Foot: **\$80.19**
 Total Net Rentable Area Square Feet: **17,200** Credits per Low Income Uni: **\$1,765**

INCOME AND EXPENSE INFORMATION

Effective Gross Income: **\$105,864**
 Total Expenses: **\$76,600**
 Net Operating Income: **\$29,264**
 Estimated 1st Year Debt Coverage Ratio: **1.15**

FINANCING

Permanent Principal Amount: **\$1,000,000**
 Applicant Equity: **\$30,579**
 Equity Source: **Deferred Developer Fee**
 Syndication Rate: **\$0.7600**

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Dennis Hoover	Market Analyst:	Ipsier and Associates, Inc.
Housing GC:	Hoover Construction Company, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Alvin Nored
Architect:	AG and Associates	Accountant:	Lou Ann Monty & Associates
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	NA	Permanent Lender:	U.S. Department of Agriculture (RHS)

PUBLIC COMMENT SUMMARY Note: "O" = Oppose, "S" = Support, "N" = Neutral, "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 with Jurisdiction:	Comment from Other Public Officials:
Local Official: Ramon Garcia, Hidalgo County Judge, S	
TX Representative: Miguel David Wise, District 39, S	
TX Senator: Eddie Lucio, Jr., District 27, S	
US Representative:	
US Senator:	
General Summary of Comment: Broad Support	

DEPARTMENT EVALUATION	
Points Awarded: 53	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a successful award of USDA Rural Development funding by Carryover and a satisfactory loan agreement from USDA Rural Development prior to construction loan closing.

Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development prior to cost certification that reflects support for the Basic Rents as proposed by the Applicant. Should the rental assistance agreement be for less than the 16 units or support different Basic Rents, a re-evaluation of the net operating income and financing structure should be conducted.

Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100 year flood plain prior to execution of the tax credit commitment.

Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this report should be re-evaluated.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

Explanation: Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
---	---------------	--	---------------

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

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

Approved Credit Amount: Date of Determination:

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

Project ID # **03247**

Name: **Las Brisas Apartments**

City: **Alamo**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 48 Projects grouped by score 0-9 46 10-19 1 20-29 1

Total # monitored with a score less than 30: 48 # not yet monitored or pending review: 12

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Eddie Fariss Date 5/5/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/6/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: May 27, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03247

DEVELOPMENT NAME

Las Brisas Apartments

APPLICANT

Name: HVM Alamo II, Ltd. **Type:** For Profit
Address: 209 South West St. **City:** Burnet **State:** Texas
Zip: 78611 **Contact:** Dennis Hoover **Phone:** (512) 756-6809 **Fax:** (512) 756-9885

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: <u>HVM Housing, LLC</u>	(%): <u>5%</u>	Title: <u>Managing General Partner</u>
Name: <u>Dennis Hoover</u>	(%): <u>95%</u>	Title: <u>Initial Limited Partner</u>
Name: <u>Dixie Farmer</u>	(%): <u>n/a</u>	Title: <u>51% Owner of G.P.</u>
Name: <u>Dennis Hoover</u>	(%): <u>n/a</u>	Title: <u>24.5% Owner of G.P.</u>
Name: <u>Danna Hoover</u>	(%): <u>n/a</u>	Title: <u>24.5% Owner of G.P.</u>

PROPERTY LOCATION

Location: South Tower Road and Moore Road **QCT** **DDA**
City: Alamo **County:** Hidalgo **Zip:** 78516

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$45,890	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 **Property Type:** Multifamily

Set-Aside(s): General Rural TX RD Non-Profit Elderly At Risk

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$45,890 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of successful award of USDA funding by carryover and a satisfactory loan agreement from USDA Rural Development prior to construction loan closing.
2. Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development prior to cost certification 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.
3. Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100-year flood plain prior to execution of tax credit commitment.
4. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this report should be re-evaluated.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 26 **# Rental Buildings:** 6 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 0 yrs **Vacant:** n/a at —/—/—

Net Rentable SF: 17,200 **Av Un SF:** 662 **Common Area SF:** 1,100 **Gross Bldg SF:** 18,300

STRUCTURAL MATERIALS

Wood frame on 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

A 1,100 SF community building with management offices, restrooms, and laundry facilities.

Uncovered Parking: 42 spaces **Carpports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Las Brisas is a proposed new construction development of 26 units of affordable elderly housing located in southeast Alamo. The development is comprised of six residential buildings as follows:

- € (4) Building Type A with four one-bedroom/ one-bath units;
- € (1) Building Type B with six one-bedroom/ one-bath units; and
- € (1) Building Type C with two one-bedroom/ one-bath units, two two- bedroom/ one-bath units.

Architectural Review: The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units with covered patios. 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 (one building is a six-plex structure) with mixed brick veneer and Hardiboard siding exterior finish and pitched roofs.

Supportive Services: The Applicant did not indicate any supportive services.

Schedule: The Applicant anticipates construction to begin in January of 2004, to be completed in October of 2004, to be placed in service in October of 2004, and to be substantially leased-up in January of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 3.28 acres 142,877 square feet **Zoning/ Permitted Uses:** No zoning in area

Flood Zone Designation: Unknown **Status of Off-Sites:** Raw Land

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Alamo is located in the southern region of the State, approximately 7 miles east of McAllen in Hidalgo County. The site is a rectangular-shaped parcel located approximately one mile from the central business district and is situated on the west side of Towers Road.

Adjacent Land Uses: The property lies on the west side of Tower Road. The immediate surroundings are mostly open space in agricultural use. Single family homes are scattered throughout the surrounding area with a new addition of homes to the west.

Site Access: Access to the property is from north or south on Tower Road, approximately 1.25 miles south of Highway 83. The development is to have one entry. Access to Highway 83 is 1.25 miles north.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Alamo has several grocery stores along US Highway 83. McAllen has extensive

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MULTIFAMILY UNDERWRITING ANALYSIS**

shopping. Rio Grande Hospital is seven miles away in McAllen. City Hall and a Senior Citizens Center are located on Tower Road, North of Highway 83. The police station, fire department and U.S. Post Office are located a few blocks west.

Special Adverse Site Characteristics:

∉ **Flood Plain:** The Applicant indicated that the site is located entirely outside the 100 year flood plain. However, no map or documentation was provided to support this claim. Receipt, review and acceptance of documentation indicated that the site is located outside the 100 year flood plain is a condition of the report.

Site Inspection Findings: ORCA staff performed a site inspection on April 21, 2003 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 was not included, as USDA-RD-financed projects are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: As a USDA section 515 development, the property will be required to give priority to the lowest income earning tenants but for tax credit purposes the development will be restricted to tenant's earnings not more than 60% of the area median income.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

MARKET HIGHLIGHTS

A market feasibility was prepared by Ipser & Associates, Inc. in February 2003 and highlighted the following findings:

Definition of Market/Submarket: "The primary market area...is defined as the McAllen-Pharr CCD." (p. 2-1) The site is located in the far eastern portion of the market area less than one mile from the eastern boundary but 13 miles from the western boundary. Moreover, the primary market area containing significant populations that are not considered to reside in rural areas, in fact two other developments are currently being considered for 9% LIHTC allocations in the market area described by the Market Analyst but neither transaction is targeted toward elderly residents.

Population: The estimated 2000 population of the primary market area was 207,576 and is expected to increase by 12% to approximately 232,576 by 2005.

Total Local/Submarket Demand for Rental Units: "...the Analyst) projects a net housing demand within the City of Alamo of approximately 475 units between 2003 and 2005, or an annual average of 237 units." (p. 2-3)

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	61	4%	34	3%
Resident Turnover	1,220	87%	1,194	97%
Other Sources: 10 yrs pent-up demand	128	9%	0	0%
TOTAL ANNUAL DEMAND	1,409	100%	1,228	100%

Ref: p. Exhibit 1-13

Inclusive Capture Rate: The Analyst reported a concentration capture rate of 1.8% based on a supply of 26 units and an income targeted renter demand of 1,409 units. (p. Exhibit 1-13) The Underwriter calculated a concentration capture rate of 1.2% based upon a supply of unstabilized comparable elderly affordable units of 26 divided by a revised demand of 1,228.

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Local Housing Authority Information: “Housing Authorities were surveyed in Alamo, Pharr, and Donna and all three reported a combined waiting list for public housing and section 8 Vouchers.” Alamo Housing Authority has 70 public housing units that were 100% occupied. The properties have a combined waiting list of 73 names. Pharr has 304 units with a waiting list totaling 115 names, while the Donna PHA properties are 100% occupied with 240 names on the waiting list. (p. 4-5)

Market Rent Comparables: The Analyst surveyed 1,019 units in 15 complexes. Of those, 801 units are rental-assisted, while 499 are public housing units. The only elderly complex surveyed in the area was La Sombra, an RD-USDA/LIHTC project in Donna with 100% occupancy. (p.4-6)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$357	\$373	-\$16	\$435	\$78
2-Bedroom (60%)	\$422	\$436	-\$14	\$500	\$78

(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 occupancy among a total of 499 public housing units was 99.8%.” (p. 4-5) “Physical occupancy among a total of 1,019 units was 98.6%. Of the 15 complexes surveyed, seven had occupancies of 100%. (p. 4-3)

Absorption Projections: “The absorption rate is estimated at 10 to 12 units per month indicating a lease-up period of 2 to 3 months to achieve 92.5% occupancy of the 26 units.” (p. 5-4)

Known Planned Development: The Analyst indicated that Sun Meadows, a 77-unit LIHTC property, opened in February 2001, however the Analyst indicated that building permit data that he reviewed did not reflect these 77 units (p. 4-2) The analyst failed to discuss Valley View apartments (2002 allocation of credit in Pharr with 152 restricted and 196 total family units), El Pueblo Dorado (2002 allocation of tax credits in Pharr with 132 restricted and 176 total family units), Pueblo De Paz (2002 allocation of tax credits in Mission with 160 restricted and 200 total family units) El Patrimonio (2000 Allocation of tax credits in McAllen with 144 restricted and 192 total family units), and Padre De Vida (2003 forward commitment allocation of tax credits in McAllen with 144 restricted and 180 total family units) all within the same submarket. Nor did the Analyst mention two new family developments requesting credits in 2003, Casa Aguila in Pharr and Rio De Vida in Mission. While none of these developments are targeted exclusively to seniors or typical USDA households, their impact is sure to resonate in the submarket and would have been noteworthy in the report.

Despite the unusually large market area the Underwriter found the market study to be sufficient to make a funding decision.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s net rent projections for the one-bedroom units are \$357 and \$422 for the two-bedroom units. These rent projections are significantly less than the Underwriter’s estimates of \$373 and \$436 respectively. This was because, the Applicant utilized 2002 maximum 60% gross rents of \$406 and \$487, while the Underwriter used 2003 maximum 60% gross rents of \$463 and \$556. Also the Applicant utilized utility allowances of \$49 for the one bedrooms and \$65 for the two bedrooms, while the Underwriter utilized the Alamo Housing Authorities allowances of \$90 and \$120 respectively. If the 2003 rents and lower utility allowances proposed by the Applicant were used, an additional \$13K in potential gross income could be achieved. Since this is a development financed by USDA-RD, the utility allowances may change and the rents will ultimately be budget-based driven by operating expenses to minimize NOI and return to owner by USDA. Despite these differences, the Applicant’s overall income is still within 5% of the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$2,946 per unit compares favorably with and is within 5% of a TDHCA database-derived estimate of \$3,067 per unit for comparably-sized developments. However, the Applicant’s budget shows several line item estimates that deviate significantly when compared to the

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database averages, particularly general and administrative, management, payroll, utilities, and property tax. Although these differences are more than the allowable tolerances on a percentage basis, the differences are all 3K or less. As a result, they do not constitute a vital difference.

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 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	<u>\$16,400</u>	Assessment for the Year of:	<u>2002</u>
Building:	<u>0</u>	Valuation by:	<u>Hidalgo County Appraisal District</u>
Total Assessed Value:	<u>\$16,400</u>	Tax Rate:	<u>2.341</u>
Additional Information:	The actual land value was for 28 acres and was valued at \$140,000. The above amount for 3.28 acres is straight line proration.		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option to Purchase Real Property		
Contract Expiration Date:	<u>09/ 06/ 2003</u>	Anticipated Closing Date:	<u>08/ 30/ 2003</u>
Acquisition Cost:	<u>\$ 82,000</u>	Other Terms/Conditions:	<u> </u>
Seller:	Gary Jackson	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition 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 \$5,889 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$29K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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 cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$1,264,174 is used to determine a credit allocation of \$45,890 from this method.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source:	<u>First Texas Bank</u>	Contact:	<u>Cary Johnson</u>
Principal Amount:	<u>\$1,000,000</u>	Interest Rate:	<u>6.5%</u>
Additional Information:	<u>No more than 80% of appraised value</u>		
Amortization:	<u>n/a</u> yrs	Term:	<u>1</u> yr
Commitment:	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest		

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LONG TERM/PERMANENT FINANCING

Source: USDA-RD	Contact: Bryan Daniel
Principal Amount: \$1,000,000	Interest Rate: Underwritten at 1%
Additional Information: Pre Application only accepted by USDA	
Amortization: 50 yrs	Term: 50 yrs
Commitment: <input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
Annual Payment: \$25,423	Lien Priority: First Commitment Date 2/ 27/ 2003

LIHTC SYNDICATION

Source: Raymond James	Contact: Terrance Coyne
Address: 880 Carillon Parkway	City: St. Petersburg
State: FL	Zip: 33716
Phone: (800) 438-8088	Fax: (727) 567-8455
Net Proceeds: \$348,729	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 76¢
Commitment <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest	Date: 2/ 14 2003
Additional Information:	

APPLICANT EQUITY

Amount: \$30,564	Source: Deferred Developer Fee
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FINANCING STRUCTURE ANALYSIS

Permanent Financing: The USDA is considering providing permanent take out financing of \$1,000,000 through its Section 515 program. This program offers extended period maturities up to 50 years and interest rates shown to 1% based upon the owner maintaining rents at budget-based levels (basic rents) that are adjusted annually based upon the past years performance. The USDA application is dependant upon successful approval of the tax credit allocation; similarly, the recommendation in this report is conditioned upon successful award of the USDA funding. First State Bank will fund the construction, subject to confirmation of both the USDA and the LIHTC funding.

LIHTC Syndication: Raymond James has provided a letter of intent with the following pay-in schedule:

- € 71% upon funding permanent loan (completion)
- € 29% upon 100% qualification of tax credit units and three months stabilization

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$45,890 annually for ten years, resulting in syndication proceeds of approximately \$348,714. The permanent financing estimate provided by the Applicant of \$1,000,000 appears to be reasonable provided that USDA will provide rental assistance to support the rents for the one-bedroom units at \$357 and the two-bedroom units at \$422. The result is a deferral of \$30,579 in developer fee, which is repayable out of cash flow in less than 10 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC developments.

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

Financial Highlights:

- € The Applicant submitted an unaudited financial statement as of February 19, 2003 reporting total assets of \$76,271. Liabilities totaled \$76,271, resulting in no net worth.
- € The General Partner submitted an unaudited financial statement as of February 19, 2003 reporting total assets of \$24,158. Liabilities totaled \$24,158, resulting in no net worth.
- € Dixie Farmer, Dennis Hoover and Danna Hoover, submitted unaudited financial statements as of

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February 19, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Dixie Farmer, Dennis Hoover and Danna Hoover have completed numerous multi-family developments throughout Texas.

SUMMARY OF SALIENT RISKS AND ISSUES

€ None Noted

Underwriter:

Mark Fugina

Date: May 27, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Las Brisas, Alamo, LIHTC # 03247

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sq Ft	Gross Rent Limit	Net Rent per Unit	Rent per Month	Rent per Sq Ft	Int Pd Util	Wtr, Swr, Trsn
TC60%	24	1	1	650	\$463	\$373	\$8,948	\$0.57	\$90.15	\$27.30
TC60%	2	2	1	800	556	\$436	872	0.55	119.94	28.30
TOTAL:	26		AVERAGE:	662	\$470	\$378	\$9,821	\$0.57	\$92.44	\$27.38

				TDHCA	APPLICANT				
Total Net Rentable Sq Ft: 17,200							USS Region	11	
POTENTIAL GROSS RENT				\$117,846	\$112,944		IREM Region		
Secondary Income	Per Unit Per Month:	\$5.00		1,560	1,500	\$4.81	Per Unit Per		
Other Support Income: (describe)				0					
POTENTIAL GROSS INCOME				\$119,406	\$114,444				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(8,955)	(8,580)	-7.50%	of Potential Gross		
Employee or Other Non-Rental Units or Concessions				0					
EFFECTIVE GROSS INCOME				\$110,451	\$105,864				
EXPENSES							PER SQ FT	PER UNIT	% OF EGI
General & Administrative	% OF EGI	PER UNIT	PER SQ FT	\$6,857	\$4,089	\$0.24	\$157	3.86%	
Management	6.21%	\$264	0.40	8,494	\$9,235	0.54	355	8.72%	
Payroll & Payroll Tax	7.69%	327	0.49	14,793	\$11,776	0.68	453	11.12%	
Repairs & Maintenance	13.39%	569	0.86	16,400	\$18,900	1.10	727	17.85%	
Utilities	14.85%	631	0.95	3,813	\$2,400	0.14	92	2.27%	
Water, Sewer, & Trash	3.45%	147	0.22	6,494	\$8,200	0.48	315	7.75%	
Property Insurance	5.88%	250	0.38	3,773	\$3,000	0.17	115	2.83%	
Property Tax	3.42%	145	0.22	9,130	\$8,000	0.47	308	7.56%	
Reserve for Replacements	8.27%	351	0.53	10,000	\$11,000	0.64	423	10.39%	
Other Expenses:	9.05%	385	0.58	0		0.00	0	0.00%	
TOTAL EXPENSES	0.00%	0	0.00	\$79,754	\$76,600	\$4.45	\$2,946	72.36%	
NET OPERATING INC	72.21%	\$3,067	\$4.64	\$30,697	\$29,264	\$1.70	\$1,126	27.64%	

				TDHCA	APPLICANT			
DEBT SERVICE								
USDA-RD	23.02%	\$978	\$1.48	\$25,423	\$25,423	\$1.48	\$978	24.01%
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	4.77%	\$203	\$0.31	\$5,274	\$3,841	\$0.22	\$148	3.63%
AGGREGATE DEBT COVERAGE RATIO				1.21	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)	Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$82,000	\$82,000	\$4.77	\$3,154	5.95%
Off-Sites			6.11%	\$3,154	\$4.77	0	0.00	0.00	0.00%	
Sitework			0.00%	0	0.00	153,113	153,113	8.90	5,889	11.10%
Direct Construction			11.42%	5,889	8.90	706,866	736,362	42.81	28,322	53.39%
Contingency			52.71%	27,187	41.10	0	0.00	0.00	0.00%	
General Req'ts			0.00%	0	0.00	51,599	53,368	3.10	2,053	3.87%
Contractor's G & A			6.00%	1,985	3.00	17,200	17,789	1.03	684	1.29%
Contractor's Profit			2.00%	662	1.00	51,599	53,368	3.10	2,053	3.87%
Indirect Construction			3.91%	2,018	3.05	52,460	52,460	3.05	2,018	3.80%
Ineligible Costs			0.71%	365	0.55	9,480	9,480	0.55	365	0.69%
Developer's G & A			1.59%	820	1.24	21,319		0.00	0	0.00%
Developer's Profit			10.33%	5,330	8.06	138,576	164,582	9.57	6,330	11.93%
Interim Financing			2.47%	1,274	1.93	33,132	33,132	1.93	1,274	2.40%
Reserves			1.76%	909	1.37	23,639	23,639	1.37	909	1.71%
TOTAL COST			100.00%	\$51,576	\$77.96	\$1,340,982	\$1,379,293	\$80.19	\$53,050	100.00%
Recap-Hard Construction Costs			73.11%	\$37,707	\$57.00	\$980,376	\$1,014,000	\$58.95	\$39,000	73.52%

				TDHCA	APPLICANT	RECOMMENDED	
SOURCES OF FUNDS							
USDA-RD	74.57%	\$38,462	\$58.14	\$1,000,000	\$1,000,000	\$1,000,000	Developer fee Available
Additional Financing	0.00%	\$0	\$0.00	0		0	\$164,582
LIHTC Syndication Proceeds	26.01%	\$13,413	\$20.27	348,729	348,729	348,714	% of Dev. Fee Deferred
Deferred Developer Fees	2.28%	\$1,176	\$1.78	30,564	30,564	30,579	19%
Additional (excess) Funds Required	-2.86%	(\$1,473)	(\$2.23)	(38,311)	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				\$1,340,982	\$1,379,293	\$1,379,293	\$66,371.83

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Las Brisas, Alamo, LIHTC # 03247

DIRECT CONSTRUCTION COST ESTIMATE

residential cost handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.79	\$787,527
Adjustments				
Exterior Wall Finish	2.64%		\$1.21	\$20,791
Elderly	5.00%		2.29	39,376
Roofing			0.00	0
Subfloor			(2.02)	(34,744)
Floor Cover			1.92	33,024
Porches/Balconies	\$36.29	1647	3.47	59,770
Plumbing	\$615	0	0.00	0
Built-In Appliances	\$1,625	26	2.46	42,250
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	25,284
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$68.39	1,100	4.37	75,225
Other:			0.00	0
SUBTOTAL			60.96	1,048,502
Current Cost Multiplier	1.03		1.83	31,455
Local Multiplier	0.80		(12.19)	(209,700)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.60	\$870,256
Plans, specs, survy, bld prn	3.90%		(\$1.97)	(\$33,940)
Interim Construction Interest	3.38%		(1.71)	(29,371)
Contractor's OH & Profit	11.50%		(5.82)	(100,079)
NET DIRECT CONSTRUCTION COSTS			\$41.10	\$706,866

PAYMENT COMPUTATION

Primary	\$1,000,000	term	600
Int Rate	1.00%	DCR	1.21

Secondary		term	
Int Rate		Subtotal DCR	1.21

Additional		term	
Int Rate		Aggregate DCR	1.21

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$25,423
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$3,841

Primary	\$1,000,000	term	600
Int Rate	1.00%	DCR	1.15

Secondary		term	0
Int Rate		Subtotal DCR	1.15

Additional		term	0
Int Rate		Aggregate DCR	1.15

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

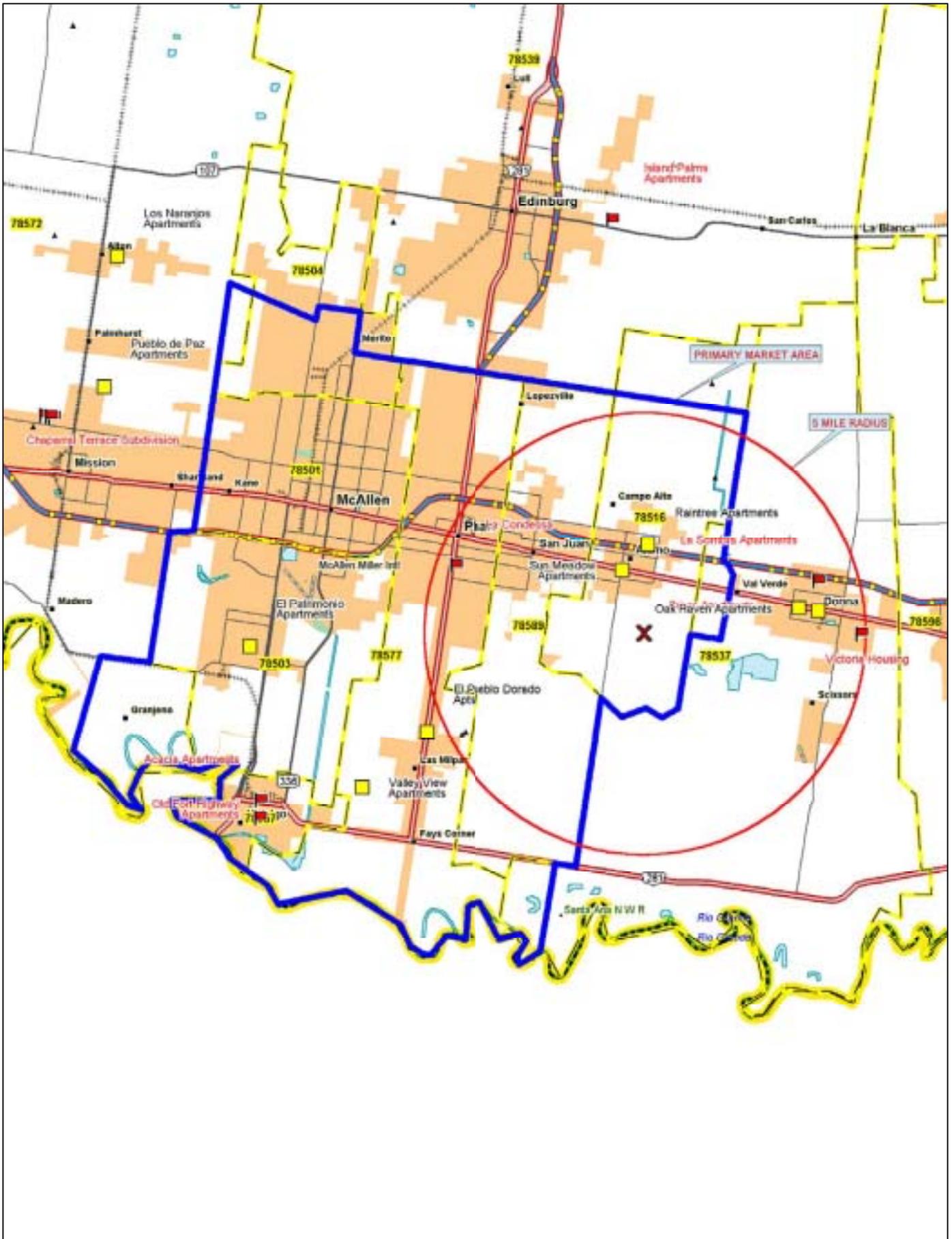
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$112,944	\$116,332	\$119,822	\$123,417	\$127,119	\$147,366	\$170,838	\$198,048	\$266,160
Secondary Income	1,500	1,545	1,591	1,639	1,688	1,957	2,269	2,630	3,535
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	114,444	117,877	121,414	125,056	128,808	149,323	173,107	200,678	269,695
Vacancy & Collection Loss	(8,580)	(8,841)	(9,106)	(9,379)	(9,661)	(11,199)	(12,983)	(15,051)	(20,227)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$105,864	\$109,037	\$112,308	\$115,677	\$119,147	\$138,124	\$160,124	\$185,627	\$249,468
EXPENSES at 4.00%									
General & Administrative	\$4,089	\$4,253	\$4,423	\$4,600	\$4,784	\$5,820	\$7,081	\$8,615	\$12,752
Management	9,235	9,512	9,797	10,091	10,394	12,049	13,968	16,193	21,762
Payroll & Payroll Tax	11,776	12,247	12,737	13,246	13,776	16,761	20,392	24,810	36,725
Repairs & Maintenance	18,900	19,656	20,442	21,260	22,110	26,901	32,729	39,819	58,943
Utilities	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Water, Sewer & Trash	8,200	8,528	8,869	9,224	9,593	11,671	14,200	17,276	25,573
Insurance	3,000	3,120	3,245	3,375	3,510	4,270	5,195	6,321	9,356
Property Tax	8,000	8,320	8,653	8,999	9,359	11,386	13,853	16,855	24,949
Reserve for Replacements	11,000	11,440	11,898	12,374	12,868	15,656	19,048	23,175	34,305
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$76,600	\$79,571	\$82,659	\$85,867	\$89,201	\$107,931	\$130,623	\$158,121	\$231,850
NET OPERATING INCOME	\$29,264	\$29,465	\$29,649	\$29,809	\$29,946	\$30,194	\$29,501	\$27,506	\$17,618
DEBT SERVICE									
First Lien Financing	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$3,841	\$4,042	\$4,225	\$4,386	\$4,523	\$4,770	\$4,078	\$2,083	(\$7,806)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.17	1.18	1.19	1.16	1.08	0.69

LIHTC Allocation Calculation - Las Brisas, Alamo, LIHTC # 03247

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	\$82,000	\$82,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$153,113	\$153,113	\$153,113	\$153,113
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$736,362	\$706,866	\$736,362	\$706,866
(4) Contractor Fees & General Requirements				
Contractor overhead	\$17,789	\$17,200	\$17,789	\$17,200
Contractor profit	\$53,368	\$51,599	\$53,368	\$51,599
General requirements	\$53,368	\$51,599	\$53,368	\$51,599
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$52,460	\$52,460	\$52,460	\$52,460
(7) Eligible Financing Fees				
	\$33,132	\$33,132	\$33,132	\$33,132
(8) All Ineligible Costs				
	\$9,480	\$9,480		
(9) Developer Fees				
Developer overhead		\$21,319		\$21,319
Developer fee	\$164,582	\$138,576	\$164,582	\$138,576
(10) Development Reserves				
TOTAL DEVELOPMENT COSTS	\$1,379,293	\$1,340,982	\$1,264,174	\$1,225,863

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$1,264,174	\$1,225,863
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$1,264,174	\$1,225,863
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$1,264,174	\$1,225,863
Applicable Percentage			3.63%	3.63%
TOTAL AMOUNT OF TAX CREDITS			\$45,890	\$44,499

Syndication Proceeds	0.7599	\$348,714	\$338,147
Total Credits (Eligible Basis Method)		\$45,890	\$44,499
Syndication Proceeds		\$348,714	\$338,147
Requested Credits		\$45,890	
Syndication Proceeds		\$348,714	
Gap of Syndication Proceeds Needed		\$379,293	
Credit Amount		\$49,914	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 10-1 Datum: WGS84

Scale 1 : 187 500
 1" = 2.06 mi



TDHCA #

03248

Region 11



MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **La Casita del Valle**

TDHCA #: **03248**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 11 Site Address: FM 1430 and Old Casita Rd.
 City: La Casita County: Starr Zip Code: 78582
 TTC DDA QCT Purpose / Activity: New Construction
Targeted Units: Family: 0 Elderly: 28 Handicapped/Disabled 2 Domestic Abuse: 0 Transitional: 0
Set Asides: General At-Risk Nonprofit Rural TX-USDA-RHS Elderly

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: HVM La Casita, Ltd.

Principal Names	Principal Contact	Percentage Ownership
HVM Housing, LLC	Dennis Hoover	5% of Owner
Dennis Hoover	Dennis Hoover	95% Initial LP/Developer

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: **\$66,499** Allocation over 10 Years: **\$664,990**
 Credits Requested: **\$66,499** Eligible Basis Amount: **\$66,499** Equity/Gap Amount: **\$66,499**

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	26	2	0	28
MR	0	0	0	0	0
Total	0	26	2	0	

Total LI Units: 28
 Owner/Employee Units: 0
 Total Project Units: 28
 Applicable Fraction: 100.00

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

- Playground Computer Facility with Internet
- Recreation facilities Public Phones
- Perimeter Fence with Controlled Gate Access
- Community Laundry Room or Hook-Ups in Units
- On Site Day Care, Senior Center or Community Meal Room
- Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- Covered Entries Computer Line in all Bedrooms
- Mini Blinds Ceramic Tile - Entry, Kitchen, Baths
- Laundry Connections Storage Room
- Laundry Equipment 25 year Shingle Roofing
- Covered Parking Covered Patios or Balconies
- Garages Greater than 75% Masonry Exterior
- Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost: \$1,505,342 Average Square Feet/Unit: 661
 Gross Building Square Feet: 19,600 Cost Per Net Rentable Square Foot: \$81.37
 Total Net Rentable Area Square Feet: 18,500 Credits per Low Income Uni: \$2,375

INCOME AND EXPENSE INFORMATION

Effective Gross Income: \$113,784
 Total Expenses: \$83,541
 Net Operating Income: \$30,243
 Estimated 1st Year Debt Coverage Ratio: 1.19

FINANCING

Permanent Principal Amount: \$1,000,000
 Applicant Equity: \$0
 Equity Source: NA
 Syndication Rate: \$0.7600

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Dennis Hoover	Market Analyst:	Ipser and Associates, Inc.
Housing GC:	Hoover Construction Company, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Alvin Nored
Architect:	AG and Associates	Accountant:	Lou Ann Monty & Associates
Property Manager:	Hamilton Valley Management	Supp Services:	NA
Syndicator:	Raymond James	Permanent Lender:	U.S. Department of Agriculture (RHS)

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

of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **2** Opposition: **0**

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

Local/State/Federal Officials with Jurisdiction:	Comment from Other Public Officials:
Local Official: Eloy Vera, Starr County Judge, S	Karen Gayle, Mayor, City of Aransas Pass, S Eloy Vera, Starr County Commissioner, S
TX Representative: Ryan Guillen, District 31, S	
TX Senator: Judith Zaffirini, District 21, N	
US Representative: Ciro D. Rodriguez, S	
US Senator:	

General Summary of Comment: Broad Support. State Representative Guillen expressed support for the Development with the caveat that he is concerned about the location of the proposed development because it is prone to floods.

DEPARTMENT EVALUATION	
Points Awarded: 57	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a successful award of USDA funding by Carryover and a satisfactory loan agreement from USDA Rural Development prior to construction loan closing.

Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural development prior to cost certification 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.

Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100 year flood plain prior to commitment.

Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this transaction should be re-evaluated.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

- Score Meeting a Required Set Aside Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- 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 w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

Explanation: Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.

Robert Onion, Manager of Awards and Allocation _____ Date _____ Brooke Boston, Director of Multifamily Finance Production _____ Date _____

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

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

Approved Credit Amount: Date of Determination:

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

Developer Evaluation

Project ID # **03248**

Name: **La Casita del Valle Apartmen** City: **La Casita-Ga**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0

Total # of Projects monitored: 48 Projects grouped by score 0-9 46 10-19 1 20-29 1

Total # monitored with a score less than 30: 48 # not yet monitored or pending review: 12

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Eddie Fariss Date 5/5/2001

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/6/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

DATE: May 27, 2003

PROGRAM: 9% LIHTC

FILE NUMBER: 03248

DEVELOPMENT NAME			
La Casita del Valle Apartments			
APPLICANT			
Name:	<u>HVM La Casita, Ltd.</u>	Type:	<u>For Profit</u>
Address:	<u>P.O. Box 190</u>	City:	<u>Burnet</u> State: <u>Texas</u>
Zip:	<u>78611</u>	Contact:	<u>Dennis Hoover</u> Phone: <u>(512) 756-6809</u> Fax: <u>(512) 756-9885</u>
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS			
Name:	<u>HVM Housing, LLC</u>	(%):	<u>5%</u> Title: <u>Managing General Partner</u>
Name:	<u>Dennis Hoover</u>	(%):	<u>95%</u> Title: <u>Initial Limited Partner/ Developer</u>
Name:	<u>Dixie Farmer</u>	(%):	<u>n/a</u> Title: <u>51% Owner of G.P.</u>
Name:	<u>Dennis Hoover</u>	(%):	<u>n/a</u> Title: <u>24.5% Owner of G.P.</u>
Name:	<u>Danna Hoover</u>	(%):	<u>n/a</u> Title: <u>24.5% Owner of G.P.</u>
PROPERTY LOCATION			
Location:	<u>FM 1430 and Old Casita Road</u>		<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
City:	<u>La Casita</u>	County:	<u>Starr</u> Zip: <u>78582</u>
REQUEST			
	<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u> Term
	\$66,499	n/a	n/a n/a
Other Requested Terms:	<u>Annual ten-year allocation of low-income housing tax credits</u>		
Proposed Use of Funds:	<u>New Construction</u>	Property Type:	<u>Multifamily</u>
Set-Aside(s):	<input type="checkbox"/> General	<input checked="" type="checkbox"/> Rural	<input checked="" type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> At Risk
RECOMMENDATION			
<input checked="" type="checkbox"/>	RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$66,499 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.		
CONDITIONS			
<ol style="list-style-type: none"> 1. Receipt, review, and acceptance of successful award of USDA funding by carryover and a satisfactory loan agreement from USDA Rural Development prior to construction loan closing. 2. Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural Development prior to cost certification 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. 3. Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100-year flood plain prior to commitment. 4. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this transaction should be re-evaluated. 			

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 28 **# Rental Buildings:** 7 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** 0 yrs **Vacant:** n/a at / /
Net Rentable SF: 18,500 **Av Un SF:** 661 **Common Area SF:** 1100 **Gross Bldg SF:** 19,600

STRUCTURAL MATERIALS

Wood frame on 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

A 1,100 SF community building with management offices, laundry facilities and restrooms.

Uncovered Parking: 42 spaces **Carports:** n/a spaces **Garages:** n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: La Casita del Valle is a proposed new construction development of 28 units of affordable housing located in central unincorporated La Casita. The development is comprised of seven residential buildings as follows:

€ (6) Building Type A with four one-bedroom/ one-bath units; and

€ (1) Building Type B with two one-bedroom/ one-bath units, two two- bedroom/ one-bath units;

Architectural Review: The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units with covered patios. 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.

Supportive Services: The Applicant did not indicate any supportive services.

Schedule: The Applicant anticipates construction to begin in October of 2004, to be completed in June of 2005, to be placed in service in June of 2005, and to be substantially leased-up in December of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 2.66 acres 115,870 **Zoning/ Permitted Uses:** No zoning in area
Flood Zone Designation: Not Verified **Status of Off-Sites:** Raw Land

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: La Casita is located in the southern region of the State, approximately 230 miles south of San Antonio in Starr County. The irregular shaped parcel is located in the central part of the La Casita community, which lies in the southwest part of the La Casita-Garciasville CDP. The property lies on the north side of Farm or Ranch Road 1430, 600 feet west of Old Casita Road and northeast of Old Military Highway.

Adjacent Land Uses: To the north is predominately open space, to the south, west and east is scattered single family homes.

Site Access: Access to the property is accomplished by going south on Montalm Road about 0.75 mile from Highway 83, then going 0.25 miles west on FM 1430.

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

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: A small bakery is located a short distance to the site as is a small grocery store. A U.S. Post Office is located approximately 0.25 miles away. Although La Casita has small retail, Rio Grande City, located six mile west has a Super Wal-Mart and large grocery chains. The Starr County Hospital is 12 miles away. The Police station is located in Rio Grande City.

Special Adverse Site Characteristics:

€ **Flood Plain:** The Applicant indicated that the site is located entirely outside the 100 year flood plain. However, no map or documentation was provided to support this claim. Receipt, review and acceptance of documentation indicated that the site is located outside the 100 year flood plain is a condition of the report.

Site Inspection Findings: ORCA staff performed a site inspection on April 22, 2003 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 was not included, as USDA-RD-financed projects are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: As a USDA section 515 development, the property will be required to give priority to the lowest income earning tenants but for tax credit purposes the development will be restricted to tenants earning not more than 60% of the area median income.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

MARKET HIGHLIGHTS

A market feasibility was prepared by Ipser & Associates, Inc. in February 2003 and highlighted the following findings:

Definition of Market/Submarket: “The primary market area...is defined as Starr County.” (p. 2-1)

Population: The estimated 2000 population of the primary market area was 53,597 and is expected to increase by 11% to approximately 59,597 by 2005.

Total Local/Submarket Demand for Rental Units: “...(the Analyst) projects a net housing demand within the La Casita-Garciasville CDP of approximately 69 units between 2003 and 2005, or an annual average of 34 units.” (p. 2-3)

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	14	7%	12	7%
Resident Turnover	176	84%	162	93%
Other Sources: 10 yrs pent-up demand	19	9%	0	0%
TOTAL ANNUAL DEMAND	209	100%	174	100%

Ref: p. Exhibit 1-13

Inclusive Capture Rate: The Analyst reported a capture rate of 38.4% based on a supply of 80 units and an income targeted renter demand of 209 units. (p. Exhibit 1-13) The Underwriter calculated a capture rate of 46% based upon a supply of unstabilized comparable affordable units of 80 divided by a revised demand of 174. However, the capture rate is lower than the maximum of 100% for elderly and rural developments.

Local Housing Authority Information: “Housing Authorities were surveyed in Rio Grande City, Roma and La Joya, and all three reported a combined waiting list for public housing and Section 8 Vouchers.” In Rio Grande City, Starr Housing Authority’s 78 public housing units were 96.2% occupied with 159 names

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

on its lists. Roma’s Housing Authority has a waiting list that contains 350 names. (p. 4-4)

Market Rent Comparables: The Analyst surveyed 353 units in 9 complexes. Of those, 264 units are rental-assisted. The only elderly complex surveyed in the area was Villa Vallarta, an RD-USDA/LIHTC project in Donna with 100% occupancy. (p. 4-5)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$357	\$358	-\$1	\$435	-\$78
2-Bedroom (60%)	\$422	\$417	+\$5	\$480	-\$58

(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: “...Starr County Housing Authority’s 78 public housing units...were 96.2% occupied and 100% leased...Roma Housing Authority’s two public housing complexes...were 100% occupied.” (p. 4-4) “Overall occupancy in a total of 353 units was 98.6%...Seven of the nine projects surveyed were 100% occupied, including Villa Vallarta.” (p. 4-2 and 4-3)

Absorption Projections: “The absorption rate is estimated at 10 to 12 units per month indicating a lease-up period of 2 to 3 months to achieve 92.5% occupancy of the 28 units.” (p. 5-4)

Known Planned Development: The Analyst indicated that the La Casita and Garciasville area are unincorporated and thus do not issue building permits. The Analyst also indicated that 2000 Census indicated no rental housing units opened from 1999 to March 2000. (p. 4-2) Encanta Villa was a 24-unit elderly property awarded 9% tax credits in 2002 as was Rio Vista, a 28-unit elderly property. The owners of Rio Vista are also related to the Applicant.

The Underwriter found the market study to be sufficient to make a funding decision.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s net rent projections for the one-bedroom units are \$357 and \$422 for the two-bedroom units. These rent projections are different than the Underwriter’s estimates of \$358 and \$417 respectively. The reason for the differences is because the Applicant utilized 2002 maximum 60% gross rents of \$406 and \$487, while the Underwriter used 2003 maximum 60% gross rents of \$463 and \$556. Also, the Applicant utilized utility allowances of \$49 for the one bedrooms and \$65 for the two bedrooms, while the Underwriter utilized the Starr County Housing Authorities allowances of \$105 and \$139 respectively. If the 2003 rents and lower utility allowances proposed by the Applicant were used an additional \$19K in potential gross income could be achieved. Since this is a development financed by USDA-RD, the utility allowances may change and the rents will ultimately be budget-based driven by operating expenses to minimize NOI and the return to the owner by USDA. Despite these differences, the Applicant’s overall income is within 5% of the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$2,984 per unit compares favorably with and is within 5% of a TDHCA database-derived estimate of \$3,046 per unit for comparably-sized developments. However, the Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative, management, payroll, and utilities. Although these differences are more than the allowable tolerances on a percentage basis, the differences are all less than 4K per year. As a result, they do not constitute a vital difference.

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 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Parcel # 45561 Land:	\$2,000	Assessment for the Year of:	2002
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**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Parcel #47893 Land:	\$530	Valuation by:	Starr County Appraisal District
Parcel #47892 Land:	\$130	Tax Rate:	2.3923
Parcel #48047 Land:	\$110		
Parcel #47452 Land:	\$120		
Parcel #47453 Land:	\$440		
Total Assessed Value:	\$3,330		
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Option to Purchase Real Property		
Contract Expiration Date:	2/ 01/ 2004	Anticipated Closing Date:	9/ 01/ 2003
Acquisition Cost:	\$ 60,000	Other Terms/Conditions:	
Seller:	Felicitas Rodriguez, Nieves Garza, Maria Scott, Emilia Wells		Related to Development Team Member: No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition 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 \$6,040 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 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 cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$1,409,170 is used to determine a credit allocation of \$66,499 from this method.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source:	First State Bank	Contact:	Cary Johnson
Principal Amount:	\$1,000,000	Interest Rate:	6.5%
Additional Information:	No more than 80% of appraised value		
Amortization:	yrs	Term:	1 yr
Commitment:	<input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest		

LONG TERM/PERMANENT FINANCING

Source:	USDA-RD	Contact:	Bryan Daniel
Principal Amount:	\$1,000,000	Interest Rate:	Underwritten at 1%
Additional Information:	Pre Application only accepted by USDA		
Amortization:	50 yrs	Term:	50 yrs
Commitment:	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
Annual Payment:	\$25,423	Lien Priority:	First
Commitment Date	2/ 27/ 2003		

LIHTC SYNDICATION

Source:	Raymond James	Contact:	Terrance Coyne
Address:	880 Carillon Parkway	City:	St. Petersburg
State:	FL	Zip:	33716
Phone:	800 438-8088	Fax:	727 567-8455

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

Net Proceeds:	\$505,342	Net Syndication Rate (per \$1.00 of 10-yr LIHTC)	76¢
Commitment	<input type="checkbox"/> None	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Letter of Interest
Additional Information:	Date: <u>2/ 14/ 2003</u>		

APPLICANT EQUITY	
Amount:	\$0
Source:	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The USDA is considering providing permanent takeout funding of \$1,000,000 through the Section 515 program. This program offers interest rate reductions down to 1% based upon the owner maintaining rents at budget-based levels (basic rents) that are adjusted annually based upon the past year's performance. The USDA application is dependent upon successful approval of the tax credit allocation. Similarly, the recommendation in this report is conditioned upon successful award of the award of the USDA funding. First State Bank will fund the construction subject to confirmation of both the USDA takeout loan and the low income housing tax credits.

LIHTC Syndication: Raymond Jones has provided a letter of intent with the following pay in schedule:

- € 64% Upon funding permanent loan (Completion)
- € 36% Upon 100% qualification of tax credit units and three months stabilized occupancy.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$66,499 annually for ten years, resulting in syndication proceeds of approximately \$505,340. The permanent financing estimate provided by the Applicant of \$1,000,000 appears to be reasonable provided that USDA will provide rental assistance to support the rents for the one-bedroom units at \$357 and the two-bedroom units at \$422. This results in an insignificant deferred developer fee.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC developments.

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

Financial Highlights:

- € The Applicant submitted an unaudited financial statement as of February 19, 2003 reporting total assets of \$78,114. Liabilities totaled \$78,114, resulting in no net worth.
- € The General Partner submitted an unaudited financial statement as of February 19, 2003 reporting total assets of \$24,158. Liabilities totaled \$24,158, resulting in no net worth.
- € Dixie Farmer, Dennis Hoover and Danna Hoover, submitted unaudited financial statements as of February 19, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Dixie Farmer, Dennis Hoover and Danna Hoover have completed numerous multi-family developments throughout Texas.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The applicants direct construction cost and more than 5% different than the Underwriter's verifiable costs.

Underwriter:	_____	Date:	May 27, 2003
	<i>Mark Fugina</i>		
Director of Real Estate Analysis:	_____	Date:	May 27, 2003
	<i>Tom Gouris</i>		

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

La Casita del Valle, La Casita, LIHTC #03248

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Unit	Wtr, Swr, Trsh
TC60%	26	1	1	650	\$463	\$358	\$9,316	\$0.55	\$104.68	\$44.86
TC60%	2	2	1	800	556	\$417	833	0.52	139.35	52.50
TOTAL:	28		AVERAGE:	661	\$470	\$362	\$10,150	\$0.55	\$107.16	\$45.41

INCOME				Total Net Rentable Sq Ft: <u>18,500</u>		TDHCA	APPLICANT	USS Region 11		
POTENTIAL GROSS RENT						\$121,795	\$121,512			
Secondary Income		Per Unit Per Month:	\$5.00			1,680	1,500	\$4.46		IREM Region
Other Support Income: (describe)						0				Per Unit Per Month
POTENTIAL GROSS INCOME						\$123,475	\$123,012			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(9,261)	(9,228)	-7.50%		of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						\$114,215	\$113,784			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.46%	\$264	0.40			\$7,380	\$4,085	\$0.22	\$146	3.59%
Management	8.00%	327	0.49			9,142	\$9,945	0.54	355	8.74%
Payroll & Payroll Tax	13.93%	568	0.86			15,911	\$12,210	0.66	436	10.73%
Repairs & Maintenance	15.45%	630	0.95			17,651	\$18,900	1.02	675	16.61%
Utilities	3.59%	147	0.22			4,104	\$2,400	0.13	86	2.11%
Water, Sewer, & Trash	6.12%	250	0.38			6,990	\$8,200	0.44	293	7.21%
Property Insurance	3.56%	145	0.22			4,061	\$5,060	0.27	181	4.45%
Property Tax	2.3923	359	0.54			10,048	\$10,000	0.54	357	8.79%
Reserve for Replacements	8.76%	357	0.54			10,000	\$12,741	0.69	455	11.20%
Other Expenses:	0.00%	0	0.00			0	\$0	0.00	0	0.00%
TOTAL EXPENSES	74.67%	\$3,046	\$4.61			\$85,287	\$83,541	\$4.52	\$2,984	73.42%
NET OPERATING INC	25.33%	\$1,033	\$1.56			\$28,928	\$30,243	\$1.63	\$1,080	26.58%

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
USDA-RD Loan	22.26%	\$908	\$1.37	\$25,423	\$25,423	\$1.37	\$908	22.34%
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	3.07%	\$125	\$0.19	\$3,505	\$4,820	\$0.26	\$172	4.24%
AGGREGATE DEBT COVERAGE RATIO				1.14	1.19			
RECOMMENDED+A64 DEBT COVERAGE RATIO					1.19			

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		4.16%	\$2,143	\$3.24	\$60,000	\$60,000	\$3.24	\$2,143	3.99%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		11.72%	6,040	9.14	169,120	169,120	9.14	6,040	11.23%
Direct Construction		52.94%	27,284	41.29	763,949	813,336	43.96	29,048	54.03%
Contingency	1.50%	0.97%	501	0.76	14,021	14,021	0.76	501	0.93%
General Req'ts	6.00%	3.88%	1,999	3.03	55,984	58,947	3.19	2,105	3.92%
Contractor's G & A	2.00%	1.29%	666	1.01	18,661	19,649	1.06	702	1.31%
Contractor's Profit	6.00%	3.88%	1,999	3.03	55,984	58,947	3.19	2,105	3.92%
Indirect Construction		3.93%	2,025	3.06	56,700	56,700	3.06	2,025	3.77%
Ineligible Costs		0.74%	382	0.58	10,690	10,690	0.58	382	0.71%
Developer's G & A	2.00%	1.62%	837	1.27	23,425		0.00	0	0.00%
Developer's Profit	13.00%	10.55%	5,438	8.23	152,260	181,640	9.82	6,487	12.07%
Interim Financing		2.55%	1,315	1.99	36,810	36,810	1.99	1,315	2.45%
Reserves		1.77%	910	1.38	25,482	25,482	1.38	910	1.69%
TOTAL COST		100.00%	\$51,539	\$78.00	\$1,443,086	\$1,505,342	\$81.37	\$53,762	100.00%
Recap-Hard Construction Costs		74.68%	\$38,490	\$58.26	\$1,077,719	\$1,134,020	\$61.30	\$40,501	75.33%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
USDA-RD Loan	69.30%	\$35,714	\$54.05	\$1,000,000	\$1,000,000	\$1,000,000	Developer fee Available
Additional Financing	0.00%	\$0	\$0.00	0		0	\$181,640
LIHTC Syndication Proceeds	35.02%	\$18,048	\$27.32	505,342	505,342	505,340	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0		0	0%
Additional (excess) Funds Required	-4.31%	(\$2,223)	(\$3.37)	(62,256)	0	2	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				\$1,443,086	\$1,505,342	\$1,505,342	\$76,034.34

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

La Casita del Valle, La Casita, LIHTC #03248

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.57	\$861,515
Adjustments				
Exterior Wall Finish	2.64%		\$1.23	\$22,744
Elderly	5.00%		2.33	43,076
Roofing			0.00	0
Subfloor			(2.02)	(37,370)
Floor Cover			1.92	35,520
Porches/Balconies	\$36.29	1647	3.23	59,770
Plumbing	\$615		0.00	0
Built-In Appliances	\$1,625	28	2.46	45,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	27,195
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$68.39	1,100	4.07	75,225
Other:			0.00	0
SUBTOTAL			61.25	1,133,174
Current Cost Multiplier	1.03		1.84	33,995
Local Multiplier	0.80		(12.25)	(226,635)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.84	\$940,534
Plans, specs, survy, bld prm	3.90%		(\$1.98)	(\$36,681)
Interim Construction Interest	3.38%		(1.72)	(31,743)
Contractor's OH & Profit	11.50%		(5.85)	(108,161)
NET DIRECT CONSTRUCTION COSTS			\$41.29	\$763,949

PAYMENT COMPUTATION

Primary	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.14

Secondary		Term	
Int Rate		Subtotal DCR	1.14

Additional		Term	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$25,423
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$4,820

Primary	\$1,000,000	Term	600
Int Rate	1.00%	DCR	1.19

Secondary		Term	0
Int Rate		Subtotal DCR	1.19

Additional		Term	0
Int Rate		Aggregate DCR	1.19

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$121,512	\$125,157	\$128,912	\$132,779	\$136,763	\$158,546	\$183,798	\$213,072	\$286,351
Secondary Income	1,500	1,545	1,591	1,639	1,688	1,957	2,269	2,630	3,535
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	123,012	126,702	130,503	134,419	138,451	160,503	186,067	215,702	289,886
Vacancy & Collection Loss	(9,228)	(9,503)	(9,788)	(10,081)	(10,384)	(12,038)	(13,955)	(16,178)	(21,741)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$113,784	\$117,200	\$120,716	\$124,337	\$128,067	\$148,465	\$172,112	\$199,525	\$268,144
EXPENSES at 4.00%									
General & Administrative	\$4,085	\$4,248	\$4,418	\$4,595	\$4,779	\$5,814	\$7,074	\$8,606	\$12,740
Management	9,945	10,244	10,551	10,867	11,193	12,976	15,043	17,439	23,436
Payroll & Payroll Tax	12,210	12,698	13,206	13,735	14,284	17,379	21,144	25,725	38,079
Repairs & Maintenance	18,900	19,656	20,442	21,260	22,110	26,901	32,729	39,819	58,943
Utilities	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Water, Sewer & Trash	8,200	8,528	8,869	9,224	9,593	11,671	14,200	17,276	25,573
Insurance	5,060	5,262	5,473	5,692	5,919	7,202	8,762	10,661	15,780
Property Tax	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
Reserve for Replacements	12,741	13,251	13,781	14,332	14,905	18,134	22,063	26,843	39,735
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$83,541	\$86,783	\$90,152	\$93,653	\$97,290	\$117,726	\$142,487	\$172,495	\$252,957
NET OPERATING INCOME	\$30,243	\$30,416	\$30,563	\$30,684	\$30,777	\$30,739	\$29,624	\$27,030	\$15,188
DEBT SERVICE									
First Lien Financing	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423	\$25,423
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$4,820	\$4,993	\$5,140	\$5,261	\$5,354	\$5,316	\$4,201	\$1,607	(\$10,235)
DEBT COVERAGE RATIO	1.19	1.20	1.20	1.21	1.21	1.21	1.17	1.06	0.60

LIHTC Allocation Calculation - La Casita del Valle, La Casita, LIHTC #03248

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	\$60,000	\$60,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$169,120	\$169,120	\$169,120	\$169,120
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$813,336	\$763,949	\$813,336	\$763,949
(4) Contractor Fees & General Requirements				
Contractor overhead	\$19,649	\$18,661	\$19,649	\$18,661
Contractor profit	\$58,947	\$55,984	\$58,947	\$55,984
General requirements	\$58,947	\$55,984	\$58,947	\$55,984
(5) Contingencies				
	\$14,021	\$14,021	\$14,021	\$14,021
(6) Eligible Indirect Fees				
	\$56,700	\$56,700	\$56,700	\$56,700
(7) Eligible Financing Fees				
	\$36,810	\$36,810	\$36,810	\$36,810
(8) All Ineligible Costs				
	\$10,690	\$10,690		
(9) Developer Fees				
Developer overhead		\$23,425		\$23,425
Developer fee	\$181,640	\$152,260	\$181,640	\$152,260
(10) Development Reserves				
TOTAL DEVELOPMENT COSTS	\$1,505,342	\$1,443,086	\$1,409,170	\$1,346,914

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$1,409,170	\$1,346,914
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$1,831,921	\$1,750,988
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$1,831,921	\$1,750,988
Applicable Percentage			3.63%	3.63%
TOTAL AMOUNT OF TAX CREDITS			\$66,499	\$63,561

Syndication Proceeds	0.7599	\$505,340	\$483,014
Total Credits (Eligible Basis Method)		\$66,499	\$63,561
Syndication Proceeds		\$505,340	\$483,014
Requested Credits		\$66,499	
Syndication Proceeds		\$505,340	
Gap of Syndication Proceeds Needed		\$505,342	
Credit Amount		\$66,499	



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Scale 1 : 600 000
 1" = 0.47 mi

