

**TDHCA #**

**03009**

**Region 8**



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

Development Name: **Forest Park Apartments**

TDHCA #: **03009**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: Sandy Point Rd. @ Hwy 21  
 City: Bryan County: Brazos Zip Code: 77803

TTC  DDA  QCT Purpose / Activity: New Construction

**Targeted Units:** Family: 140 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: One Forest Park, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Bryan Forest Park, LLC	Kenneth H. Mitchell	50% of GP
Services For Residents, LLC	Deborah T. Mitchell	50% of GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation	<b>\$746,176</b>	Allocation over 10 Years:	\$7,461,760
Credits Requested	\$981,432	Eligible Basis Amount:	\$746,176
		Equity/Gap Amount	\$864,207

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	12	0	12
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	0	56	51	107
MR	0	0	12	9	21
Total	0	0	80	60	

Total LI Units: 119  
 Owner/Employee Units: 0  
 Total Project Units: 140  
 Applicable Fraction: 85.00

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:	\$11,595,631	Average Square Feet/Unit	1,021
Gross Building Square Feet	146,040	Cost Per Net Rentable Square Foot	\$81.12
Total Net Rentable Area Square Feet:	142,940	Credits per Low Income Uni	\$6,270

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income	\$979,153
Total Expenses:	\$543,378
Net Operating Income	\$435,775
Estimated 1st Year Debt Coverage Ratio	1.30

**FINANCING**

Permanent Principal Amount:	\$4,510,000
Applicant Equity:	\$967,603
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.8199

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Kenneth H. Mitchell	Market Analyst:	Ipsier and Associates, Inc.
Housing GC:	NA	Originator/UW:	NA
Engineer:	Hannon Engineering, Inc.	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Cantey and Hanger, LLP
Architect:	Gailer Tolson and French	Accountant:	Novogradac & Company, LLC
Property Manager:	NA	Supp Services:	NA
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender:	Lend Lease Mortgage Capital, L.P.

**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: 0 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: NC	Joseph A. Dunn, Planning Administrator City of Bryan, S Paul Madison, Council Member, S
TX Representative: Fred Brown, District 14, S	
TX Senator: Steve Ogden, District 5, S	
US Representative:	
US Senator:	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 100	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of evidence by Carryover that the development is in compliance with applicable Corps of Engineers wetlands regulations.

Receipt, review, and acceptance by Carryover of a proration of the land acquisition cost to include only the cost of the site or certification that the unused portion of the site will be dedicated as open space for use by residents or other such use.

Should the terms and 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: This Development has a competitive score in its region.**

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
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_____ Edwina Carrington, Executive Director	_____ Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount:  Date of Determination:

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

Project ID # **03009**

Name: **Forest Park Apartments**

City: **Bryan**

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: 16 Projects grouped by score 0-9 11 10-19 3 20-29 2

Total # monitored with a score less than 30: 16 # not yet monitored or pending review: 9

### 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 Homero 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 4, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03009

**DEVELOPMENT NAME**

Forest Park Apartments

**APPLICANT**

**Name:** One Forest Park, Ltd. **Type:** For Profit  
**Address:** 1005 Shady River Court North **City:** Benbrook **State:** TX  
**Zip:** 76126 **Contact:** Kenneth Mitchell **Phone:** (817) 249-6886 **Fax:** (817) 249-1010

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	Bryan Forest Park, LLC	<b>(%):</b>	.05	<b>Title:</b>	Managing General Partner
<b>Name:</b>	Services for Residents, LLC	<b>(%):</b>	.05	<b>Title:</b>	Co-General Partner
<b>Name:</b>	Kenneth Mitchell	<b>(%):</b>	N/A	<b>Title:</b>	Developer & 95% owner of G.P.
<b>Name:</b>	Deborah Mitchell	<b>(%):</b>	N/A	<b>Title:</b>	80% owner of Co-G.P. & 5% owner of G.P.
<b>Name:</b>	Amy Mitchell	<b>(%):</b>	N/A	<b>Title:</b>	20% owner of Co-G.P.

**PROPERTY LOCATION**

**Location:** On Sandy Park Road, north of Highway 21  **QCT**  **DDA**  
**City:** Bryan **County:** Brazos **Zip:** 77803

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$981,432	N/A	N/A	N/A
<b>Other Requested Terms:</b>	Annual ten-year allocation of low-income housing tax credits, amended to \$782,145 with the loss of the QCT designation.		
<b>Proposed Use of Funds:</b>	New construction	<b>Property Type:</b>	Multifamily
<b>Set-Aside(s):</b>	<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 \$746,176 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of evidence by carryover that the development is in compliance with applicable Corps of Engineers wetlands regulations;
2. Receipt, review, and acceptance by carryover of a proration of the land acquisition cost to include only the cost of the site or certification that the unused portion of the site will be dedicated as open space for use by residents or other such use.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated.

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MULTIFAMILY UNDERWRITING ANALYSIS**

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 140    **# Rental Buildings:** 10    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 142,940    **Av Un SF:** 1,021    **Common Area SF:** 3,100    **Gross Bldg SF:** 146,040

**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 flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high-speed Internet access.

**ON-SITE AMENITIES**

A 2,800-SF community building with activity room, management offices, fitness, laundry, & maintenance facilities, kitchen, & restrooms. A swimming pool, equipped children's play area, & basketball court are located behind the community building. In addition, perimeter fencing with a limited access gate is also planned for the site.

**Uncovered Parking:** 245 spaces    **Carpports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Forest Park Apartments is a moderately dense (11.53 units per acre) new construction development of 140 units of mixed-income housing located in northwest Bryan. The development is comprised of ten evenly distributed, two-story, medium size garden style walk-up residential buildings, each with eight two-bedroom/two-bath units and six three-bedroom/two-bath units.

**Architectural Review:** The building elevations are simple and attractive, with pitched and varied rooflines. The units are well laid out, with patios or balconies with storage closets and exterior entry from interior breezeways.

**Supportive Services:** The Applicant did not identify a supportive services provider but indicated an intention to provide at least three of the services from the TDHCA list, and included an estimated annual expense of \$8,000 for these services in the operating budget.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 12.15 acres    529,254 square feet    **Zoning/ Permitted Uses:** MF, Multifamily  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Bryan is located in central Texas, approximately 90 miles northwest of Houston in Brazos County. The site is an irregularly-shaped parcel located in the northwest area of the city, approximately 1.7 miles from the central business district. The site is situated on the north side of Sandy Point Road.

**Adjacent Land Uses:**

- **North:** wooded undeveloped land
- **South:** Sandy Point Road with a county correctional facility beyond

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MULTIFAMILY UNDERWRITING ANALYSIS**

- **East:** single-family residential
- **West:** wooded undeveloped land

**Site Access:** Access to the property is from the east or west along Sandy Point Road. The development is to have a single entry from Sandy Point Road. Access to State Highway 6 is 2.2 miles east, which provides connections to all other major roads serving the Bryan-College Station area.

**Public Transportation:** Public transportation to the area is provided by Brazos Transit District buses, with routes along nearby major streets.

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

**Special Adverse Site Characteristics:** A county correctional facility is located across Sandy Point Road to the southwest.

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 24, 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 January 24, 2003 was prepared by Environmental Managers, Inc. and contained the following findings and recommendations:

**Findings:**

- “The miscellaneous trash and debris on the property represent a potential environmental liability and should be removed and disposed of in a proper manner.” (p. 8)
- “The intermittent stream crossing the property appears to be waters of the United States according to current regulatory definitions...Federal regulations based on Section 404 of the Clean Waters Act prohibit modification of waters of the U.S., including floodways and floodplains, without notification to and/or a Section 404 permit from the U.S. Army Corps of Engineers.” (p. 8)
- “Based on the available data, it is our opinion that the nature, extent, and severity of environmental conditions at the subject site will not impair its current use or future intended residential development.” (p. 9)

**Recommendations:** “Following completion of development plans, a review of current regulations should be conducted to determine the required actions necessary to comply with Corps of Engineers regulations. (p. 9) It is a condition of this report that the Applicant provide evidence that the development is in compliance with applicable Corps of Engineers regulations.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 119 of the units (85% of the total) will be reserved for low-income tenants. Twelve of the units (9%) will be reserved for households earning 30% or less of AMGI, 107 units (76%) will be reserved for households earning 60% or less of AMGI, and the remaining 21 (15%) units will be offered at market rents.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$21,960	\$25,080	\$28,260	\$31,380	\$33,900	\$36,420

**MARKET HIGHLIGHTS**

A market feasibility study dated February 25, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** Brazos County (Demand Summary). This is a rather expansive market delineation since it picks up all of College Station and it is 42 miles from the site to the southeastern boundary and 36 miles to the northeastern boundary. The nearest market area boundary is ten miles from the site.

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**Population:** The estimated 2000 population of the primary market area was 152,415 and is expected to increase by 2.6% to approximately 162,815 by 2005. Within the primary market area there were estimated to be 55,202 households in 2000.

**Total Local/Submarket Demand for Rental Units:** “Housing demand, based on household growth, for the City of Bryan is estimated at approximately 404 renter units between 2003 and 2005, with an additional 975 renter units from 205 to 2010. For Brazos County, the estimated demand is for 1,300 renter units in the next two years and continued demand for 3,373 units by 2010. This is considered a minimum demand to meet the basic growth and need for replacement of substandard housing.” (p. 2-11)

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	143	2%	137	2%
Resident Turnover	6,112	89%	6,166	98%
Other Sources: 10% of growth & turnover	626	9%	0	0
<b>TOTAL ANNUAL DEMAND</b>	<b>6,881</b>	<b>100%</b>	<b>6,303</b>	<b>100%</b>

Ref: Demand Summary

**Inclusive Capture Rate:** “A capture rate, based on the estimated potential demand from income-qualified renter households...in the Brazos County market is 1.7% based on the estimated potential demand from 6,881 income-qualified renter households in the county.” (p. 3-4) The Underwriter calculated an inclusive capture rate of 1.9% based upon a slightly lower total demand estimate of 6,303 units.

**Local Housing Authority Waiting List Information:** “According to the Bryan Housing Authority, the wait for a vacant public housing unit is four to six months, and the Section 8 waiting list has 600 applicants.” (p. 2-21)

**Market Rent Comparables:** The market analyst surveyed 19 comparable apartment projects in Bryan and College Station totaling 2,976 units. (p. 2-20) “An estimate of the subject’s market rent by comparison, based on the five projects with complete data, shows that with adjustments for age, condition, size and amenities, the LIHTC units in the proposed new project would be approximately 79% to 82% of current rates in the market...The subject will be comparable or superior to the existing complexes in terms of quality and amenities, and superior to the older LIHTC projects in Bryan.” (p. 3-2)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$238	\$262	-\$24	\$730	-\$492
<b>2-Bedroom (60%)</b>	\$592	\$616	-\$24	\$730	-\$138
<b>2-Bedroom (MR)</b>	\$600	N/A	N/A	\$730	-\$130
<b>3-Bedroom (60%)</b>	\$676	\$708	-\$32	\$875	-\$199
<b>3-Bedroom (MR)</b>	\$690	N/A	N/A	\$875	-\$185

(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 survey of apartments in Bryan and College Station found 98% economic occupancy in the private market locations, and 98.3% occupancy in the rent-assisted complexes. The LIHTC locations in the two cities (including elderly and the homeless location) had a combined economic occupancy of 97%. By city, occupancy was nearly the same, with economic occupancies of 97.9% in Bryan and 98.2% in College Station.” (p. 3.2)

**Absorption Projections:** “Average absorption for the subject is estimated at 20 to 22 units per month. It is expected that about six months will be required to achieve 92.5% occupancy of the 140 units. Absorption will be accelerated by the acceptance of Section 8 vouchers...” (p. 2-23)

**Known Planned Development:** No information provided.

**Effect on Existing Housing Stock:** “The addition of the proposed 140 units to the Bryan/Brazos County market is expected to have little initial impact on existing rental properties, since occupancy is over 95% in

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MULTIFAMILY UNDERWRITING ANALYSIS**

both Bryan and College Station.” (p. 3-3)

Despite the large market area designation the Underwriter found the market analysis 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 achievable according to the market analyst. The Applicant used College Station utility allowances in calculating net rents; however the Underwriter discovered that Bryan also issues utility allowances and used them in this analysis. As the Bryan allowances are \$24-\$31 lower than the College Station allowances, the Underwriter’s potential gross rent estimate exceeds the Applicant’s by \$43,416. The Underwriter increased the market rate rents to the LIHTC 60% rents, which are still significantly below the market analyst’s estimated market rents. The Applicant’s estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The net result of these adjustments is that the Underwriter’s effective gross income estimate exceeds the Applicant’s by \$40,165.

**Expenses:** The Applicant’s estimate of total operating expense is 1.3% higher than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$17K lower), payroll (\$16K higher/lower), insurance (\$8K higher), and property tax (\$27K 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 and total estimated operating expense is consistent with the Underwriter’s expectations, 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.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 25.048 acres</b>	\$66,870	<b>Assessment for the Year of:</b>	2002
<b>Improvements:</b>	\$35,610	<b>Valuation by:</b>	Brazos County Appraisal District
<b>Total Assessed Value:</b>	\$102,480	<b>Tax Rate:</b>	2.763

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Two earnest money contracts		
<b>Contract Expiration Date:</b>	9/ 30/ 2003	<b>Anticipated Closing Date:</b>	9/ 30/ 2003
<b>Acquisition Cost:</b>	1. \$650,000 (23.208 acres) 2. \$60,000 (1.84 acres)	<b>Other Terms/Conditions:</b>	\$1,500 earnest money
<b>Sellers:</b>	1. J & V Hoover, Ltd. 2. Jane Bailey	<b>Related to Development Team Member:</b>	No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$0.65/SF or \$28,346/acre, although over ten times the tax assessed value, is assumed to be reasonable since the acquisition is an arm’s-length transaction. The Applicant significantly overstated the site acquisition cost by using the price of \$710,000 to be paid for a larger 25.048-acre parcel, and stated that the location of the subject 12.15-acre site has not been finalized. The Underwriter calculated the land cost by multiplying the per acre cost of \$28,346 times the actual site acreage to achieve a prorated land value of \$344,399. It is a condition of this report that the Applicant either prorate the land cost or dedicate the remaining 12.9 acres to open space for use by residents of the development.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$5,000 per unit are considered reasonable

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MULTIFAMILY UNDERWRITING ANALYSIS**

compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$45.7K or 1% lower 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 fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's contingency allowance exceeds the TDHCA maximum 5% guideline by \$39,912, however, and eligible basis will therefore be reduced by that amount. The Applicant's developer's fees are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to this misapplication, eligible basis now exceeds the maximum, therefore the eligible portion of the Applicant's developer fee must be reduced by \$5,987.

**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. The Applicant deducted the anticipated but unconfirmed \$10,000 city CDBG grant from eligible basis, and the Underwriter has done likewise. As a result an eligible basis of \$10,525,824 is used to determine a credit allocation of \$746,176 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>Sylvia Monsivais</u>						
Principal Amount: <u>\$4,500,000*</u>		Interest Rate: <u>90-day LIBOR + 315 basis points</u>							
Additional Information: <u>Amount least of \$4,500,000, 50% LTC, 80% LTV, or NOI yielding minimum DCR of 1.15</u>									
Amortization: <u>N/A</u> yrs		Term: <u>2</u> yrs		Commitment: <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional					
LONG TERM/PERMANENT FINANCING									
Source: <u>Lend Lease Mortgage Capital, L.P.</u>			Contact: <u>George Currall</u>						
Principal Amount: <u>\$4,500,000</u>		Interest Rate: <u>Estimated &amp; underwritten at 6.3%</u>							
Additional Information: _____									
Amortization: <u>30</u> yrs		Term: <u>18</u> yrs		Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional					
Annual Payment: <u>\$334,245</u>		Lien Priority: <u>1st</u>		Commitment Date <u>5/ 8/ 2003</u>					
LONG TERM/PERMANENT FINANCING									
Source: <u>City of Bryan CDBG funds</u>			Contact: <u>Alsie Bond</u>						
Principal Amount: <u>\$10,000</u>		Interest Rate: <u>(Grant)</u>							
Additional Information: <u>Application only, allocations to be announced in Aug-Oct 2003</u>									
Amortization: <u>N/A</u> yrs		Term: _____ yrs		Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional					
Annual Payment: <u>(None)</u>		Lien Priority: <u>N/A</u>		Commitment Date <u>1/ 15/ 2003</u>					
LIHTC SYNDICATION									
Source: <u>Lend Lease Real Estate Investments</u>			Contact: <u>Marie Keutmann</u>						
Address: <u>101 Arch Street</u>			City: <u>Boston</u>						
State: <u>MA</u>		Zip: <u>02110</u>		Phone: <u>(617) 772-9557</u>		Fax: <u>(617) 439-9978</u>			
Net Proceeds: <u>\$6,144,703</u>		Net Syndication Rate (per \$1.00 of 10-yr LIHTC)						<u>82¢</u>	
Commitment		<input checked="" type="checkbox"/> LOI		<input type="checkbox"/> Firm		<input type="checkbox"/> Conditional			
						Date: <u>5/ 8/ 2003</u>			
Additional Information: _____									

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

**APPLICANT EQUITY**

**Amount:** \$940,928                      **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**(NOTE:** The site was located in a QCT in 2002 and the application was developed and submitted based on retaining the QCT status. HUD, however, removed the subject census tract's QCT status for 2003, and the Applicant submitted a revised financing structure which will be addressed here.)

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**City of Bryan CDBG Grant:** The Applicant provided evidence of having submitted an application for \$10,000 in CDBG funds, and anticipates that the funds would be awarded in the form of a grant. No debt service is therefore anticipated for this funding source. The allocations are to be announced during the August-October time period, and if the funding is not received sufficient developer fee exists to substitute for this source.

**LIHTC Syndication:** The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The Underwriter calculates that the reduction in eligible basis due to the overstated contingency allowance will reduce the credit syndication proceeds by \$26,675.

**Deferred Developer's Fees:** The Applicant's deferred developer's fees of \$940,928 amounts to 68% of the total fees. The Underwriter reduced the sources of funds needed by the estimated excess purchase price of the land which reduced deferred developer fee to 44% of the total.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$746,176 annually for ten years, resulting in syndication proceeds of approximately \$6,118,028. Based on the underwriting analysis, the Applicant's deferred developer fee will be decreased to \$602,002, which represents approximately 44% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis or the entire land cost remain in the budget, or the CDBG funds not be awarded to this development, additional deferred developer's fee should be available to fund those development cost needs.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

Kenneth and Deborah Mitchell are married, and Amy Mitchell is their adult child. These are permissible 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 Co-General Partner, Services for Residents, LLC, submitted an unaudited financial statement as of February 4, 2003 reporting total assets of \$1,710 and consisting entirely of cash. No liabilities were reported.
- The principals of the General Partners, Kenneth, Deborah, and Amy Mitchell, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- The Applicant and General Partners are new entities with no previous affordable housing development experience.
- Kenneth Mitchell listed participation in 28 previous LIHTC housing developments totaling 5,669 units since 1992.
- Deborah and Amy Mitchell claimed no previous experience in the development of affordable or conventional housing.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 4, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 4, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Forest Park Apartments, Bryan, 9% LIHTC #03009**

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 (30%)	12	2	2	955	\$352	\$262	\$3,144	\$0.27	\$90.00	\$36.00
TC (60%)	56	2	2	955	706	616	34,496	0.65	90.00	36.00
MR	12	2	2	955		616	7,392	0.65	90.00	36.00
TC (60%)	51	3	2	1,109	816	708	36,108	0.64	108.00	37.00
MR	9	3	2	1,109		708	6,372	0.64	108.00	37.00
<b>TOTAL:</b>	<b>140</b>		<b>AVERAGE:</b>	<b>1,021</b>	<b>\$610</b>	<b>\$625</b>	<b>\$87,512</b>	<b>\$0.61</b>	<b>\$97.71</b>	<b>\$36.43</b>

<b>INCOME</b>				<b>TOTAL Net Rentable Sq Ft: 142,940</b>		<b>TDHCA</b>	<b>APPLICANT</b>			
POTENTIAL GROSS RENT						\$1,050,144	\$1,006,728			USS Region 8
Secondary Income		Per Unit Per Month:	\$5.00			8,400	8,400	\$5.00		IREM Region
Other Support Income:						0	0			Per Unit Per Month
POTENTIAL GROSS INCOME						\$1,058,544	\$1,015,128			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(79,391)	(76,140)	-7.50%		of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions						0	0			
EFFECTIVE GROSS INCOME						\$979,153	\$938,988			
<b>EXPENSES</b>	<b>% OF EGI</b>	<b>PER UNIT</b>	<b>PER SQ FT</b>					<b>PER SQ FT</b>	<b>PER UNIT</b>	<b>% OF EGI</b>
General & Administrative	4.19%	\$293	0.29		\$41,014	\$23,900	\$0.17	\$171	2.55%	
Management	5.00%	350	0.34		48,958	\$46,950	0.33	335	5.00%	
Payroll & Payroll Tax	12.27%	858	0.84		120,102	\$104,000	0.73	743	11.08%	
Repairs & Maintenance	5.48%	383	0.38		53,634	\$51,500	0.36	368	5.48%	
Utilities	3.32%	232	0.23		32,512	\$33,000	0.23	236	3.51%	
Water, Sewer, & Trash	6.15%	430	0.42		60,218	\$68,300	0.48	488	7.27%	
Property Insurance	3.65%	255	0.25		35,735	\$44,100	0.31	315	4.70%	
Property Tax	2.763	9.88%	691	0.68	96,705	\$124,180	0.87	887	13.22%	
Reserve for Replacements	2.86%	200	0.20		28,000	\$28,000	0.20	200	2.98%	
Other: spt svcs, compl fees, sec	2.71%	189	0.19		26,500	\$26,500	0.19	189	2.82%	
<b>TOTAL EXPENSES</b>	<b>55.49%</b>	<b>\$3,881</b>	<b>\$3.80</b>		<b>\$543,378</b>	<b>\$550,430</b>	<b>\$3.85</b>	<b>\$3,932</b>	<b>58.62%</b>	
NET OPERATING INC	44.51%	\$3,113	\$3.05		\$435,775	\$388,558	\$2.72	\$2,775	41.38%	
<b>DEBT SERVICE</b>										
Lend Lease Mortgage Capital	34.14%	\$2,387	\$2.34		\$334,245	\$334,245	\$2.34	\$2,387	35.60%	
City CDBG Funds	0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
Additional Financing	0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
NET CASH FLOW	10.37%	\$725	\$0.71		\$101,530	\$54,313	\$0.38	\$388	5.78%	
AGGREGATE DEBT COVERAGE RATIO					1.30	1.16				
RECOMMENDED DEBT COVERAGE RATIO					1.30					

<b>CONSTRUCTION COST</b>				<b>TDHCA</b>	<b>APPLICANT</b>				
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.06%	\$2,460	\$2.41	\$344,399	\$710,000	\$4.97	\$5,071	6.12%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.23%	5,000	4.90	700,000	700,000	4.90	5,000	6.04%
Direct Construction		54.78%	43,977	43.07	6,156,717	6,111,000	42.75	43,650	52.70%
Contingency	5.00%	3.05%	2,449	2.40	342,836	380,462	2.66	2,718	3.28%
General Req'ts	5.96%	3.64%	2,919	2.86	408,660	408,660	2.86	2,919	3.52%
Contractor's G & A	1.99%	1.21%	973	0.95	136,220	136,220	0.95	973	1.17%
Contractor's Profit	5.96%	3.64%	2,919	2.86	408,660	408,660	2.86	2,919	3.52%
Indirect Construction		4.91%	3,943	3.86	551,996	551,996	3.86	3,943	4.76%
Ineligible Costs		0.84%	675	0.66	94,477	94,477	0.66	675	0.81%
Developer's G & A	3.00%	2.46%	1,972	1.93	276,045	276,045	1.93	1,972	2.38%
Developer's Profit	11.99%	9.83%	7,887	7.72	1,104,180	1,104,180	7.72	7,887	9.52%
Interim Financing		4.49%	3,604	3.53	504,500	504,500	3.53	3,604	4.35%
Reserves		1.86%	1,496	1.47	209,431	209,431	1.47	1,496	1.81%
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$80,272</b>	<b>\$78.62</b>		<b>\$11,238,121</b>	<b>\$11,595,631</b>	<b>\$81.12</b>	<b>\$82,826</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>72.55%</b>	<b>\$58,236</b>	<b>\$57.04</b>	<b>\$8,153,093</b>	<b>\$8,145,002</b>	<b>\$56.98</b>	<b>\$58,179</b>	<b>70.24%</b>

<b>SOURCES OF FUNDS</b>				<b>TDHCA</b>	<b>APPLICANT</b>	<b>RECOMMENDED</b>		
Lend Lease Mortgage Capital	40.04%	\$32,143	\$31.48	\$4,500,000	\$4,500,000	\$4,500,000		Developer Fee Available
City CDBG Funds	0.09%	\$71	\$0.07	10,000	10,000	10,000		\$1,380,225
LIHTC Syndication Proceeds	54.68%	\$43,891	\$42.99	6,144,703	6,144,703	6,118,028		% of Dev. Fee Deferred
Deferred Developer Fees	8.37%	\$6,721	\$6.58	940,928	940,928	967,603		70%
Additional (excess) Funds Required	-3.18%	(\$2,554)	(\$2.50)	(357,510)	0	(0)		15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$11,238,121</b>	<b>\$11,595,631</b>	<b>\$11,595,631</b>		<b>\$2,345,233</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Forest Park Apartments, Bryan, 9% LIHTC #03009*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.86	\$5,983,498
<b>Adjustments</b>				
Exterior Wall Finish	6.25%		\$2.62	\$373,969
9-Ft. Ceilings	3.00%		1.26	179,505
Roofing			0.00	0
Subfloor			(1.01)	(144,369)
Floor Cover			1.92	274,445
Porches/Balconies	\$29.24	22,532	4.61	658,836
Plumbing	\$615	420	1.81	258,300
Built-In Appliances	\$1,625	140	1.59	227,500
Stairs	\$1,625	20	0.23	32,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	210,122
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$59.56	3,100	1.29	184,642
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.64</b>	<b>8,238,946</b>
Current Cost Multiplier	1.03		1.73	247,168
Local Multiplier	0.89		(6.34)	(906,284)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.03</b>	<b>\$7,579,831</b>
Plans, specs, survy, bld prm	3.90%		(\$2.07)	(\$295,613)
Interim Construction Interest	3.38%		(1.79)	(255,819)
Contractor's OH & Profit	11.50%		(6.10)	(871,681)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.07</b>	<b>\$6,156,717</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,500,000	Term	360
Int Rate	6.30%	DCR	1.30
<b>Secondary</b>	\$10,000	Term	
Int Rate	0.00%	Subtotal DCR	1.30
<b>Additional</b>	\$6,144,703	Term	
Int Rate		Aggregate DCR	1.30

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$334,245
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$101,530</b>

<b>Primary</b>	\$4,500,000	Term	360
Int Rate	6.30%	DCR	1.30
<b>Secondary</b>	\$10,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
<b>Additional</b>	\$6,144,703	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	\$1,050,144	\$1,081,648	\$1,114,098	\$1,147,521	\$1,181,946	\$1,370,200	\$1,588,437	\$1,841,434	\$2,474,733
Secondary Income	8,400	8,652	8,912	9,179	9,454	10,960	12,706	14,729	19,795
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,058,544	1,090,300	1,123,009	1,156,700	1,191,401	1,381,160	1,601,143	1,856,163	2,494,528
Vacancy & Collection Loss	(79,391)	(81,773)	(84,226)	(86,752)	(89,355)	(103,587)	(120,086)	(139,212)	(187,090)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$979,153</b>	<b>\$1,008,528</b>	<b>\$1,038,784</b>	<b>\$1,069,947</b>	<b>\$1,102,046</b>	<b>\$1,277,573</b>	<b>\$1,481,057</b>	<b>\$1,716,951</b>	<b>\$2,307,439</b>
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$41,014	\$42,655	\$44,361	\$46,135	\$47,981	\$58,376	\$71,023	\$86,411	\$127,909
Management	48,958	50,426	51,939	53,497	55,102	63,879	74,053	85,848	115,372
Payroll & Payroll Tax	120,102	124,906	129,902	135,098	140,502	170,942	207,977	253,036	374,555
Repairs & Maintenance	53,634	55,780	58,011	60,331	62,745	76,338	92,877	113,000	167,267
Utilities	32,512	33,813	35,166	36,572	38,035	46,275	56,301	68,499	101,395
Water, Sewer & Trash	60,218	62,627	65,132	67,737	70,447	85,709	104,278	126,870	187,799
Insurance	35,735	37,164	38,651	40,197	41,805	50,862	61,881	75,288	111,445
Property Tax	96,705	100,573	104,596	108,780	113,131	137,641	167,462	203,743	301,589
Reserve for Replacements	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Other	26,500	27,560	28,662	29,809	31,001	37,718	45,889	55,832	82,644
<b>TOTAL EXPENSES</b>	<b>\$543,378</b>	<b>\$564,624</b>	<b>\$586,705</b>	<b>\$609,653</b>	<b>\$633,504</b>	<b>\$767,593</b>	<b>\$930,229</b>	<b>\$1,127,517</b>	<b>\$1,657,298</b>
<b>NET OPERATING INCOME</b>	<b>\$435,775</b>	<b>\$443,904</b>	<b>\$452,079</b>	<b>\$460,294</b>	<b>\$468,541</b>	<b>\$509,979</b>	<b>\$550,828</b>	<b>\$589,434</b>	<b>\$650,141</b>
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$334,245	\$334,245	\$334,245	\$334,245	\$334,245	\$334,245	\$334,245	\$334,245	\$334,245
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$101,530</b>	<b>\$109,659</b>	<b>\$117,834</b>	<b>\$126,049</b>	<b>\$134,296</b>	<b>\$175,734</b>	<b>\$216,582</b>	<b>\$255,189</b>	<b>\$315,896</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.33</b>	<b>1.35</b>	<b>1.38</b>	<b>1.40</b>	<b>1.53</b>	<b>1.65</b>	<b>1.76</b>	<b>1.95</b>

**LIHTC Allocation Calculation - Forest Park Apartments, Bryan, 9% LIHTC #03009**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$710,000	\$344,399		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$700,000	\$700,000	\$700,000	\$700,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$6,111,000	\$6,156,717	\$6,111,000	\$6,156,717
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$136,220	\$136,220	\$136,220	\$136,220
Contractor profit	\$408,660	\$408,660	\$408,660	\$408,660
General requirements	\$408,660	\$408,660	\$408,660	\$408,660
<b>(5) Contingencies</b>				
	\$380,462	\$342,836	\$340,550	\$342,836
<b>(6) Eligible Indirect Fees</b>				
	\$551,996	\$551,996	\$551,996	\$551,996
<b>(7) Eligible Financing Fees</b>				
	\$504,500	\$504,500	\$504,500	\$504,500
<b>(8) All Ineligible Costs</b>				
	\$94,477	\$94,477		
<b>(9) Developer Fees</b>				
Developer overhead	\$276,045	\$276,045	\$1,374,238	\$276,045
Developer fee	\$1,104,180	\$1,104,180		\$1,104,180
<b>(10) Development Reserves</b>				
	\$209,431	\$209,431		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$11,595,631</b>	<b>\$11,238,121</b>	<b>\$10,535,824</b>	<b>\$10,589,814</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in elig	\$10,000	\$10,000	\$10,000	\$10,000
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$10,525,824</b>	<b>\$10,579,814</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$10,525,824</b>	<b>\$10,579,814</b>
Applicable Fraction			85.00%	85.00%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$8,946,950</b>	<b>\$8,992,842</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$746,176</b>	<b>\$750,003</b>

Syndication 0.8199 \$6,118,028 \$6,149,410

**Total Credits (Eligible Basis Method) \$746,176 \$750,003**

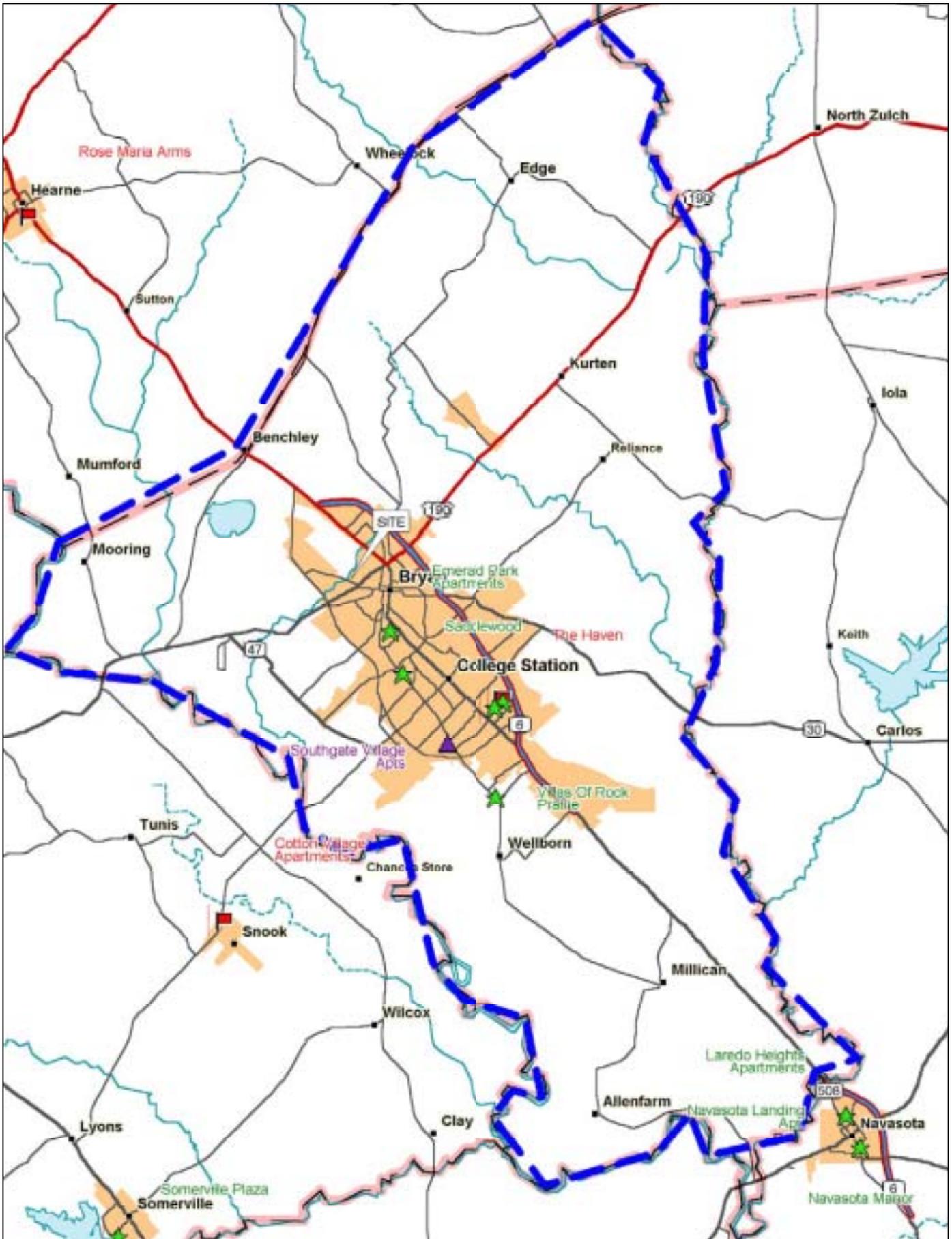
**Syndication Proceeds \$6,118,028 \$6,149,410**

**Requested Credits \$749,429**

**Syndication Proceeds \$6,144,703**

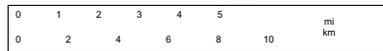
**Gap of Syndication Proceeds Needed \$7,085,631**

**Credit Amount \$864,188**



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
 Zoom Level: 9-4 Datum: WGS84

Scale 1 : 300 000  
 1" = 4.73 mi



**TDHCA #**

**03065**

**Region 8**



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

Development Name: **Red Oak**

TDHCA #: **03065**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: 4500 Block of South 3rd Street  
 City: Waco County: McLennan Zip Code: 76706  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 80 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: North Red Oak Limited Partnership

Principal Names	Principal Contact	Percentage Ownership
Tejas Housing V, Inc.	R.J. Collins	90% of GP
Valentine Realtors, Inc	Ronnie Hodges	10% of GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$559,937** Allocation over 10 Years: \$5,599,370  
 Credits Requested: \$559,937 Eligible Basis Amount: \$561,340 Equity/Gap Amount: \$620,643

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	3	10	13
40%	0	0	2	4	6
50%	0	0	3	10	13
60%	0	0	8	24	32
MR	0	0	0	16	16
Total	0	0	16	64	

Total LI Units: 64  
 Owner/Employee Units: 0  
 Total Project Units: 80  
 Applicable Fraction: 80.00

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: \$6,969,499 Average Square Feet/Unit: 1,140  
 Gross Building Square Feet: 94,232 Cost Per Net Rentable Square Foot: \$76.39  
 Total Net Rentable Area Square Feet: 91,232 Credits per Low Income Uni: \$8,749

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$477,622  
 Total Expenses: \$286,983  
 Net Operating Income: \$190,639  
 Estimated 1st Year Debt Coverage Ratio: 1.10

**FINANCING**

Permanent Principal Amount: \$2,066,909  
 Applicant Equity: \$479,530  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.7899

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Tejas Housing & Development, Inc.	Market Analyst: Novogradac & Company, LLC
Housing GC: Charter Builders	Originator/UW: NA
Engineer: NA	Appraiser: NA
Cost Estimator: Charter Builders	Attorney: Kuperman, Orr, Mouer, & Albers
Architect: L.K. Travis & Associates	Accountant: Novogradac & Company, LLC
Property Manager: Orion Real Estate Services, Inc.	Supp Services: Texas Inter-Faith Housing Co.
Syndicator: Simpson Housing Solutions	Permanent Lender: Collateral Mortgage Corporation

**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: Linda Ethridge, Mayor, S	Larry D. Groth, City Manager Waco, S
TX Representative: John Mabry, Jr., District 56, S	Jack Stewart, President Waco Chamber of Commerce, S
TX Senator: Kip Averitt, District 22, S	
US Representative:	
US Senator:	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 100	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of final approval of zoning by execution of commitment.

Receipt, review and acceptance of documentation verifying the Applicant's compliance with the recommendations of the Phase I ESA and all subsequent environmental studies.

Receipt, review and acceptance of a permanent financing structure with firm commitments that results in debt service not exceeding \$173,308 per year.

Receipt, review, and acceptance of final architectural plans and/or an engineering report that confirms that all buildings will have finished ground floors at least one foot above the base flood elevation, and all drives and parking areas are engineered to be not more than six inches below the base flood elevation and incorporation of building and tenant flood insurance in the operating expense budget for the development.

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.

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: This Development has a competitive score in its region.**

Robert Onion, Manager of Awards and Allocation	Date	Brooke Boston, Director of Multifamily Finance Production	Date
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Edwina Carrington, Executive Director	Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount:  Date of Determination:

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

Project ID # **03065**

Name: **Red Oak**

City: **Waco**

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: 2

## 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 29, 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 16, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03065

**DEVELOPMENT NAME**

Red Oak Apartments

**APPLICANT**

<b>Name:</b>	North Red Oak L.P.	<b>Type:</b>	For Profit
<b>Address:</b>	8455 Lyndon Lane	<b>City:</b>	Austin
<b>State:</b>	Texas	<b>Phone:</b>	(512) 249-6240
<b>Zip:</b>	78729	<b>Contact:</b>	R.J. Collins
<b>Fax:</b>	(512) 249-6660		

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	Tejas Housing V, Inc.	<b>(%):</b>	0.009	<b>Title:</b>	Managing General Partner
<b>Name:</b>	Valentine Realtors, Inc.	<b>(%):</b>	0.001	<b>Title:</b>	Co-General Partner
<b>Name:</b>	Tejas Housing and Development, Inc.	<b>(%):</b>	N/A	<b>Title:</b>	Developer
<b>Name:</b>	R.J. Collins	<b>(%):</b>	N/A	<b>Title:</b>	Owner of M.G.P.
<b>Name:</b>	Ronette Hodges	<b>(%):</b>	N/A	<b>Title:</b>	Owner of Co-G.P.

**PROPERTY LOCATION**

**Location:** 4500 block of South 3<sup>rd</sup> Street  **QCT**  **DDA**

**City:** Waco **County:** McLennan **Zip:** 76706

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$559,937	N/A	N/A	10 years
<b>Other Requested Terms:</b> 1) Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New construction		<b>Property Type:</b> Multifamily	
<b>Set-Aside(s):</b> <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 \$559,937 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of final approval of zoning by execution of commitments;
2. Receipt, review and acceptance of documentation verifying the Applicant's compliance with the recommendations of the Phase I ESA and all subsequent environmental studies;
3. Receipt, review and acceptance of a permanent financing structure with firm commitments that results in debt service not exceeding \$173,308 per year;
4. Receipt, review, and acceptance of final architectural plans and/or an engineering report that confirms that all buildings will have finished ground floors at least one foot above the base flood elevation, and all drives and parking areas are engineered to be not more than six inches below the base flood elevation and incorporation of building and tenant flood insurance in the operating expense budget for the development.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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evaluated and an adjustment to the credit amount may be warranted.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>80</u>	<b># Rental Buildings:</b>	<u>20</u>	<b># Common Area Bldgs:</b>	<u>1</u>	<b># of Floors:</b>	<u>2</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at / /
<b>Net Rentable SF:</b>	<u>91,232</u>	<b>Av Un SF:</b>	<u>1,140</u>	<b>Common Area SF:</b>	<u>3,000</u>	<b>Gross Bldg SF:</b>	<u>94,232</u>					

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 75% brick veneer/25% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing, and central heating and air conditioning.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

3,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play, volleyball court, and picnic area.

**Uncovered Parking:** 200 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Red Oak Apartments is a proposed new, mixed-income development of 80 townhouses located in the extreme southeast part of Waco. Based on the site plan, the development appears to be Phase I of two parts. The site plan lays out a moderately dense complex of 20 buildings with a density of 5.75 units per acre. However, because all of the buildings are concentrated in a ten-acre portion of the site and the remaining four acres are merely an appendage which follows a creek bottom and is unlikely for future development, the effective density of the site is really approximately eight units per acre. The development plan comprises the following residential buildings:

- Eight Building Type A with two two-bedroom/two-bath units and two three- bedroom/two-bath units;
- Five Building Type B with four three-bedroom/two-bath units; and
- Seven Building Type C with four three-bedroom/two-bath units.

**Architectural Review:** The buildings have an overall attractive appearance, with gabled windows and entry doors, and a combination of brick veneer and Hardiplank siding. Most of the three-bedroom units are two-story, with the two-bedroom units and all of the accessible units having one story. Each of the unit floor plans appear to have well arranged living, dining, and kitchen areas, with sufficient space in the bedrooms and a sufficient number of closets and windows. The community building is located at the entrance. The site plan places a future childcare center adjacent to the community center. It is assumed the childcare center will be built during construction of Phase II.

**Supportive Services:** The Applicant has entered into a supportive services contract with Texas Interfaith Management Corporation for a term of five years. Supportive services under the contract may include team sports for children and youth, classes to foster drug and alcohol awareness, gang prevention, fire prevention, youth self-esteem programs, neighborhood pride and safety programs, parenting classes, cooking classes, household budgeting and check writing classes, religious studies, activities to develop respect between individuals and among families, English as a second language, job training, computer literacy, mentoring, individual and group tutoring, bingo parties, dances and dinners, bus trips to local grocery stores and shopping centers, citizenship and voting programs, home maintenance programs, common area maintenance programs, and neighborhood enrichment programs. The Applicant has certified that it will coordinate its tenant services

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MULTIFAMILY UNDERWRITING ANALYSIS**

programs with state workforce development and welfare programs, and that it will provide at least three of the tenant services from among TDHCA's tenant services options.

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

SITE ISSUES			
SITE DESCRIPTION			
Size:	13.9 acres	605,484	square feet    Zoning/ Permitted Uses:    R-1B
Flood Zone Designation:	Zones C & A	Status of Off-Sites:	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the southeast area of Waco, approximately three miles from the central business district. The site is situated on the south side of South 3<sup>rd</sup> Street.

**Adjacent Land Uses:**

- **North:** Loop 340 right of way
- **South:** Gas line "bleed off" station
- **East:** Agricultural land and residential dwellings
- **West:** Vacant land and residential dwellings

**Site Access:** Access to the property is from the east along Loop 340 or the north from South 3<sup>rd</sup> Street. The development is to have two main entries, one from each of these streets. Access to Interstate Highway 35 is approximately three miles west.

**Public Transportation:** According to the market study, the nearest point of access to the public transportation system is two miles northwest of the site.

**Shopping & Services:** The site is within three miles of major grocery stores, pharmacies, shopping centers, a library, and schools, and within five miles of the nearest hospital.

**Special Adverse Site Characteristics:**

- **Zoning:** The site is currently zoned for "High Quality Very Light Industrial," and is not zoned for the proposed multifamily use. The Phase I ESA notes that there are several caliche mining pits located within one mile of the site, and also shows a photograph of a landscaping company's warehouse facilities, all of which would seem to be consistent for land uses adjacent to a site zoned for light industries. The Applicant has a pending request with the City of Waco to rezone separate tracts of the original 25.358 acres to "Low Density Residential" and "Commercial & Office, and has received initial approval of a zoning change. Final approval of the zoning change is a condition of this report.
- **Floodplain:** The boundary survey submitted with the application shows the 100-year flood hazard area as scanned from the FEMA flood zone map for the area. Without a survey of elevations, though, the precise flood zone boundaries cannot be determined. Despite this, the boundary survey shows that most of the proposed development will be located within flood zone "A," the 100-year floodplain. A note to the site plan would seem to confirm this likelihood by stating that "the finished floor elevation of all buildings will be set one foot above the 100-year flood line." Approximately the northern third of the site appears to be located in flood zone "C," areas of minimal flooding. Receipt, review, and acceptance of final architectural plans and/or an engineering report reflecting that all buildings will have finished ground floors at least one foot above the base flood elevation, and all drives and parking areas are engineered to be not lower than six inches below the base flood elevation, and incorporation of building and tenant flood insurance in the operating expense budget of the development, is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 5, 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 February 14, 2003, 2003 was prepared by William Rich of Matrix Environmental Sciences, Inc. and contained the following findings and recommendations:

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

**Findings:** Historically, the site has been agricultural land, and there are currently two houses, three or four sheds and barns, and two concrete silos standing on the property. The Phase I ESA identified three environmental findings, those being the presence of asbestos-containing materials (ACMs) in the construction of the houses, the septic systems associated with the houses, and a large degree of trash in and around the two silos.

The ESA indicates that if the houses on the site are to be demolished, then lead-based paint should not be a concern. Consultation with U.S. Department of the Interior resources indicates a low potential for radon gas in the area. A review of the position and distance of the property to local highways, compared to “Common Outdoor Noise Level” estimates indicates that there should not be an excessive amount of traffic noise.

**Recommendations:** The ESA recommends testing of the structures for ACMs, removal of trash and the septic tanks, and further inspection of the soils once the trash and improvements have been removed.

Receipt, review and acceptance of documentation verifying the Applicant’s compliance with the recommendations of the Phase I ESA and all subsequent environmental studies is a condition of this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Sixty-four of the units (80% of the total) will be reserved for low-income tenants. Thirteen of the units (16%) will be reserved for households earning 30% or less of AMGI; six of the units (8%) will be reserved for households earning 40% or less of AMGI; thirteen of the units (16%) will be reserved for households earning 50% or less of AMGI; and thirty-two units (40%) will be reserved for households earning 60% or less of AMGI. The remaining sixteen units (20%) will be offered at market rents.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$19,440	\$22,200	\$25,020	\$27,780	\$30,000	\$32,220

**MARKET HIGHLIGHTS**

A market feasibility study dated March 28, 2003 was prepared by Novogradac & Company, LLP and highlighted the following findings:

**Definition of Primary Market:** The Market Analyst identifies the project’s primary market area as including the central and eastern portions of Waco, delineated by Loop 6 to the north, east, and south, and State Highway 84 to the west. (p. 13)

**Population:** In 2001, the estimated population in the primary market area was 43,696 and is expected to increase 0.4% annually to approximately 44,576 in 2006. Within the primary market area there were estimated to be 14,985 households in 2001.

**Total Local/Submarket Demand for Rental Units:** “The demand analysis illustrates demand for the subject based on capture rates of eligible-income households. When viewing total income-eligible renter households for the 64 LIHTC units, the calculation illustrates an overall capture rate of 1.50% at 30% of AMI; 1% at 40% of AMI; 2% at 50% of AMI; and 4.58% at 60% of AMI. The very low capture rate for all rent-restricted units is considered reflective of very strong demand. Additionally, the annual yielded penetration rate of 4.27% for the LIHTC units indicates the absorption period should be less than one year. The demand analysis for the market rate units also produced very positive results for the subject property. The annual yielded penetration rate for the four [sic] proposed market rate units is estimated to be 3.14%, indicating an absorption period for these units of less than one year as well.” (p. 59) Although the Market Analyst refers to four market units in the text, this must be an error since the mathematical calculation resulting in the 3.14% capture rate is based on the 16 market units actually proposed.

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<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	5	0.4%	13	1%
Resident Turnover	1,278	89.6%	1,257	99%
Other: 10% from outside the PMA	142	10%	N/A	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,425</b>	<b>100%</b>	<b>1,269</b>	<b>100%</b>

Ref: p. 57

**Inclusive Capture Rate:** The Market Analyst has calculated a capture rate of 4.27% for the subject’s 64 affordable units and a total demand for 1,425 units. (p. 57) The Underwriter calculated a capture rate of 6% using all 80 units.

**Local Housing Authority Waiting List Information:** “[The Waco Housing Authority] reports that there are an estimated 1,824 families on a waiting list for available Section 8 housing units.” (p. 25)

**Market Rent Comparables:** The Market Analyst surveyed seven comparable apartment projects totaling 1,392 units in the market area.

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>2-Bedroom (30%)</b>	\$232	\$232	\$0	\$750	-\$518
<b>2-Bedroom (40%)</b>	\$337	\$337	\$0	\$750	-\$413
<b>2-Bedroom (50%)</b>	\$441	\$441	\$0	\$750	-\$309
<b>2-Bedroom (60%)</b>	\$545	\$545	\$0	\$750	-\$205
<b>3-Bedroom (30%)</b>	\$261	\$256	+\$5	\$925	-\$664
<b>3-Bedroom (40%)</b>	\$381	\$376	+\$5	\$925	-\$544
<b>3-Bedroom (50%)</b>	\$501	\$496	+\$5	\$925	-\$424
<b>3-Bedroom (60%)</b>	\$622	\$617	+\$5	\$925	-\$303
<b>3-Bedroom (MR)</b>	\$684	N/A	N/A	\$925	-\$241

(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:** Occupancy rates among the market comparables ranged from 96% to 100%. The Market Analyst goes on to state, “Based on conversations with other local managers from stabilized properties not included in this survey, it appears typical occupancy rates for this market range from 93 to 98%, but high turnover from a large student population [means] maintaining occupancy rates consistently above 95% is very challenging for market rate properties. Conversely, most LIHTC properties target families, experience lower turnover, and offer substantial rent discounts relative to comparable market rate properties. The only stabilized LIHTC property included in this survey reported occupancy of 100%. Thus, the subject will likely also maintain a stabilized occupancy rate greater than 95% during its operation.” (p. 33)

**Absorption Projections:** “Based on the results of the market survey, two comparable properties were identified in the primary market area that could provide insights into potential absorption of the subject’s 64 affordable units. Brazos Village was constructed in 1998 and provides 144 LIHTC units with rent restrictions at 50% and 60% AMI. According to property management at this property, the initial absorption period was approximately six months, corresponding to an absorption rate of 24 units per month. Similarly, Brazos Landing was constructed in 2003 and provides 20 LIHTC units with rent restrictions at 50% and 60% AMI. According to property management, this property is absorbing units at a rate of approximately six per week. Since the subject will be very comparable to these two LIHTC properties in terms of condition, tenancy, and amenities, we conservatively estimate an absorption pace of five months for the subject, or an average of

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MULTIFAMILY UNDERWRITING ANALYSIS**

approximately 16 units per month.” (p. 32)

**Known Planned Development:** “Based on interviews with local property managers and conversations with the Waco Planning and Zoning Department, there are no known new market rate properties proposed for the primary market area.” (p. 25)

**Effect on Existing Housing Stock:** “The impact on existing and proposed multifamily housing in the primary market area is anticipated to be minimal. The LIHTC demand analysis suggests 1,425 unaccommodated units of demand for affordable housing will be forced to leave the market without additional construction. Moreover, more than 1,924 households are currently on the waiting list for affordable housing at comparable LIHTC properties and Section 8 properties according to the Waco Housing Authority. Since no additional supply of multifamily units (market rate or LIHTC), other than the subject, are proposed for the primary market area, the subject will be easily integrated into the market area.” (p. 69)

**Conclusion:** The Underwriter has two primary concerns with the market study. The first is that the Market Analyst is inconsistent in references to the primary market area (PMA). At the beginning of the report, the analyst defines the PMA, more or less, as the southeastern half of the City of Waco. Later in the report, the analyst draws comparable properties from throughout the City of Waco, within and outside of the PMA. This in itself is not necessarily a problem, except that the analyst continually refers to properties which lie outside of the originally defined PMA as lying within the PMA. This ultimately causes confusion as to whether the supply and demand analysis is only meant to consider the original PMA encompassing only the southeastern portion of the city, or whether the original PMA definition is mistaken, and the PMA was meant to encompass the whole city of Waco. An amended market study should be provided in which references to the PMA are consistent with the analyst’s definition of the PMA.

The other concern is the market study’s silence as to how the relative remoteness of the site’s location might or might not impact the marketability of the project. Photographs of the site and descriptions of the area from the Phase I ESA give the impression that the site is somewhat remotely located in the country with only cow pastures, farm residences, and caliche quarries as potential for residents of the proposed development. A discussion of this issue should be provided by the market analyst in an addendum to the market study.

Apart from these two concerns, the market study does substantiate that in general there is demand for additional affordable housing in the City of Waco.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s net rent projections for three-bedroom units are \$5 higher than the Underwriter’s estimates for each set-aside. It appears that the Applicant may have understated utility allowances based on the sheet submitted as an exhibit to the application. However, estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Overall, the Applicant’s effective gross income figure is within 5% of the Underwriter’s estimate and is, therefore, generally acceptable.

**Expenses:** The Applicant’s total expense estimate of \$3,299 per unit is not within 5% of the Underwriter’s estimate. In addition, the Applicant’s utilities estimate deviates significantly when compared to the database average and calculations based on the utility allowances for the City of Waco, and payroll is \$10K less than the Underwriter’s estimate.

**Conclusion:** The Applicant’s 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 total operating expense estimates, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 does not meet the Department’s minimum standard of 1.10. This suggests that the project cannot support the proposed debt service and must reduce the annual debt service by \$14,777. The effect of this decrease in annual debt service on the permanent sources of funds will be discussed in the conclusion to the Financing Structure Analysis section of this report.

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

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
<b>Land: 13.9 acres (at market)</b>	\$71,736	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$55,179	<b>Valuation by:</b>	McLennan County Appraisal District
<b>Total Assessed Value: (at market)</b>	\$126,915	<b>Tax Rate:</b>	\$2.72263 (currently assessed as agricultural land)
EVIDENCE of SITE or PROPERTY CONTROL			
<b>Type of Site Control:</b>	Unimproved commercial property contract		
<b>Contract Expiration Date:</b>	10/ 31/ 2003	<b>Anticipated Closing Date:</b>	10/ 31/ 2003
<b>Acquisition Cost:</b>	\$263,000	<b>Other Terms/Conditions:</b>	Contingent on rezoning.
<b>Seller:</b>	Charles T. Robb et al.	<b>Related to Development Team Member:</b>	No

CONSTRUCTION COST ESTIMATE EVALUATION	
<b>Acquisition Value:</b>	The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.
<b>Sitework Cost:</b>	The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects. However, due to several farm buildings and two concrete silos which must be demolished, and quite possibly in accordance with asbestos abatement procedures, it is not clear if the Applicant's budget of \$5,500 for demolition is sufficient. Moreover, the Applicant has included the demolition cost of \$5,500 in their eligible basis when such costs tie to the land and are ineligible, thus the Underwriter has removed this amount from eligible basis for purposes of this analysis.
<b>Direct Construction Cost:</b>	The Applicant's direct construction cost estimate is \$174,973 or 4.6% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate.
<b>Fees:</b>	The Applicant's contractor's general requirements, general and administrative fees, and profit exceed the 6%, 2% and 6% maximum allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$770 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 \$1,841.
<b>Conclusion:</b>	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 by the Underwriter for overstated fees and ineligible demolition costs, is used to size the eligible tax credits. As a result an eligible basis of \$6,542,972 is used to determine eligible tax credits of \$561,340 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs and the Applicant's request to determine the recommended credit amount.

FINANCING STRUCTURE	
INTERIM CONSTRUCTION or GAP FINANCING	
<b>Source:</b>	Collateral Mortgage Corporation
<b>Contact:</b>	Philip A. Melton
<b>Principal Amount:</b>	\$2,418,950
<b>Interest Rate:</b>	To be determined.
<b>Additional Information:</b>	
<b>Amortization:</b>	N/A yrs
<b>Term:</b>	2 yrs
<b>Commitment:</b>	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional

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

**LONG TERM/PERMANENT FINANCING**

**Source:** Collateral Mortgage Corporation **Contact:** Philip A. Melton  
**Principal Amount:** \$2,242,028 **Interest Rate:** 240 basis points over 30-year Treasury (approx. 7.50%)  
**Additional Information:**  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$188,119 **Lien Priority:** 1st **Commitment Date:** 02/ 10/ 2003

**GRANT**

**Source:** City of Waco CDBG funds **Contact:** Jeff Wall  
**Amount:** \$1,000 **Commitment:**  None  Firm  Conditional  
**Additional Information:** Application received by Waco on February 13, 2003

**LIHTC SYNDICATION**

**Source:** Simpson Housing Solutions **Contact:** Mike Sugrue  
**Address:** 720 East Park Boulevard **City:** Plano  
**State:** Texas **Zip:** 75074 **Phone:** (888) 261-8390 **Fax:** (972) 442-0224  
**Net Proceeds:** \$4,423,060 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 79¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 02/ 10/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** \$303,411 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**City of Waco CDBG Funds:** The Applicant has indicated the City of Waco will supply a grant of \$1,000. The city received an application on February 13, 2003. Development costs equal to the grant of \$1,000 were excluded by the Underwriter from the Applicant's eligible basis calculation.

**LIHTC Syndication:** The syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. Forty percent of the funds will be available during the construction stage of the development. In addition, Simpson Housing Solutions will provide a bridge in a "to be determined" amount at a 9% interest rate.

**Deferred Developer's Fees:** The Applicant's estimated deferred fees amount to 35% of total proposed developer fees.

**Financing Conclusions:** As stated above, the Applicant's total cost breakdown is used to calculate eligible basis and determine the eligible tax credits of \$561,340, which is supported by the gap in need. The lesser of the tax credits based on eligible basis, the gap in need, and the Applicant's request must be recommended. In this case, the Applicant's request of \$559,937 annually in tax credits is recommended.

The Underwriter's estimated debt coverage ratio (DCR) of 1.01 does not meet the Department's minimum standard of 1.10. This suggests that the project cannot support the proposed debt service and must reduce the annual debt service by \$14,777. Based on the terms indicated in the submitted letter of interest from Collateral Mortgage, the permanent loan will likely be reduced to \$2,065,909.

The resulting increase in deferred developer fees to a total of \$479,530 causes the development to be considered of higher risk due to the inability to repay the deferred fees from projected cashflow within ten years of stabilized operation. However, the deferred fees appear to be repayable within 15 years and,

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

therefore, a tax credit allocation is recommended based on current Department guidelines.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer, and General Contractor are all related entities. 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 statements.
- Unaudited consolidated financial statements were submitted for the Developer, Tejas Housing and Development, Inc. The financial statement, dated December 31, 2002, reports total assets of \$215,371, consisting of \$51,793 in cash and \$163,578 in work in progress. Liabilities of \$192,001 in notes and accounts payable result in a net worth of \$23,370.
- Unaudited financial statements were submitted for Valentine Realtors, Inc. which has an interest in 10% of the General Partner. The financial statement, dated December 31, 2002, reports total assets of \$467,886 consisting of \$74,322 in cash, \$311,923 in various development projects, \$54,000 in receivables, and \$27,640 in equipment and furniture. Liabilities consisting of a \$53,220 note payable to the sole stockholder, and equity of \$107,798 result in a net worth of \$306,867.
- No financial statements were submitted for Tejas Housing V, Inc. which has an interest of 90% in the General Partner, and as the corporation was only formed in February 2003, it does not appear on the financial statements of the Developer, or the personal financial statements of the Principal, whose statements are dated as of December 31, 2002.
- Ronette Hodges and R.J. Collins submitted unaudited personal financial statements dated December 31, 2002.

**Background & Experience:**

- The two principals of the General Partner, between them, have two LIHTC housing developments totaling 220 units currently under construction.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental risks exist regarding the site's location within the 100-year floodplain.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 16, 2003
	<i>Stephen Apple</i>		
<b>Underwriter:</b>	_____	<b>Date:</b>	June 16, 2003
	<i>Lisa Vecchietti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 16, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Red Oak Apartments, Waco, LIHTC #03065**

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sq Ft	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per Sq Ft	Utilities	Wfr, Swr, Trsn
HTF/TC30%	3	2	2	942	\$312	\$232	\$696	\$0.25	\$60.00	\$28.00
HTF/TC40%	2	2	2	942	417	337	674	0.36	60.00	28.00
HTF/TC50%	3	2	2	942	521	441	1,323	0.47	60.00	28.00
HTF/TC60%	8	2	2	942	625	545	4,360	0.58	60.00	28.00
HTF/TC30%	10	3	2	1,190	361	256	2,560	0.22	78.00	35.00
HTF/TC40%	4	3	2	1,190	481	376	1,504	0.32	78.00	35.00
HTF/TC50%	10	3	2	1,190	601	496	4,960	0.42	78.00	35.00
HTF/TC60%	24	3	2	1,190	722	617	14,808	0.52	78.00	35.00
Market	16	3	2	1,190	684	684	10,944	0.57	78.00	35.00
<b>TOTAL:</b>	<b>80</b>		<b>AVERAGE:</b>	<b>1,140</b>	<b>\$602</b>	<b>\$523</b>	<b>\$41,829</b>	<b>\$0.46</b>	<b>\$74.40</b>	<b>\$33.60</b>

**INCOME**

Total Net Rentable Sq Ft: **91,232**

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.22%	\$312	0.27
Management	5.14%	307	0.27
Payroll & Payroll Tax	14.37%	858	0.75
Repairs & Maintenance	9.43%	563	0.49
Utilities	3.81%	228	0.20
Water, Sewer, & Trash	2.92%	174	0.15
Property Insurance	3.63%	217	0.19
Property Tax 2.72263	9.89%	591	0.52
Reserve for Replacements	3.35%	200	0.18
Other Expenses:	2.32%	139	0.12
<b>TOTAL EXPENSES</b>	<b>60.09%</b>	<b>\$3,587</b>	<b>\$3.15</b>
<b>NET OPERATING INC</b>	<b>39.91%</b>	<b>\$2,383</b>	<b>\$2.09</b>

**DEBT SERVICE**

FNMA insured loan	39.39%	\$2,351	\$2.06
City of Waco CDBG grant	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>0.53%</b>	<b>\$31</b>	<b>\$0.03</b>

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.89%	\$3,288	\$2.88
Off-Sites		0.00%	0	0.00
Sitework		7.60%	6,431	5.64
Direct Construction		55.84%	47,223	41.41
Contingency	3.65%	2.31%	1,957	1.72
General Req'ts	6.00%	3.81%	3,219	2.82
Contractor's G & A	2.00%	1.27%	1,073	0.94
Contractor's Profit	6.00%	3.81%	3,219	2.82
Indirect Construction		3.40%	2,875	2.52
Ineligible Costs		1.21%	1,024	0.90
Developer's G & A	3.58%	2.90%	2,454	2.15
Developer's Profit	11.42%	9.27%	7,841	6.88
Interim Financing		3.12%	2,639	2.31
Reserves		1.56%	1,323	1.16
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$84,567</b>	<b>\$74.16</b>

**Recap-Hard Construction Costs**

74.64% **\$63,123** **\$55.35**

**SOURCES OF FUNDS**

FNMA insured loan	33.14%	\$28,025	\$24.58
City of Waco CDBG grant	0.01%	\$13	\$0.01
LIHTC Syndication Proceeds	65.38%	\$55,288	\$48.48
Deferred Developer Fees	4.48%	\$3,793	\$3.33
Additional (excess) Funds Required	-3.02%	(\$2,552)	(\$2.24)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
	\$501,948	\$504,828
	14,400	14,400
	0	0
	\$516,348	\$519,228
	(38,726)	(38,940)
	0	0
	\$477,622	\$480,288
	\$24,939	\$25,600
	24,526	\$24,014
	68,629	\$58,355
	45,042	\$40,880
	18,213	\$9,000
	13,947	\$15,000
	17,334	\$18,000
	47,253	\$46,000
	16,000	\$16,000
	11,100	\$11,100
	\$286,983	\$263,949
	\$190,639	\$216,339
	\$188,119	\$188,119
	0	0
	0	0
	\$2,520	\$28,220
	1.01	1.15
	1.10	

USS Region	8
IREM Region	6
Per Unit Per Month	\$15.00
% of Potential Gross Rent	-7.50%
PER SQ FT	\$0.28
PER UNIT	\$320
% OF EGI	5.33%
	0.26
	300
	5.00%
	0.64
	729
	12.15%
	0.45
	511
	8.51%
	0.10
	113
	1.87%
	0.16
	188
	3.12%
	0.20
	225
	3.75%
	0.50
	575
	9.58%
	0.18
	200
	3.33%
	0.12
	139
	2.31%
	\$2.89
	\$3,299
	54.96%
	\$2.37
	\$2,704
	45.04%
	\$2.06
	\$2,351
	39.17%
	\$0.00
	\$0
	0.00%
	\$0.00
	\$0
	0.00%
	\$0.31
	\$353
	5.88%

	TDHCA	APPLICANT
	\$263,000	\$263,000
	0	0
	514,500	514,500
	3,777,827	3,952,800
	156,548	156,548
	257,540	268,368
	85,847	89,456
	257,540	268,368
	230,000	230,000
	81,917	81,917
	196,346	228,107
	627,295	627,295
	211,140	211,140
	105,869	78,000
	\$6,765,368	\$6,969,499
	\$5,049,801	\$5,250,040
	\$2,242,028	\$2,242,028
	1,000	1,000
	4,423,060	4,423,060
	303,411	303,411
	(204,131)	0
	\$6,765,368	\$6,969,499

	PER SQ FT	PER UNIT	% of TOTAL
	\$2.88	\$3,288	3.77%
	0.00	0	0.00%
	5.64	6,431	7.38%
	43.33	49,410	56.72%
	1.72	1,957	2.25%
	2.94	3,355	3.85%
	0.98	1,118	1.28%
	2.94	3,355	3.85%
	2.52	2,875	3.30%
	0.90	1,024	1.18%
	2.50	2,851	3.27%
	6.88	7,841	9.00%
	2.31	2,639	3.03%
	0.85	975	1.12%
	\$76.39	\$87,119	100.00%
	\$57.55	\$65,626	75.33%
	\$2,065,909	Developer Fee Available	
	1,000	\$823,641	
	4,423,060	% of Dev. Fee Deferred	
	479,530	58%	
	0	15-Yr Cumulative Cash Flow	
	\$6,969,499	\$556,478.28	

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*Red Oak Apartments, Waco, LIHTC #03065*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Basis with Average Quality Multiple Residence Adjustments

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$47.17	\$4,303,634
<b>Adjustments</b>				
Exterior Wall Finish	5.50%		\$2.59	\$236,700
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.36)	(124,194)
Floor Cover			1.92	175,165
Porches/Balconies	\$29.24	2774	0.89	81,112
Plumbing	\$615	180	1.21	110,700
Built-In Appliances	\$1,625	80	1.42	130,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	134,111
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$59.56	3,000	1.96	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>57.28</b>	<b>5,225,915</b>
Current Cost Multiplier	1.03		1.72	156,777
Local Multiplier	0.86		(8.02)	(731,628)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.98</b>	<b>\$4,651,064</b>
Plans, specs, survy, bld prmt	3.90%		(\$1.99)	(\$181,392)
Interim Construction Interes	3.38%		(1.72)	(156,973)
Contractor's OH & Profit	11.50%		(5.86)	(534,872)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.41</b>	<b>\$3,777,827</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,242,028	Term	360
Int Rate	7.50%	DCR	1.01

<b>Secondary</b>	\$1,000	Term	
Int Rate	0.00%	Subtotal DCR	1.01

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.01

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$173,342
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$17,297</b>

<b>Primary</b>	\$2,065,909	Term	360
Int Rate	7.50%	DCR	1.10

<b>Secondary</b>	\$1,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

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

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

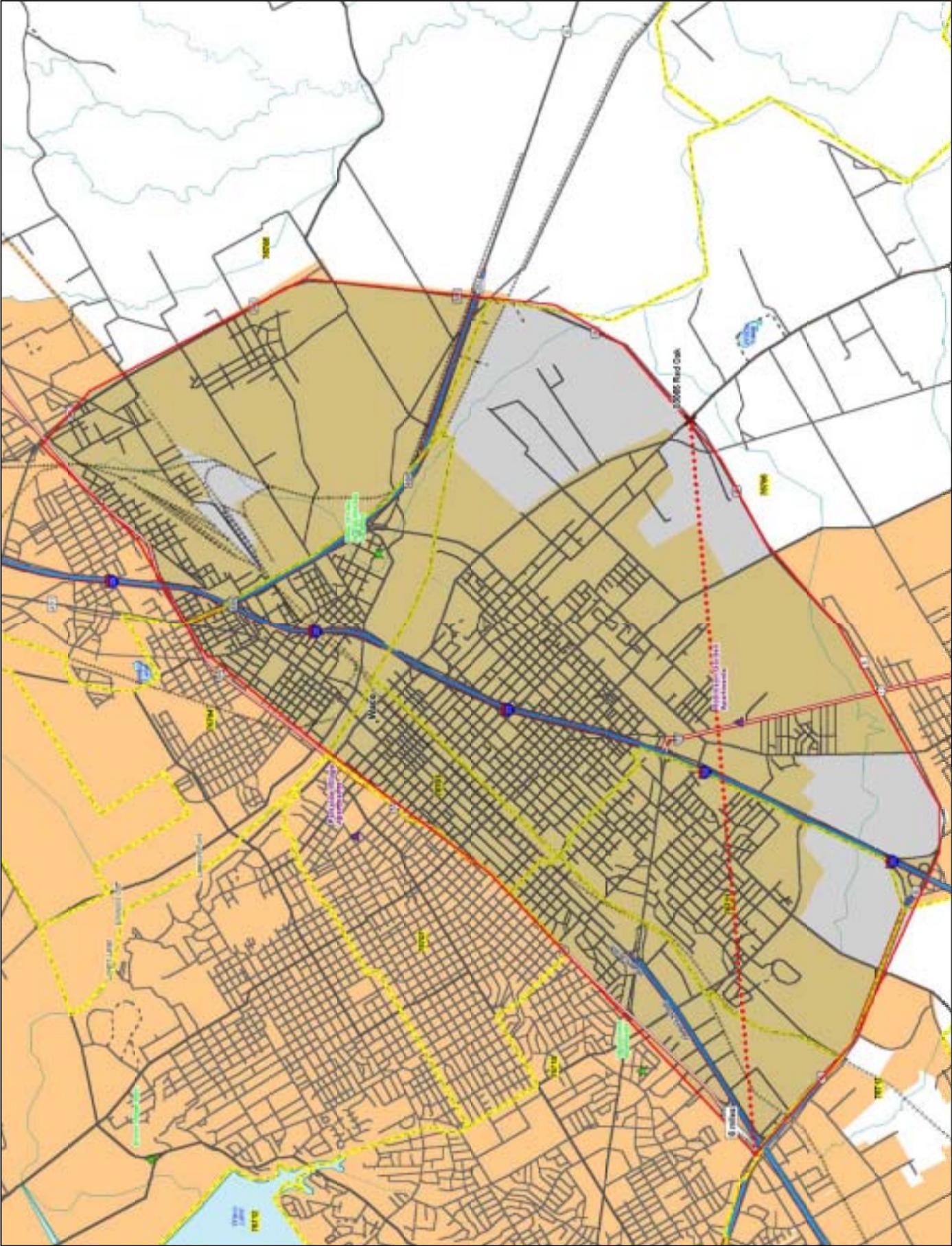
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$501,948	\$517,006	\$532,517	\$548,492	\$564,947	\$654,928	\$759,241	\$880,169	\$1,182,873
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	516,348	531,838	547,794	564,227	581,154	673,717	781,023	905,419	1,216,808
Vacancy & Collection Loss	(38,726)	(39,888)	(41,085)	(42,317)	(43,587)	(50,529)	(58,577)	(67,906)	(91,261)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$477,622</b>	<b>\$491,951</b>	<b>\$506,709</b>	<b>\$521,910</b>	<b>\$537,568</b>	<b>\$623,188</b>	<b>\$722,446</b>	<b>\$837,513</b>	<b>\$1,125,547</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$24,939	\$25,936	\$26,974	\$28,052	\$29,175	\$35,495	\$43,186	\$52,542	\$77,775
Management	24,526	25,262	26,020	26,801	27,605	32,001	37,098	43,007	57,798
Payroll & Payroll Tax	68,629	71,375	74,230	77,199	80,287	97,681	118,844	144,592	214,031
Repairs & Maintenance	45,042	46,844	48,717	50,666	52,693	64,109	77,998	94,896	140,470
Utilities	18,213	18,942	19,699	20,487	21,307	25,923	31,539	38,372	56,800
Water, Sewer & Trash	13,947	14,505	15,085	15,688	16,316	19,851	24,151	29,384	43,495
Insurance	17,334	18,027	18,749	19,498	20,278	24,672	30,017	36,520	54,059
Property Tax	47,253	49,143	51,108	53,153	55,279	67,255	81,826	99,554	147,364
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	11,100	11,544	12,006	12,486	12,985	15,799	19,222	23,386	34,617
<b>TOTAL EXPENSES</b>	<b>\$286,983</b>	<b>\$298,217</b>	<b>\$309,893</b>	<b>\$322,029</b>	<b>\$334,642</b>	<b>\$405,559</b>	<b>\$491,588</b>	<b>\$595,964</b>	<b>\$876,309</b>
<b>NET OPERATING INCOME</b>	<b>\$190,639</b>	<b>\$193,734</b>	<b>\$196,816</b>	<b>\$199,882</b>	<b>\$202,926</b>	<b>\$217,629</b>	<b>\$230,858</b>	<b>\$241,549</b>	<b>\$249,239</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$173,342	\$173,342	\$173,342	\$173,342	\$173,342	\$173,342	\$173,342	\$173,342	\$173,342
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$17,297</b>	<b>\$20,392</b>	<b>\$23,474</b>	<b>\$26,540</b>	<b>\$29,584</b>	<b>\$44,288</b>	<b>\$57,516</b>	<b>\$68,208</b>	<b>\$75,897</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.14</b>	<b>1.15</b>	<b>1.17</b>	<b>1.26</b>	<b>1.33</b>	<b>1.39</b>	<b>1.44</b>

**LIHTC Allocation Calculation - Red Oak Apartments, Waco, LIHTC #03065**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$263,000	\$263,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$514,500	\$514,500	\$514,500	\$514,500
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,952,800	\$3,777,827	\$3,952,800	\$3,777,827
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$89,456	\$85,847	\$89,346	\$85,847
Contractor profit	\$268,368	\$257,540	\$268,038	\$257,540
General requirements	\$268,368	\$257,540	\$268,038	\$257,540
<b>(5) Contingencies</b>	\$156,548	\$156,548	\$156,548	\$156,548
<b>(6) Eligible Indirect Fees</b>	\$230,000	\$230,000	\$230,000	\$230,000
<b>(7) Eligible Financing Fees</b>	\$211,140	\$211,140	\$211,140	\$211,140
<b>(8) All Ineligible Costs</b>	\$81,917	\$81,917		
<b>(9) Developer Fees</b>			\$853,562	
Developer overhead	\$228,107	\$196,346		\$196,346
Developer fee	\$627,295	\$627,295		\$627,295
<b>(10) Development Reserves</b>	\$78,000	\$105,869		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,969,499</b>	<b>\$6,765,368</b>	<b>\$6,543,972</b>	<b>\$6,314,582</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis		\$1,000	\$1,000
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
<b>TOTAL ELIGIBLE BASIS</b>		<b>\$6,542,972</b>	<b>\$6,313,582</b>
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		<b>\$8,505,863</b>	<b>\$8,207,656</b>
Applicable Fraction		79.13%	79.13%
<b>TOTAL QUALIFIED BASIS</b>		<b>\$6,730,700</b>	<b>\$6,494,729</b>
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		<b>\$561,340</b>	<b>\$541,660</b>

Syndication Proceeds	0.7899	\$4,434,146	\$4,278,689
<b>Total Credits (Eligible Basis Method)</b>		<b>\$561,340</b>	<b>\$541,660</b>
Syndication Proceeds		\$4,434,146	\$4,278,689
Requested Credits		<b>\$559,937</b>	
Syndication Proceeds		\$4,423,060	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,902,590</b>	
Credit Amount		\$620,643	



1 mi

Scale: 1 : 68,750 Zoom Level: 11-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 5.5°E

**TDHCA #**

**03068**

**Region 8**



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

Development Name: **Stone Ranch Apartments Homes**

TDHCA #: **03068**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: 4400 Block East Rancier Avenue  
 City: Killeen County: Bell Zip Code: 76543

TTC  DDA  QCT Purpose / Activity: New Construction

Targeted Units: Family: 0 Elderly: 152 Handicapped/Disabled 12 Domestic Abuse: 0 Transitional: 0

Set Asides:  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Killeen Stone Ranch Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
Killeen Stone Ranch Apartment Homes I, LLC	Michael G. Lankford	.01% of Owner
Hill Country Community Housing Corp.	Tama Shaw	51% of GP
Lankford Interests	Michael G. Lankford	49% of GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$568,718** Allocation over 10 Years: **\$5,687,180**  
 Credits Requested: **\$622,580** Eligible Basis Amount: **\$568,718** Equity/Gap Amount: **\$637,709**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	6	8	0	14
40%	0	8	9	0	17
50%	0	10	15	0	25
60%	0	35	38	0	73
MR	0	13	10	0	23
Total	0	72	80	0	

Total LI Units: 129  
 Owner/Employee Units: 0  
 Total Project Units: 152  
 Applicable Fraction: 84.00

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: \$9,204,970 Average Square Feet/Unit: 755  
 Gross Building Square Feet: 119,015 Cost Per Net Rentable Square Foot: \$80.18  
 Total Net Rentable Area Square Feet: 114,800 Credits per Low Income Uni: \$4,409

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$861,732  
 Total Expenses: \$507,030  
 Net Operating Income: \$354,702  
 Estimated 1st Year Debt Coverage Ratio: 1.10

**FINANCING**

Permanent Principal Amount: \$4,094,003  
 Applicant Equity: \$504,809  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.8099

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Killeen Stone Ranch Dev. Corp.	Market Analyst:	Allen and Associates Consulting
Housing GC:	JDP Group	Originator/UW:	NA
Engineer:	Mitchell & Associates	Appraiser:	NA
Cost Estimator:	JDP Group	Attorney:	J. Michael Pruitt Law Office
Architect:	Hill & Frank Architects	Accountant:	Reznick, Fedder & Silverman
Property Manager:	Greater Coastal Management, LLC	Supp Services:	Hill Country Community Action Assoc.
Syndicator:	Columbia Housing Partners	Permanent Lender:	Hill Country Community Housing Corporation

**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: Maureen Jouett, Mayor City of Killeen, S	Leslie Hinkle, Director Community Development City of Killeen, S Jon Burrows, Bell County Judge, S
TX Representative: Suzanna Gratia Hupp, District 54, S	
TX Senator: Troy Fraser, District 24, S	
US Representative: Chet Edwards, S	
US Senator:	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 106	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of revised loan commitments prior to Carryover reflecting total permanent debt service of not more than \$322,661, and should the HTF loan be approved, the remaining debt service of not more than \$318,128.

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.

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: This Development has a competitive score in the Elderly and Nonprofit Set-Asides and in the region.**

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
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_____ Edwina Carrington, Executive Director	_____ Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount:  Date of Determination:

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

Project ID # **03068/03810**

Name: **Stone Ranch Apartments Ho**

City: **Killeen**

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: 1

### 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 6/5/2003

## 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 6/5/2003

## 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 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 14 2003      **PROGRAM:** 9% LIHTC      **FILE NUMBER:** 03068

**DEVELOPMENT NAME**

Killeen Stone Ranch Apartments

**APPLICANT**

**Name:** Killeen Stone Ranch Apartments, L.P.      **Type:** For Profit  
**Address:** 4900 Woodway, Suite 970      **City:** Houston      **State:** TX  
**Zip:** 77056      **Contact:** Michael G. Lankford      **Phone:** (713) 626-9655      **Fax:** (713) 621-4947

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name :</b>	<u>Killeen Stone Ranch Apartment Homes I, LLC</u>	<b>(%):</b> <u>.01</u>	<b>Title:</b> <u>Managing General Partner</u>
<b>Name :</b>	<u>Hill Country Community Housing Corporation</u>	<b>(%):</b> <u>.51 of MGP</u>	<b>Title:</b> <u>Co-owner of MGP</u>
<b>Name :</b>	<u>Lankford Interests, LLC</u>	<b>(%):</b> <u>.49 of MGP</u>	<b>Title:</b> <u>Co-owner of MGP &amp; Dev.</u>
<b>Name :</b>	<u>Michael G. Lankford</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Owner of Lankford Interests</u>
<b>Name :</b>	<u>Hill Country Community Action Association, Inc.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>100% owner of HCCHC</u>
<b>Name :</b>	<u>Tama Shaw</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Exec. Director of HCCAA</u>

**PROPERTY LOCATION**

**Location:** 4400 Block East Rancier Avenue       **QCT**       **DDA**  
**City:** Killeen      **County:** Bell      **Zip:** 76543

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$583,608	N/A	N/A	N/A
2) \$136,000	0%	30 yrs	30 yrs
2) \$114,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
2) HTF loan  
3) HTF/SECO grant

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

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

**RECOMMENDATION**

- APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$568,718 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF/SECO GRANT NOT TO EXCEED \$114,000 AND A HTF

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

AWARD NOT TO EXCEED \$136,000, STRUCTURED AS A 30 YEAR TERM LOAN, FULLY AMORTIZING OVER 30YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of revised loan commitments prior to carryover reflecting total permanent debt service of not more than \$322,661, and should the HTF loan be approved, the remaining debt service should not exceed \$318,128;
2. Should the terms or 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**

Killeen Stone Ranch Apartments, a 128 unit development on the same site, was submitted and underwritten in the 2002 LIHTC cycle. The underwriting analysis recommended the project be declined due to the following:

- € The anticipated deferred development fee can not be reasonably foreseeable to be repaid and no viable source of funds has been indicated to fill the gap.
- € The development is not reasonably foreseeable to be built for the estimated cost anticipated by the Applicant.
- € The proposed debt is not serviceable and the reduction in debt that is anticipated adds to the gap of funds for which no sources have been identified.

The analysis also included an alternative recommendation that any award of tax credits for this development should be limited to \$481,024 and be allocated in conjunction with a HTF grant of \$175,000 and SECO grant of \$192,000 subject to the following conditions:

1. Board acceptance of a revised rent schedule/low income targeting schedule or documentation of additional operating subsidy to significantly improve the expense to income ratio.
2. Receipt, review and acceptance of a revised application pursuant to the item above and to a complete re-evaluation by the Underwriting Division.
3. Receipt, review and acceptance of documentation showing HUD approval of the proposed voucher program, CDBG funding program, and HOME funding program for this development.
4. Receipt, review and acceptance of a fixed price contract to contract the proposed development at a price consistent with the project cost schedule provided in the application or higher if new sources of additional financing can be documented to cover the difference.

The project did not receive the recommended award in the 2002 year cycle. The previous application also had a significantly high percentage of units dedicated to 40 and 50% tenants.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>152</u>	<b># Rental Buildings:</b>	<u>38</u>	<b># Common Area Bldgs:</b>	<u>3</u>	<b># of Floors:</b>	<u>1</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at	/	/
<b>Net Rentable SF:</b>	<u>114,800</u>	<b>Av Un SF:</b>	<u>755</u>	<b>Common Area SF:</b>	<u>4,215</u>	<b>Gross Bldg SF:</b>	<u>119,015</u>							

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab, 25% stone veneer/75% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle and galvanized metal roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Amenities include 3500 square foot community building with activity room, management offices, fitness facilities, kitchen, restrooms, computer/business center and central mailroom and an adjacent swimming pool located at the entrance to the property. In addition a 715 square foot laundry and maintenance building is

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MULTIFAMILY UNDERWRITING ANALYSIS**

also planned for the site to be located at the entrance to the property. Additionally, perimeter fencing with limited access gate is also planned for the site.

**Uncovered Parking:** 66 spaces    **Carpports:** 152 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Killeen Stone Ranch Apartments is a relatively dense 13.8 units per acre new construction development of 152 units of mixed income housing located in northeast Killeen. The development is comprised of 38 evenly distributed small garden style residential buildings as follows:

- € (18) Building Type A with four one-bedroom/ one-bath units; and
- € (20) Building Type B with four two-bedroom/ two-bath units;

**Architectural Review:** The exterior elevations are functional with gabled roofs. All units are of average size for LIHTC and market rate units. Each unit has a semi-private exterior entry area that is shared with another unit. The site plan is slightly more dense this year as there are six more fourplex buildings.

**Supportive Services:** The Applicant has indicated that Hill Country Community Action Association, Inc. will provide supportive services to the tenants. A contract between the Applicant and Hill Country Community Action Association, Inc. was not provided. The Applicant included \$18,240 in annual supportive services expenses for this project.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 11.04 acres    480,902 square feet    **Zoning/ Permitted Uses:** R-3  
**Flood Zone Designation:** Zone C    **Status of Off-Sites:** Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Killeen is located in central Texas, approximately 13 miles west from Interstate 35 in Bell County. The site is an irregularly-shaped parcel located in the northeast area of Killeen, approximately 3 miles from the central business district. The site is situated on the north side of Rancier Street.

**Adjacent Land Uses:**

- € **North:** vacant land and single-family residential
- € **South:** vacant land and commercial
- € **East:** vacant land
- € **West:** multi-family residential (The Veranda)

**Site Access:** Access to the property is from the east or west along Rancier Avenue (FM 439). The development is to have one main entry from the south. Access to Interstate Highway 35 is 13 miles east, which provides direct access to Waco, Dallas, Austin and San Antonio.

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

**Shopping & Services:** The site is within one mile of one major grocer, one department store, within two miles of a movie theatre and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member this year but was inspected last year on May 17, 2002 and found to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report updated February 11, 2003 was prepared by Turley Associates, Inc. and contained the following findings and recommendations:

“Based on the information obtained and site observations made, it is our opinion that the environmental risks associated with the 11.014 acres, J.S. Wilder Survey, Abstract No. 912, Killeen, Bell County, Texas are

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

minimal at this time.” (p. 4)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 129 of the units (85% of the total) will be reserved for low-income/elderly tenants. 14 of the units (9%) will be reserved for households earning 30% or less of AMGI, 17 units (11%) will be reserved for households earning 40% or less of AMGI, 25 units (16%) will be reserved for households earning 50% or less of AMGI, 73 units (48%) will be reserved for households earning 60% or less of AMGI and the remaining 23 units (15%) will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$19,200	\$21,960	\$24,660	\$27,420	\$29,640	\$31,800

**MARKET HIGHLIGHTS**

A market feasibility study dated March 8, 2003 was prepared by Allen & Associates Consulting and highlighted the following findings:

**Definition of Market/Submarket:** “Based on conversations we had with managers of similar elderly multifamily properties, we define the Primary Market Area for the subject property as the Killeen-Temple, TX MSA (Bell and Coryell Counties).” (p. 30) This is an extremely large market area containing over 2,000 square miles. The Underwriter believes that including Coryell County is somewhat superfluous in that the 1,000 square miles only adds 75,000 persons most of which live in the southern and central portion of the county. Killeen and Bell county are east of Coryell County.

**Population:** The estimated 2002 population of the primary market area was 321,694 and is expected to increase by 7.18% to approximately 344,809 by 2007. Bell County’s 2000 population was 237,974. Within the primary market area there were estimated to be 15,901 households consisting of persons aged 65+ in 2002.

**Total Local/Submarket Demand for Rental Units:** “In our opinion, the local economy is fairly strong, exhibiting modest job growth (1.5%) and fairly low unemployment (5.0%). While new supply is continually being completed, growth has outpaced supply resulting in upward pressure on rents and occupancies. This trend is anticipated to continue for the foreseeable future resulting in low regional vacancy rates (5-7%) and fairly strong anticipated annual rent increase potential (2.9%).” (p. 46)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Growth	N/A	N/A	15	4%
Turnover	N/A	N/A	374	96%
Total adjusted demand (1-bedroom)	406	56%	N/A	N/A
Total adjusted demand (2-bedroom)	314	44%	N/A	N/A
<b>TOTAL ANNUAL DEMAND</b>	<b>720</b>	<b>100%</b>	<b>389</b>	<b>100%</b>

Ref: p. 111

**Inclusive Capture Rate:** The Market Analyst defines demand as “...the sum of the number of overburdened households, the number of householders residing in substandard housing units, and income-qualified household formation within the specified market area...” (p. 106) Therefore, the analyst used household growth, overburdened households and substandard households in estimating demand for the market area. Additionally, the Market Analyst used a factor of 30% for demand from the secondary market and used a 30% capped factor to account for elderly owner households converting to renter households. The

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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analyst also indicated a percentage of renter movership, which the Underwriter interpreted to be the turnover percentage, for the calculation. The Market Analyst concluded an inclusive capture rate of 32.2% for the rent restricted units. This is based on a total of 232 unstabilized comparable units (including the subject) divided by a total demand of 720. However, the Underwriter’s interpretation of the data presented in the market study and census figures of only Bell County concludes total demand of 389 which would result in a lower capture rate. The Underwriter’s recalculated demand based on the broader demographic data in the study and determined an inclusive capture rate for the subject of 33%. All of the methods used to calculate the demand and capture rate result in a capture rate of less than the 100% maximum for rural developments.

**Market Rent Comparables:** The Market Analyst surveyed 25 comparable apartment projects totaling 3,296 units in the market area. (p. 61)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$229	\$229	\$0	\$650	-\$421
<b>1-Bedroom (40%)</b>	\$316	\$316	\$0	\$650	-\$334
<b>1-Bedroom (50%)</b>	\$401	\$401	\$0	\$650	-\$249
<b>1-Bedroom (60%)</b>	\$487	\$487	\$0	\$650	-\$163
<b>1-Bedroom (MR)</b>	\$640	N/A	\$N/A	\$650	-\$10
<b>2-Bedroom (30%)</b>	\$271	\$271	\$0	\$750	-\$479
<b>2-Bedroom (40%)</b>	\$374	\$374	\$0	\$750	-\$376
<b>2-Bedroom (50%)</b>	\$476	\$476	\$0	\$750	-\$274
<b>2-Bedroom (60%)</b>	\$579	\$579	\$0	\$750	-\$171
<b>2-Bedroom (MR)</b>	\$740	N/A	N/A	\$750	-\$10

(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 market occupancies currently stand at 95.0% (3,296 units in sample).” (p. 104)

**Absorption Projections:** “We estimate an overall lease up period of 11 months for the subject property.” (p. 118)

**Known Planned Development:** “There are no other known proposed competing affordable multifamily developments in the market area.” (p. 105)

**Effect on Existing Housing Stock:** “Based on our assessment of market rental rates, in our opinion the proposed development will compete directly with only restricted multifamily properties. Because the subject property will not utilize project-based rental assistance, it will not compete directly with other subsidized properties in the marketplace. Because of the current undersupply of and pent-up demand for multifamily units in the region, we believe the impact of the proposed development on other projects will be minimal.” (p. 105)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant initially provided income projections based upon 2002 rents but was allowed the opportunity to revise these rents. The Applicant’s revised rent projections are the maximum rents allowed under LIHTC guidelines. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,336 per unit compares favorably with a TDHCA database-derived estimate of \$3,424 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 (\$6K lower), payroll (\$23K lower), water, sewer, and trash (\$8K lower), and property tax (\$14K higher). The Underwriter discussed these differences with the

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Applicant but was unable to fully reconcile them with the additional information provided by the Applicant.

**Conclusion:** The Applicant's total estimated income and operating expenses are consistent with the Underwriter's expectations and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. In both the Underwriter's and Applicant'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 acceptable TDHCA underwriting guidelines. However, there is not enough income to service the additional non-profit HOME/CDBG loan and the requested HTF loan at an acceptable debt coverage ratio. Therefore, the maximum debt service for this project should be limited to \$322,661 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 11.04 acres</b>	\$192,361	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Bell County Appraisal District
<b>Total Assessed Value:</b>	\$192,361	<b>Tax Rate:</b>	2.7201

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Property Commercial Contact					
<b>Contract Expiration Date:</b>	07/	31/	2002	<b>Anticipated Closing Date:</b>	07/	31/ 2002
<b>Acquisition Cost:</b>	\$165,600			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	M. Allen Powers			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The total site acquisition cost of \$165,826, which is comprised of \$165,600 site cost plus \$226 closing costs, is substantiated by the tax assessed value of \$192,361. It should be noted that in 2002 the City of Killeen granted \$165,826 in HOME funds to Hill Country Community Housing Corporation, 51% owner of the Managing General Partner, in order to acquire the 11.04 acre development site. HCCHC will contribute the land to the partnership. Since federal HOME funds were used to purchase the land, and the purchase of the site is regarded by the Applicant as a development cost and not a gift or least, the total site cost via the HOME/CDBG loan will be deducted from eligible basis as a below market federal loan.

**Sitework Cost:** The Applicant's claimed sitework costs of \$5,597 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$127K or 2.6% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Ineligible Costs:** The Applicant included \$52,500 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$130,430 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 \$27,440.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable

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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. In addition to the adjustment described earlier, the Underwriter also deducted \$550,600 in financing from eligible basis that will be provided by Hill Country Community Housing Corporation. This amount consists of HOME and CDBG funds from the City of Killeen which were awarded previously and are being applied for. As a result an eligible basis of \$8,034,985 is used to determine a credit allocation of \$568,718 from this method. The resulting syndication proceeds will be used to compare to the gap of funds needed to determine a final allocation recommendation. It should be noted that when this development was underwritten for the 2002 LIHTC cycle, the Applicant's total development costs were understated by \$577K or 8% when compared to the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. The Applicant appealed the Underwriter's recommendation that a fixed price contract to construct the proposed development at a price consistent with the project cost schedule provided last year be a condition of the report, indicating that the Underwriter's cost estimate was too high. Last year the Underwriter's per square foot hard costs were \$57.92 while the Applicant's estimate was at \$51.91. This year, the Applicant's cost schedule indicates hard costs of \$57.95 per square foot for the same project while the Underwriter's estimate is at \$59.06 per square foot. While the Board initially upheld the cost difference last year they subsequently added the development to the waiting list which as since expired.

<b>FINANCING STRUCTURE</b>									
<b>INTERIM TO PERMANENT FINANCING</b>									
<b>Source:</b>	Key Bank				<b>Contact:</b>	Craig Hackett			
<b>Principal Amount:</b>	\$3,860,223		<b>Interest Rate:</b>	7%					
<b>Additional Information:</b>									
<b>Amortization:</b>	30	yrs	<b>Term:</b>	18	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$308,186		<b>Lien Priority:</b>	1 <sup>st</sup>		<b>Commitment Date</b>	06/ 10/ 2003		
<b>PERMANENT FINANCING</b>									
<b>Source:</b>	Hill Country Community Housing Corporation				<b>Contact:</b>	Tama Shaw			
<b>Principal Amount:</b>	\$550,000		<b>Interest Rate:</b>	1%					
<b>Additional Information:</b>									
<b>Amortization:</b>	0	yrs	<b>Term:</b>	15	yrs	<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$39,544		<b>Lien Priority:</b>			<b>Commitment Date</b>	/ /		
<b>LIHTC SYNDICATION</b>									
<b>Source:</b>	Columbia Housing Partners				<b>Contact:</b>	Bradley Bullock			
<b>Address:</b>	111 SW Fifth Avenue, Suite 3200				<b>City:</b>	Portland			
<b>State:</b>	OR	<b>Zip:</b>	97204	<b>Phone:</b>	(503) 808-1300	<b>Fax:</b>	(503) 808-1301		
<b>Net Proceeds:</b>	\$4,544,146		<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	81¢					
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional	<b>Date:</b>	03/ 31/ 2003				
<b>Additional Information:</b>	The letter states total proceeds are anticipated to be \$5,042,394, based on \$622,580 in credits, however, the Applicant submitted a revised sources and uses indicating a lower amount.								
<b>APPLICANT EQUITY</b>									
<b>Amount:</b>	\$0		<b>Source:</b>	Deferred Developer Fee					
<b>FINANCING STRUCTURE ANALYSIS</b>									
<b>Permanent Financing:</b>	The permanent financing commitment is consistent with the terms reflected in the								

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sources and uses listed in the application. In particular, the commitment letter indicates that the term of the construction is two years. The permanent loan term is 18 years and will have a 30 year amortization period. Based on a conversation with Mr. Craig Hackett from Key Bank, the interest rate on the permanent loan will be 7.00%.

**Non-Profit HOME/CDBG Loan:** The Applicant's sources and uses indicate a private loan or grant from its General Partner, Hill Country Community Housing Corporation, funded through the city of Killeen HOME and CDBG funds in the amount of \$550,600. The financing narrative describes a property contribution in the amount of \$165,826 and a BMR loan in the amount of \$384,774. The initial \$165,826 was awarded and spent on the acquisition of the site. \$204,174 in HOME and \$80,600 in CDBG grants have been previously committed from the City of Killeen and are in the form of a 1% loan. HCCHC will also request an additional \$100,000 in City of Killeen HOME funds. The Applicant also indicated that while the \$100K HOME grant had not yet been approved the General Partner was confident they would be successful in obtaining this award.

**HTF Request:** The Applicant has also requested funding through the Housing Trust Fund Program in the form of a SECO grant of \$114,000 and a loan in the amount of \$136,000 structured as a 30 year term loan, fully amortizing over 30 years with an interest rate of 0%. Neither this loan or the HOME fund loans are repayable at the stated rates within a 1.10 DCR without a reduction in the permanent loan debt service.

**LIHTC Syndication:** Columbia Housing Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,042,394 based on a syndication factor of 81%. However, the Applicant submitted a revised sources and uses and estimates a lower \$4,544,146 in net proceeds and a revised credit request of \$583,608 which implies a 77.86% syndication rate. The Underwriter's analysis reflects that the development qualifies for \$568,718 in credits resulting in syndication proceeds of \$4,606,158. The syndication commitment reflects that any adjustment of credits will be made at the 81% syndication rate.

**Deferred Developer's Fees:** The Applicant is not anticipating the need to defer any fees. Based on the Underwriter's analysis, the Applicant will need to defer a minimum of \$308,769 and a maximum of \$504,809 in developer fees both of which appear to be repayable within 10 years.

**Financing Conclusions:** Based on the Applicant's proforma, the proposed debt cannot be adequately serviced at a debt coverage ratio that is within the acceptable TDHCA underwriting guidelines. Therefore, the development's debt service capacity should be limited to no more than 322,661 with no HTF allocation and \$318,128 for the remaining repayable debt service if the HTF loan is approved by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. The Applicant did not include debt service for either the HOME/CDBG loan or the HTF loan but assumed they would be deferred or payable out of cash flow. In order to allow these secondary notes to be fully repayable above the line the principal of the primary loan must be reduced to \$3,489,443 with the HTF loan or \$3,543,402 without the HTF loan. The Applicant's cost breakdown, as adjusted, is used to calculate eligible basis and a credit allocation of \$568,718.

The credit recommendation would not be affected by the lack of the HTF/SECO award but the percentage of deferred developer fee would rise from 28% to 45%.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant and Developer firms are 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 principal of the General Partner, Michael G. Lankford, submitted an unaudited financial statement as of January 30, 2003 and is anticipated to be guarantor of the development.

**Background & Experience:**

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- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Michael G. Lankford, the principal of the General Partner has completed 2 LIHTC housing developments totaling 156 units since 1999.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € Significant inconsistencies in the application could affect the financial feasibility of the project.

<b>Underwriter:</b>		<b>Date:</b>	June 14, 2003
	<i>Raquel Morales</i>		

<b>Director of Real Estate Analysis:</b>		<b>Date:</b>	June 14, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

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
HH/30%	5	1	1	650	\$256	\$229	\$1,145	\$0.35	\$27.08	\$35.10
TC30%	1	1	1	650	256	\$229	229	0.35	\$27.08	\$35.10
TC40%	8	1	1	650	343	\$316	2,527	0.49	\$27.08	\$35.10
TC50%	10	1	1	650	428	\$401	4,009	0.62	\$27.08	\$35.10
TC60%	35	1	1	650	514	\$487	17,042	0.75	\$27.08	\$35.10
MR	13	1	1	650		640	8,320	0.98	\$27.08	\$35.10
HH/30%	6	2	2	850	308	\$271	1,627	0.32	\$36.80	\$39.88
TC30%	2	2	2	850	308	\$271	542	0.32	\$36.80	\$39.88
TC40%	9	2	2	850	411	\$374	3,368	0.44	\$36.80	\$39.88
TC50%	15	2	2	850	513	\$476	7,143	0.56	\$36.80	\$39.88
TC60%	38	2	2	850	616	\$579	22,010	0.68	\$36.80	\$39.88
MR	10	2	2	850		740	7,400	0.87	\$36.80	\$39.88
<b>TOTAL:</b>	<b>152</b>		<b>AVERAGE:</b>	<b>755</b>	<b>\$420</b>	<b>\$496</b>	<b>\$75,362</b>	<b>\$0.66</b>	<b>\$32.20</b>	<b>\$37.62</b>

**INCOME**

Total Net Rentable Sq Ft: **114,800**

**POTENTIAL GROSS RENT**

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

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.43%	\$251	0.33	\$38,178	\$32,280	\$0.28	\$212	3.75%
Management	5.00%	283	0.38	43,091	\$43,086	0.38	283	5.00%
Payroll & Payroll Tax	14.56%	825	1.09	125,461	\$102,622	0.89	675	11.91%
Repairs & Maintenance	5.77%	327	0.43	49,735	\$49,264	0.43	324	5.72%
Utilities	3.50%	199	0.26	30,181	\$32,749	0.29	215	3.80%
Water, Sewer, & Trash	6.50%	369	0.49	56,021	\$47,944	0.42	315	5.56%
Property Insurance	5.29%	300	0.40	45,576	\$52,808	0.46	347	6.13%
Property Tax 2.7201	9.59%	544	0.72	82,691	\$96,829	0.84	637	11.24%
Reserve for Replacements	3.53%	200	0.26	30,400	\$30,400	0.26	200	3.53%
Other Expenses: Supp Svcs & Security	2.21%	125	0.17	19,048	\$19,048	0.17	125	2.21%
<b>TOTAL EXPENSES</b>	<b>60.38%</b>	<b>\$3,424</b>	<b>\$4.53</b>	<b>\$520,383</b>	<b>\$507,030</b>	<b>\$4.42</b>	<b>\$3,336</b>	<b>58.84%</b>
<b>NET OPERATING INC</b>	<b>39.62%</b>	<b>\$2,246</b>	<b>\$2.97</b>	<b>\$341,447</b>	<b>\$354,702</b>	<b>\$3.09</b>	<b>\$2,334</b>	<b>41.16%</b>

**DEBT SERVICE**

PNC Bank	35.76%	\$2,028	\$2.68	\$308,186	\$308,432	\$2.69	\$2,029	35.79%
Non-Profit HOME/CDBG Loan	4.59%	\$260	\$0.34	39,544		\$0.00	\$0	0.00%
HTF Loan	0.53%	\$30	\$0.04	4,533				
HTF	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>-1.26%</b>	<b>(\$71)</b>	<b>(\$0.09)</b>	<b>(\$10,817)</b>	<b>\$46,270</b>	<b>\$0.40</b>	<b>\$304</b>	<b>5.37%</b>

**AGGREGATE DEBT COVERAGE RATIO**

0.97 1.15

**RECOMMENDED DEBT COVERAGE RATIO**

1.10

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.77%	\$1,091	\$1.44	\$165,826	\$165,826	\$1.44	\$1,091	1.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.10%	5,597	7.41	850,668	850,668	7.41	5,597	9.24%
Direct Construction		53.12%	32,652	43.23	4,963,080	4,835,376	42.12	31,812	52.53%
Contingency	2.93%	1.83%	1,122	1.49	170,581	170,581	1.49	1,122	1.85%
General Req'ts	5.87%	3.65%	2,244	2.97	341,163	341,163	2.97	2,244	3.71%
Contractor's G & A	1.96%	1.22%	748	0.99	113,721	113,721	0.99	748	1.24%
Contractor's Profit	5.87%	3.65%	2,244	2.97	341,163	341,163	2.97	2,244	3.71%
Indirect Construction		3.00%	1,843	2.44	280,200	280,200	2.44	1,843	3.04%
Ineligible Costs		2.69%	1,652	2.19	251,118	251,118	2.19	1,652	2.73%
Developer's G & A	2.00%	1.63%	999	1.32	151,869	0	0.00	0	0.00%
Developer's Profit	13.00%	10.57%	6,494	8.60	987,146	1,147,299	9.99	7,548	12.46%
Interim Financing		5.70%	3,506	4.64	532,855	532,855	4.64	3,506	5.79%
Reserves		2.08%	1,276	1.69	193,893	175,000	1.52	1,151	1.90%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$61,469</b>	<b>\$81.39</b>	<b>\$9,343,283</b>	<b>\$9,204,970</b>	<b>\$80.18</b>	<b>\$60,559</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>72.57%</b>	<b>\$44,608</b>	<b>\$59.06</b>	<b>\$6,780,376</b>	<b>\$6,652,672</b>	<b>\$57.95</b>	<b>\$43,768</b>	<b>72.27%</b>

**SOURCES OF FUNDS**

						WITH HTF	WITHOUT HTF
PNC Bank	41.32%	\$25,396	\$33.63	\$3,860,223	\$3,860,223	\$3,489,443	\$3,543,402
Non-Profit HOME/CDBG Loan	5.89%	\$3,622	\$4.80	550,601	550,601	550,601	550,601
HTF Loan	1.46%	\$895	\$1.18	136,000	136,000	136,000	0
HTF/SECO Grant	1.22%	\$750	\$0.99	114,000	114,000	114,000	0
LIHTC Syndication Proceeds	48.64%	\$29,896	\$39.58	4,544,146	4,544,146	4,606,158	4,606,158
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	308,769	504,809
Additional (excess) Funds Required	1.48%	\$910	\$1.20	138,313	0	0	0
<b>TOTAL SOURCES</b>				<b>\$9,343,283</b>	<b>\$9,204,970</b>	<b>\$9,204,970</b>	<b>\$9,204,970</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.15	\$5,183,445
<b>Adjustments</b>				
Exterior Wall Finish	2.75%		\$1.24	\$142,545
Elderly	5.00%		2.26	259,172
Roofing			0.00	0
Subfloor			(2.02)	(231,896)
Floor Cover			1.92	220,416
Porches/Balconies	\$14.81	20,552	2.65	304,373
Plumbing	\$615	240	1.29	147,600
Built-In Appliances	\$1,625	152	2.15	247,000
Stairs/Fireplaces	\$1,475	1	0.01	1,475
Floor Insulation			0.00	0
Heating/Cooling			1.47	168,756
Carports	\$7.83	22,800	1.56	178,524
Comm &/or Aux Bldgs	\$57.91	4,215	2.13	244,080
Other:			0.00	0
<b>SUBTOTAL</b>			<b>59.80</b>	<b>6,865,490</b>
Current Cost Multiplier	1.03		1.79	205,965
Local Multiplier	0.86		(8.37)	(961,169)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.23</b>	<b>\$6,110,286</b>
Plans, specs, survy, bld prrr	3.90%		(\$2.08)	(\$238,301)
Interim Construction Interes	3.38%		(1.80)	(206,222)
Contractor's OH & Profit	11.50%		(6.12)	(702,683)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.23</b>	<b>\$4,963,080</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$3,860,223	Term	360
Int Rate	7.00%	DCR	1.11
<b>Secondary</b>	\$550,601	Term	180
Int Rate	1.00%	Subtotal DCR	0.98
<b>Additional</b>	\$136,000	Term	360
Int Rate	0.00%	Aggregate DCR	0.97
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	0.97

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

Primary Debt Service	\$278,584
Secondary Debt Service	39,544
Additional Debt Service	4,533
<b>NET CASH FLOW</b>	<b>\$32,041</b>

<b>Primary</b>	\$3,489,443	Term	360
Int Rate	7.00%	DCR	1.27
<b>Secondary</b>	\$550,601	Term	180
Int Rate	1.00%	Subtotal DCR	1.11
<b>Additional</b>	\$136,000	Term	360
Int Rate	0.00%	Aggregate DCR	1.10
<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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

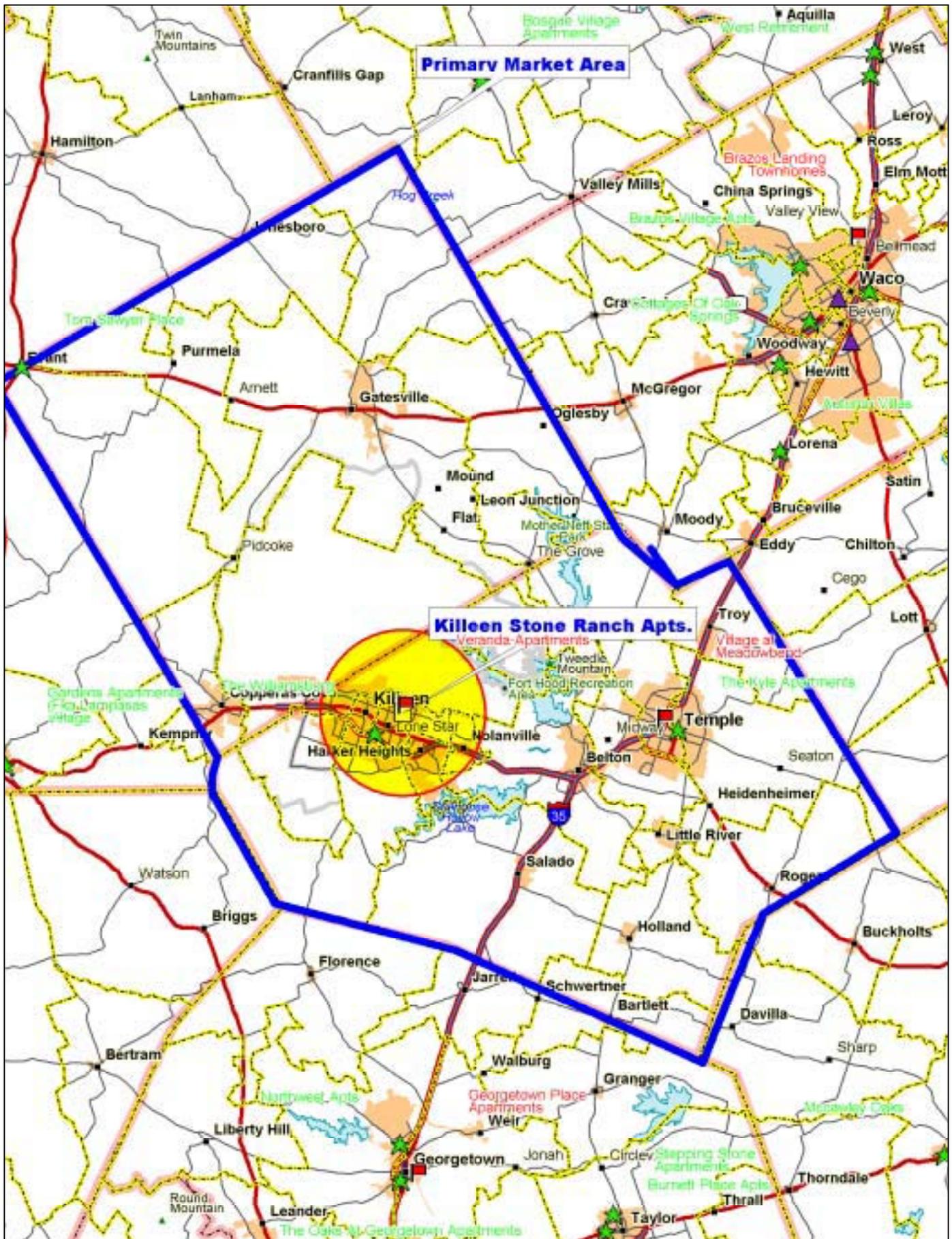
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$904,236	\$931,363	\$959,304	\$988,083	\$1,017,726	\$1,179,823	\$1,367,738	\$1,585,583	\$2,130,891
Secondary Income	27,360	28,181	29,026	29,897	30,794	35,699	41,384	47,976	64,476
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	931,596	959,544	988,330	1,017,980	1,048,520	1,215,521	1,409,123	1,633,559	2,195,367
Vacancy & Collection Loss	(69,864)	(71,966)	(74,125)	(76,349)	(78,639)	(91,164)	(105,684)	(122,517)	(164,653)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$861,732	\$887,578	\$914,205	\$941,632	\$969,881	\$1,124,357	\$1,303,438	\$1,511,042	\$2,030,714
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$32,280	\$33,571	\$34,914	\$36,311	\$37,763	\$45,945	\$55,899	\$68,009	\$100,670
Management	43,086	44,378,2865	45,709,63505	47,080,9241	48,493,35182	56,217,08554	65,171,0098	75,551,06206	101,534,3098
Payroll & Payroll Tax	102,622	106,727	110,996	115,436	120,053	146,063	177,708	216,209	320,042
Repairs & Maintenance	49,264	51,235	53,284	55,415	57,632	70,118	85,309	103,792	153,637
Utilities	32,749	34,059	35,421	36,838	38,312	46,612	56,711	68,997	102,133
Water, Sewer & Trash	47,944	49,862	51,856	53,930	56,088	68,239	83,023	101,011	149,521
Insurance	52,808	54,920	57,117	59,402	61,778	75,162	91,446	111,258	164,690
Property Tax	96,829	100,702	104,730	108,919	113,276	137,818	167,676	204,004	301,975
Reserve for Replacements	30,400	31,616	32,881	34,196	35,564	43,269	52,643	64,048	94,807
Other	19,048	19,810	20,602	21,426	22,283	27,111	32,985	40,131	59,404
TOTAL EXPENSES	\$507,030	\$526,880	\$547,511	\$568,955	\$591,242	\$716,554	\$868,571	\$1,053,011	\$1,548,413
NET OPERATING INCOME	\$354,702	\$360,698	\$366,694	\$372,677	\$378,639	\$407,804	\$434,867	\$458,032	\$482,301
<b>DEBT SERVICE</b>									
First Lien Financing	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584	\$278,584
Second Lien	39,544	39,544	39,544	39,544	39,544	39,544	39,544	39,544	39,544
Other Financing	4,533	4,533	4,533	4,533	4,533	4,533	4,533	4,533	4,533
NET CASH FLOW	\$32,041	\$38,037	\$44,033	\$50,016	\$55,977	\$85,142	\$112,206	\$135,370	\$159,640
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.17	1.26	1.35	1.42	1.49

**LIHTC Allocation Calculation - Stone Ranch Apartment Homes, Killeen, LIHTC #03068**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$165,826	\$165,826		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$850,668	\$850,668	\$850,668	\$850,668
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$4,835,376	\$4,963,080	\$4,835,376	\$4,963,080
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$113,721	\$113,721	\$113,721	\$113,721
Contractor profit	\$341,163	\$341,163	\$341,163	\$341,163
General requirements	\$341,163	\$341,163	\$341,163	\$341,163
<b>(5) Contingencies</b>				
	\$170,581	\$170,581	\$170,581	\$170,581
<b>(6) Eligible Indirect Fees</b>				
	\$280,200	\$280,200	\$280,200	\$280,200
<b>(7) Eligible Financing Fees</b>				
	\$532,855	\$532,855	\$532,855	\$532,855
<b>(8) All Ineligible Costs</b>				
	\$251,118	\$251,118		
<b>(9) Developer Fees</b>				
			\$1,119,859	
Developer overhead		\$151,869		\$151,869
Developer fee	\$1,147,299	\$987,146		\$987,146
<b>(10) Development Reserves</b>				
	\$175,000	\$193,893		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$9,204,970</b>	<b>\$9,343,283</b>	<b>\$8,585,585</b>	<b>\$8,732,445</b>

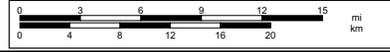
<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis			\$550,600	\$550,600
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$8,034,985</b>	<b>\$8,181,845</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$8,034,985</b>	<b>\$8,181,845</b>
Applicable Fraction			84.87%	84.87%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$6,819,165</b>	<b>\$6,943,803</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$568,718</b>	<b>\$579,113</b>

Syndication Proceeds	0.8099	\$4,606,158	\$4,690,347
<b>Total Credits (Eligible Basis Method)</b>		<b>\$568,718</b>	<b>\$579,113</b>
Syndication Proceeds		\$4,606,158	\$4,690,347
Requested Credits		\$583,608	
Syndication Proceeds		\$4,726,752	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$5,164,926</b>	
Credit Amount		\$637,709	



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 Zoom Level: 8-4 Datum: WGS84

Scale 1 : 600 000  
 1" = 0.47 mi



**TDHCA #**

**03161**

**Region 8**



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

Development Name: **Dripping Springs Senior Village**

TDHCA #: **03161**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: J.J. Frewellen @ Eastern Little League Complex Rd.  
 City: Waco County: McLennan Zip Code: 76704  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 0 Elderly: 100 Handicapped/Disabled 7 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: DF Dripping Springs Senior Village, L.P.

Principal Names	Principal Contact	Percentage Ownership
DF Affordable Housing Partners, Inc.	Leslie Donaldson	.01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$571,593** Allocation over 10 Years: \$5,715,930  
 Credits Requested: \$576,585 Eligible Basis Amount: \$571,593 Equity/Gap Amount: \$607,051

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	11	0	0	11
40%	0	0	0	0	0
50%	0	21	8	0	29
60%	0	27	18	0	45
MR	0	5	10	0	15
Total	0	64	36	0	
Total LI Units:					85
Owner/Employee Units:					0
Total Project Units:					100
Applicable Fraction:					84.00

**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:	\$6,839,613	Average Square Feet/Unit	827
Gross Building Square Feet	85,015	Cost Per Net Rentable Square Foot	\$82.75
Total Net Rentable Area Square Feet:	82,656	Credits per Low Income Uni	\$6,725

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income	\$534,216
Total Expenses:	\$320,858
Net Operating Income	\$213,358
Estimated 1st Year Debt Coverage Ratio	1.18

**FINANCING**

Permanent Principal Amount:	\$2,100,000
Applicant Equity:	\$276,546
Equity Source:	Deferred Developer Fee
Syndication Rate:	\$0.7799

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	DF AHP Development, L.P.	Market Analyst:	Mark C. Temple
Housing GC:	Alpha Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Locke Liddell & Sapp, LLP
Architect:	Architettura. Inc.	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	UAH Property Management, L.P.	Supp Services	NA
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender	Bank One, N.A.



# Developer Evaluation

Project ID # **03161**

Name: **Dripping Springs Senior Villa** City: **Waco**

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: 2

## 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 9, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03161

**DEVELOPMENT NAME**

Dripping Springs Senior Village Apartments

**APPLICANT**

**Name:** DF Dripping Springs Senior Village, L.P. **Type:** For Profit  
**Address:** 4640 FM 3021 **City:** Brownwood **State:** TX  
**Zip:** 76801 **Contact:** Leslie Donaldson **Phone:** (915) 784-9797 **Fax:** (915) 784-9777

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** DF Affordable Housing Partners, Inc. **(%):** 0.01 **Title:** Managing General Partner  
**Name:** DFAHP Development, L.P. **(%):**  **Title:** Developer  
**Name:** Leslie Donaldson **(%):**  **Title:** President & 51% owner of MGP, 50.01% owner of Developer  
**Name:** Beverly Funderburgh **(%):**  **Title:** Secretary/treasurer & 49% owner of MGP, 49.99% owner of Developer

**PROPERTY LOCATION**

**Location:** J.J. Flewellen & Eastern Little League Complex Roads  **QCT**  **DDA**  
**City:** Waco **County:** McLennan **Zip:** 76704

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$576,585	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>Annual ten-year allocation of low-income housing tax credits * revised to \$575,021 based on 4/25/03 letter.</u>			
<b>Proposed Use of Funds:</b> <u>New construction</u>		<b>Property Type:</b> <u>Multifamily</u>	
<b>Set-Aside(s):</b> <input checked="" type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$571,593 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of confirmation of rezoning of the site to a conforming use for the development prior to execution of commitment and;
2. Receipt, review, and acceptance of an updated title commitment showing clear title prior to the initial closing on the property prior to construction loan closing.
3. Should the terms of the proposed debt or syndication be altered the development 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:** 100    **# Rental Buildings:** 25    **# Common Area Bldgs:** 1    **# of Floors:** 1    **Age:** 0 yrs    **Vacant:** N/A at \_\_\_/\_\_\_/\_\_\_  
**Net Rentable SF:** 82,656    **Av Un SF:** 827    **Common Area SF:** 2,359    **Gross Bldg SF:** 85,015

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 76% masonry brick veneer 24% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A 2,359- SF community building with activity room, management offices, fitness and laundry facilities, kitchen, restrooms, and computer/business center is located at the entrance to the site. There is also to be perimeter fencing with a limited access gate.

**Uncovered Parking:** 110 spaces    **Carports:** 40 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Dripping Springs Senior Village Apartments is a moderately dense (seven units per acre) new construction development of 100 units of mixed income elderly housing located in north Waco. The development is comprised of 25 residential buildings as follows:

- € Fourteen Building Type I with two each one-bedroom/one-bath and two-bedroom/two-bath units;
- € Two Building Type II with four two-bedroom/one-bath units; and
- € Nine Building Type III with four one-bedroom/one-bath units.

**Architectural Review:** The residential buildings are all one-story fourplexes, with pitched roofs and mixed brick veneer and cement fiber exterior wall finish. The community building features extensive fenestration, a standing seam metal roof, decorative dormer windows, and is designed to present the appearance of a two-story building.

**Supportive Services:** The Applicant did not specify a supportive services provider but committed to providing at least three of the services from the TDHCA list and estimated annual expenses at \$2,500.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 14.353 acres    625,217 square feet    **Zoning/ Permitted Uses:** R-1B, Single-Family Residential, rezoning request submitted  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the north area of the city, approximately two miles from the central business district. The site is situated on the east side of J.J. Flewellen Road.

**Adjacent Land Uses:**

- € **North:** vacant land

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

- € **South:** vacant land and single-family residential
- € **East:** a city park, vacant land, and single-family residential
- € **West:** J.J. Flewellen Road with vacant land beyond

**Site Access:** Access to the property is from the southeast or northwest along Flewellen Road. The development is to have a single entry from Flewellen Road. Access to Interstate Highway 35 is 1.5 miles east of the site, which provides connections to all other major roads serving the Waco area as well as other area communities.

**Public Transportation:** Public transportation is available in Waco but the location of the nearest stop is unknown.

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

**Special Adverse Site Characteristics:**

- € The site is currently zoned for single-family residential and will need to be rezoned. A rezoning request has been filed and is pending action by the city commission. Receipt, review, and acceptance of documentation verifying the proper rezoning is a condition of this report.
- € The title commitment lists two judgments filed by the State of Texas that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 2, 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 26, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings: "...we believe that significant surface or subsurface contamination on the subject property is unlikely. A Level II survey to further examine this area for contamination is not warranted." (p. 1)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 85 of the units (85% of the total) will be reserved for low-income elderly tenants. Eleven of the units (11%) will be reserved for households earning 30% or less of AMGI, 29 units (29%) will be reserved for households earning 50% or less of AMGI, 45 units (45%) will be reserved for households earning 60% or less of AMGI and the remaining 15 units (15%) will be offered at market rents.

<b>MAXIMUM ELIGIBLE INCOMES</b>						
	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>
<b>60% of AMI</b>	\$19,440	\$22,200	\$25,020	\$27,780	\$30,000	\$32,220

**MARKET HIGHLIGHTS**

A market feasibility study dated March 28, 2003 was prepared by Mark Temple and highlighted the following findings:

**Definition of Market/Submarket:** "The primary or defined market area...is considered the Waco MSA or McLennan County." (p. I-1)

**Population:** The estimated 2002 elderly (age 55+) population of the primary market area was 45,898 and is expected to increase by 12.3% to approximately 51,529 by 2007. Within the primary market area there were estimated to be 27,778 elderly households in 2002. (p. II-50, 52)

**Total Local/Submarket Demand for Rental Units:** "Between 2003 to 2007, it is projected there will be a total demand of 3,069 senior household units in the Waco market area." (p. IV-1)

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

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>				
<b>Type of Demand</b>	<b>Market Analyst</b>		<b>Underwriter</b>	
	<b>Units of Demand</b>	<b>% of Total Demand</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
Household Growth	371	12%	49	7%
Resident Turnover	2,664	88%	643	93%
Other Sources:	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>3,035</b>	<b>100%</b>	<b>692</b>	<b>100%</b>

Ref: TDHCA Primary Market Area Analysis Summary

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 7.9% based upon the subject’s 85 affordable units plus 155 vacant units in comparable existing properties and a total demand of 3,035 units. The Underwriter calculated an inclusive capture rate of 12.3% based upon the subject’s 85 restricted units and the Analyst’s demographics, which yielded a revised total demand of 692 units. The Underwriter was unable to determine how the Market Analyst concluded the demand figures using the demographics provided.

**Local Housing Authority Waiting List Information:** “There are currently three projects that total 903 units in the Waco market area that provide federal subsidies. Currently, all of the projects maintain a 100% occupancy level with a waiting list.” (p. IV-5)

**Market Rent Comparables:** The Market Analyst surveyed eight apartment projects totaling 1,641 units in the market area, but these were not senior-specific properties. “The project rents for the subject project are well within and below the rental range for comparable projects within the market area.” (certificate, p. 2) The Analyst listed three independent and assisted living facilities in the market area totaling 334 units but provided no meaningful analysis of rents, and also stated that, “In addition to these senior facilities, there are nine nursing care facilities located in the Waco, McLennan County area.” No further information was provided on these facilities. (p. III-27)

<b>RENT ANALYSIS (net tenant-paid rents)</b>					
<b>Unit Type (% AMI)</b>	<b>Proposed</b>	<b>Program Max</b>	<b>Differential</b>	<b>Market</b>	<b>Differential</b>
<b>1-Bedroom (30%)</b>	\$221	\$221	\$0	\$633	-\$415
<b>1-Bedroom (50%)</b>	\$394	\$394	\$0	\$633	-\$242
<b>1-Bedroom (60%)</b>	\$481	\$481	\$0	\$633	-\$155
<b>1-Bedroom (MR)</b>	\$550	N/A	N/A	\$633	-\$83
<b>2-Bedroom (50%)</b>	\$464	\$464	\$0	\$793	-\$332
<b>2-Bedroom (60%)</b>	\$568	\$568	\$0	\$793	-\$228
<b>2-Bedroom (MR)</b>	\$625	N/A	N/A	\$793	-\$168

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

**Submarket Vacancy Rates:** “The occupancy level of the market is presently 97.6%...From 2003 to 2004; occupancy levels for the market area are estimated to increase in the 98% range.” (p. III-1)

**Absorption Projections:** “Based upon current positive multifamily indicators and present absorption levels of ten to 20 units per month, it is estimated that a 95%+ occupancy level can be achieved in a five-to-ten-month time frame.” (p. IV-6)

**Known Planned Development:** “There is one market rate apartment project that is currently under construction. Consisting of 216 units, the apartment project began leasing activities in January of this year...[and] currently has a 50% occupancy level.” (p. III-31)

**Effect on Existing Housing Stock:** “The subject project will not affect the trends of other apartment projects in the surrounding Waco market area due to the strong rental housing demand for the subject project.” (p. I-18)

**Other Relevant Information:** The Underwriter found the market study provided sufficient information on

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

which to base a funding recommendation.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant's effective gross income estimate agrees with the Underwriter's estimates.

**Expenses:** The Applicant's estimate of total operating expense is 1% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's general and administrative expense estimate is \$10.8K lower than the database averages, however, and the Underwriter was unable to reconcile this difference using information submitted by the Applicant.

**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**

<b>Land: 267.221 acres</b>	\$289,920	<b>Assessment for the Year of:</b>	2002
<b>Actual Acreage:</b>	20 acres	<b>Valuation by:</b>	McLennan County Appraisal District
<b>Pro Rata Total Assessed Value:</b>	\$21,699	<b>Tax Rate:</b>	2.61263

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest money contract					
<b>Contract Expiration Date:</b>	10/	15/	2003	<b>Anticipated Closing Date:</b>	10/	15/ 2003
<b>Acquisition Cost:</b>	\$290,000			<b>Other Terms/Conditions:</b>	\$2,500 earnest money	
<b>Seller:</b>	J & J Properties			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$290,000 (\$0.33/SF or \$14.5K/acre), although over 13 times the prorated tax assessed market value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,000 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$94K or 2.6% lower 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 TDHCA maximum 5% guideline by \$28,487, however, and therefore the Applicant's eligible basis is reduced by an equivalent amount.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit 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 \$4,273.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$6,247,468 is used to determine a credit allocation of \$571,593 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.

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

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Bank One, N.A. **Contact:** Mahesh Aiyer  
**Principal Amount:** \$2,700,000 **Interest Rate:** Prime rate + .75%, floating  
**Additional Information:** Interest-only payments  
**Amortization:** N/A yrs **Term:** 2 yrs **Commitment:**  None  Firm  Conditional

**INTERIM to PERMANENT FINANCING**

**Source:** City of Waco CDBG funds **Contact:** Dedri Brown  
**Principal Amount:** \$5,000 **Interest Rate:** None (grant requested)  
**Additional Information:** For infrastructure funding, decision expected by 5/27/2003  
**Amortization:** N/A yrs **Term:** N/A yrs **Commitment:**  None  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** Bank One N.A. for Community Development Trust, Inc. **Contact:** Mahesh Aiyer  
**Principal Amount:** \$2,100,000 **Interest Rate:** 10-year U.S. Treasury rate + 270 basis points, estimated & underwritten at 7.75%  
**Additional Information:** \_\_\_\_\_  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$180,536 **Lien Priority:** 1st **Commitment Date** 2/ 27/ 2003

**LIHTC SYNDICATION**

**Source:** Lend Lease Real Estate Investments **Contact:** Korbin Hess  
**Address:** 101 Arch Street **City:** Boston  
**State:** MA **Zip:** 02110 **Phone:** (617) 772-0319 **Fax:** (617) 346-7891  
**Net Proceeds:** \$4,497,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78¢  
**Commitment**  None  Firm  Conditional **Date:** 2/ 18/ 2003  
**Additional Information:** Based upon a credit amount of \$576,527

**APPLICANT EQUITY**

**Amount:** \$250,879 **Source:** Deferred developer fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

**LIHTC Syndication:** The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$571,593 annually for ten years, resulting in syndication proceeds of approximately \$4,458,067.

**City of Waco CDBG Funds:** The Applicant provided evidence of application to the City of Waco for a grant of \$5,000, to be used for infrastructure costs however no off-site costs were included in the application. 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 Applicant 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.

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

**Deferred Developer's Fees:** The Applicant's deferred developer's fees amount to 30% of the total eligible fee. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$276,546, which represents approximately 34% of the eligible fee and which should be repayable from cash flow within seven years.

**Financing Conclusions:** Sufficient additional developer's fee should be available to fund potential development cost overruns or to substitute for the CDBG funds if they are not awarded.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

Leslie Donaldson and Beverly Funderburgh are principals of the General Partner and the Developer. 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.
- € The General Partner, DF Affordable Housing Partners, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$260, partners' capital of \$1,000, and retained earnings of (\$740).
- € The Developer, DFAHP Development, L.P., submitted an unaudited financial statement as of February 1, 2003 reporting total assets of \$457K and consisting of \$33K in cash, \$777K in receivables, and \$16K in other assets. Partners' capital totaled \$1K, resulting in net retained earnings of \$824K.
- € The principals of the General Partner and Developer, Leslie Donaldson and Beverly Funderburgh, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- € The Applicant is to be a new entity formed for the purpose of developing the project.
- € Leslie Donaldson and Beverly Funderburgh listed participation in two previous LIHTC and Housing Trust Fund housing developments totaling 104 units since 2001.

**SUMMARY OF SALIENT RISKS AND ISSUES**

**Underwriter:**

\_\_\_\_\_  
*Jim Anderson*

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 9, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

*Dripping Springs Senior Village Apts., Waco, 9% LIHTC #03161*

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (30%)	11	1	1	747	\$260	\$221	\$2,431	\$0.30	\$39.00	\$27.00
TC (50%)	21	1	1	747	433	394	8,274	0.53	39.00	27.00
TC (60%)	27	1	1	747	520	481	12,987	0.64	39.00	27.00
MR	5	1	1	747		550	2,750	0.74	39.00	27.00
TC (50%)	8	2	1	954	521	464	3,712	0.49	57.00	28.00
TC (60%)	18	2	2	972	625	568	10,224	0.58	57.00	28.00
MR	10	2	2	972		625	6,250	0.64	57.00	28.00
<b>TOTAL:</b>	<b>100</b>		<b>AVERAGE:</b>	<b>827</b>	<b>\$414</b>	<b>\$466</b>	<b>\$46,628</b>	<b>\$0.56</b>	<b>\$45.48</b>	<b>\$27.36</b>

INCOME				Total Net Rentable Sq Ft: 82,656		TDHCA	APPLICANT	USS Region 8			
<b>POTENTIAL GROSS RENT</b>						\$559,536	\$559,536	IREM Region			
Secondary Income		Per Unit Per Month:	\$15.00			18,000	18,000	\$15.00	Per Unit Per Month		
Other Support Income:						0	0				
<b>POTENTIAL GROSS INCOME</b>						\$577,536	\$577,536				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(43,315)	(43,320)	-7.50%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0	0				
<b>EFFECTIVE GROSS INCOME</b>						\$534,221	\$534,216				
<b>EXPENSES</b>				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.91%	\$262	0.32		\$26,238	\$15,400	\$0.19	\$154	2.88%	
Management		5.00%	267	0.32		26,711	\$26,570	0.32	266	4.97%	
Payroll & Payroll Tax		12.38%	661	0.80		66,123	\$62,500	0.76	625	11.70%	
Repairs & Maintenance		6.41%	342	0.41		34,220	\$42,500	0.51	425	7.96%	
Utilities		2.61%	139	0.17		13,917	\$17,500	0.21	175	3.28%	
Water, Sewer, & Trash		6.15%	328	0.40		32,832	\$25,000	0.30	250	4.68%	
Property Insurance		5.32%	284	0.34		28,400	\$30,000	0.36	300	5.62%	
Property Tax	2.61263	12.23%	653	0.79		65,316	\$70,388	0.85	704	13.18%	
Reserve for Replacements		3.74%	200	0.24		20,000	\$20,000	0.24	200	3.74%	
Other: spt svcs, compl fees, sec		2.06%	110	0.13		11,000	\$11,000	0.13	110	2.06%	
<b>TOTAL EXPENSES</b>		<b>60.79%</b>	<b>\$3,248</b>	<b>\$3.93</b>		<b>\$324,757</b>	<b>\$320,858</b>	<b>\$3.88</b>	<b>\$3,209</b>	<b>60.06%</b>	
<b>NET OPERATING INC</b>		<b>39.21%</b>	<b>\$2,095</b>	<b>\$2.53</b>		<b>\$209,464</b>	<b>\$213,358</b>	<b>\$2.58</b>	<b>\$2,134</b>	<b>39.94%</b>	
<b>DEBT SERVICE</b>											
First Lien Mortgage		33.79%	\$1,805	\$2.18		\$180,536	\$180,536	\$2.18	\$1,805	33.79%	
City of Waco CDBG		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
Additional Financing		0.00%	\$0	\$0.00		0	0	\$0.00	\$0	0.00%	
<b>NET CASH FLOW</b>		<b>5.41%</b>	<b>\$289</b>	<b>\$0.35</b>		<b>\$28,928</b>	<b>\$32,822</b>	<b>\$0.40</b>	<b>\$328</b>	<b>6.14%</b>	
<b>AGGREGATE DEBT COVERAGE RATIO</b>						1.16	1.18				
<b>RECOMMENDED DEBT COVERAGE RATIO</b>							1.18				

<b>CONSTRUCTION COST</b>				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL	
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
ACQUISITION COST (site or bldg)		4.20%	\$2,900	\$3.51	\$290,000	\$290,000	\$3.51	\$2,900	4.24%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.68%	6,000	7.26	599,999	599,999	7.26	6,000	8.77%
Direct Construction		51.57%	35,638	43.12	3,563,762	3,469,553	41.98	34,696	50.73%
Contingency	5.00%	3.01%	2,082	2.52	208,188	231,965	2.81	2,320	3.39%
General Req'ts	5.86%	3.53%	2,442	2.95	244,173	244,173	2.95	2,442	3.57%
Contractor's G & A	1.95%	1.18%	814	0.98	81,391	81,391	0.98	814	1.19%
Contractor's Profit	5.86%	3.53%	2,442	2.95	244,173	244,173	2.95	2,442	3.57%
Indirect Construction		4.73%	3,266	3.95	326,640	326,640	3.95	3,266	4.78%
Ineligible Costs		1.00%	690	0.83	69,001	69,001	0.83	690	1.01%
Developer's G & A	1.97%	1.59%	1,102	1.33	110,178	110,178	1.33	1,102	1.61%
Developer's Profit	12.84%	10.36%	7,162	8.66	716,156	716,156	8.66	7,162	10.47%
Interim Financing		4.50%	3,110	3.76	311,000	311,000	3.76	3,110	4.55%
Reserves		2.10%	1,454	1.76	145,384	145,384	1.76	1,454	2.13%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$69,100</b>	<b>\$83.60</b>	<b>\$6,910,045</b>	<b>\$6,839,613</b>	<b>\$82.75</b>	<b>\$68,396</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>71.51%</b>	<b>\$49,417</b>	<b>\$59.79</b>	<b>\$4,941,686</b>	<b>\$4,871,254</b>	<b>\$58.93</b>	<b>\$48,713</b>	<b>71.22%</b>

<b>SOURCES OF FUNDS</b>				TDHCA	APPLICANT	RECOMMENDED		
First Lien Mortgage		30.39%	\$21,000	\$25.41	\$2,100,000	\$2,100,000	\$2,100,000	Developer Fee Available
City of Waco CDBG		0.07%	\$50	\$0.06	5,000	5,000	5,000	\$822,061
LIHTC Syndication Proceeds		65.08%	\$44,970	\$54.41	4,497,000	4,497,000	4,458,067	% of Dev. Fee Deferred
Deferred Developer Fees		3.63%	\$2,509	\$3.04	250,879	250,879	276,546	34%
Additional (excess) Funds Required		0.83%	\$572	\$0.69	57,166	(13,266)	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>					<b>\$6,910,045</b>	<b>\$6,839,613</b>	<b>\$6,839,613</b>	<b>\$824,074</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

**Dripping Springs Senior Village Apts., Waco, 9% LIHTC #03161**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.26	\$3,658,112
<b>Adjustments</b>				
Exterior Wall Finish	6.32%		\$2.80	\$231,193
Elderly	5.00%		2.21	182,906
Roofing			0.00	0
Subfloor			(2.02)	(166,965)
Floor Cover			1.92	158,700
Porches/Balconies	\$11.98	18,184	2.64	217,844
Plumbing	\$615	84	0.63	51,660
Built-In Appliances	\$1,625	100	1.97	162,500
Fireplaces	\$2,200	1	0.03	2,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	121,504
Carports	\$7.83	3,600	0.34	28,188
Comm &/or Aux Bldgs	\$61.22	2,359	1.75	144,410
Other: 9-Ft. Ceilings	3.76%		1.66	137,545
<b>SUBTOTAL</b>			<b>59.64</b>	<b>4,929,796</b>
Current Cost Multiplier	1.03		1.79	147,894
Local Multiplier	0.86		(8.35)	(690,171)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$53.08</b>	<b>\$4,387,519</b>
Plans, specs, survy, bid prep	3.90%		(\$2.07)	(\$171,113)
Interim Construction Interest	3.38%		(1.79)	(148,079)
Contractor's OH & Profit	11.50%		(6.10)	(504,565)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$43.12</b>	<b>\$3,563,762</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$2,100,000	Term	360
Int Rate	7.75%	DCR	1.16
<b>Secondary</b>	\$5,000	Term	
Int Rate	0.00%	Subtotal DCR	1.16
<b>Additional</b>	\$4,497,000	Term	
Int Rate		Aggregate DCR	1.16

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

Primary Debt Service	\$180,536
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$32,822</b>

<b>Primary</b>	\$2,100,000	Term	360
Int Rate	7.75%	DCR	1.18
<b>Secondary</b>	\$5,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.18
<b>Additional</b>	\$4,497,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.18

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

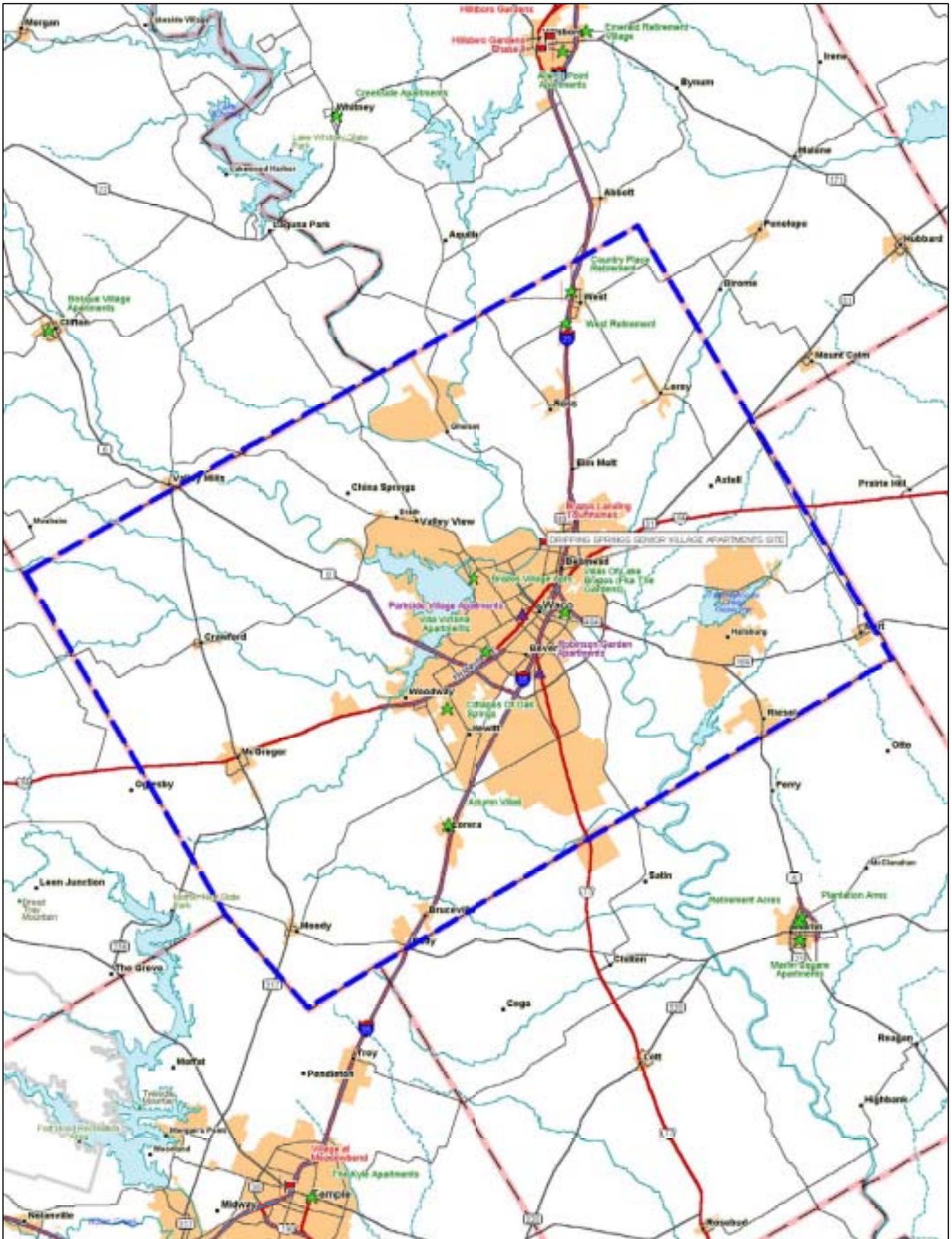
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$559,536	\$576,322	\$593,612	\$611,420	\$629,763	\$730,068	\$846,348	\$981,150	\$1,318,583
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	577,536	594,862	612,708	631,089	650,022	753,553	873,575	1,012,713	1,361,001
Vacancy & Collection Loss	(43,320)	(44,615)	(45,953)	(47,332)	(48,752)	(56,517)	(65,518)	(75,953)	(102,075)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$534,216	\$550,247	\$566,755	\$583,757	\$601,270	\$697,037	\$808,057	\$936,759	\$1,258,926
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$15,400	\$16,016	\$16,657	\$17,323	\$18,016	\$21,919	\$26,668	\$32,445	\$48,027
Management	26,570	27,367	28,188	29,034	29,905	34,668	40,190	46,591	62,615
Payroll & Payroll Tax	62,500	65,000	67,600	70,304	73,116	88,957	108,230	131,678	194,916
Repairs & Maintenance	42,500	44,200	45,968	47,807	49,719	60,491	73,596	89,541	132,543
Utilities	17,500	18,200	18,928	19,685	20,473	24,908	30,304	36,870	54,576
Water, Sewer & Trash	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Insurance	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Property Tax	70,388	73,204	76,132	79,177	82,344	100,184	121,889	148,297	219,516
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	11,000	11,440	11,898	12,374	12,868	15,656	19,048	23,175	34,305
TOTAL EXPENSES	\$320,858	\$333,427	\$346,490	\$360,068	\$374,180	\$453,532	\$549,801	\$666,612	\$980,396
NET OPERATING INCOME	\$213,358	\$216,821	\$220,265	\$223,689	\$227,090	\$243,505	\$258,255	\$270,148	\$278,530
<b>DEBT SERVICE</b>									
First Lien Financing	\$180,536	\$180,536	\$180,536	\$180,536	\$180,536	\$180,536	\$180,536	\$180,536	\$180,536
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	\$32,822	\$36,285	\$39,729	\$43,154	\$46,554	\$62,969	\$77,720	\$89,612	\$97,994
DEBT COVERAGE RATIO	1.18	1.20	1.22	1.24	1.26	1.35	1.43	1.50	1.54

**LIHTC Allocation Calculation - Dripping Springs Senior Village Apts., Waco, 9% LIHTC #03161**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>				
Purchase of land	\$290,000	\$290,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$599,999	\$599,999	\$599,999	\$599,999
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,469,553	\$3,563,762	\$3,469,553	\$3,563,762
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$81,391	\$81,391	\$81,391	\$81,391
Contractor profit	\$244,173	\$244,173	\$244,173	\$244,173
General requirements	\$244,173	\$244,173	\$244,173	\$244,173
<b>(5) Contingencies</b>				
	\$231,965	\$208,188	\$203,478	\$208,188
<b>(6) Eligible Indirect Fees</b>				
	\$326,640	\$326,640	\$326,640	\$326,640
<b>(7) Eligible Financing Fees</b>				
	\$311,000	\$311,000	\$311,000	\$311,000
<b>(8) All Ineligible Costs</b>				
	\$69,001	\$69,001		
<b>(9) Developer Fees</b>				
			\$822,061	
Developer overhead	\$110,178	\$110,178		\$110,178
Developer fee	\$716,156	\$716,156		\$716,156
<b>(10) Development Reserves</b>				
	\$145,384	\$145,384		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,839,613</b>	<b>\$6,910,045</b>	<b>\$6,302,468</b>	<b>\$6,405,660</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis			\$5,000	\$5,000
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$6,297,468</b>	<b>\$6,400,660</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$8,186,708</b>	<b>\$8,320,858</b>
Applicable Fraction			83.72%	83.72%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$6,853,636</b>	<b>\$6,965,942</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$571,593</b>	<b>\$580,960</b>

Syndication Proceeds	0.7799	\$4,458,067	\$4,531,119
<b>Total Credits (Eligible Basis Method)</b>		<b>\$571,593</b>	<b>\$580,960</b>
Syndication Proceeds		\$4,458,067	\$4,531,119
Requested Credits		\$576,585	
Syndication Proceeds		\$4,497,000	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,734,613</b>	
Credit Amount		\$607,051	



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 Zoom Level: 8-7 Datum: WGS84

Scale 1 : 450 000  
 1" = 7.10 mi



**TDHCA #**

**03259**

**Region 8**



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

Development Name: **Pecan Creek Apartments**

TDHCA #: **03259**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 8 Site Address: 1815 Old Brandon Rd.  
 City: Hillsboro County: Hill Zip Code: 76645  
 TTC  DDA  QCT Purpose / Activity: Acquisition/Rehab  
**Targeted Units:** Family: 48 Elderly: 0 Handicapped/Disabled 4 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

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

Principal Names	Principal Contact	Percentage Ownership
Fountainhead Affiliates, Inc.	Patrick A. Barbolla	.01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation **\$145,850** Allocation over 10 Years: \$1,458,500  
 Credits Requested \$145,850 Eligible Basis Amount: \$145,850 Equity/Gap Amount \$145,850

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	5	4	0	9
40%	0	4	4	0	8
50%	0	1	2	0	3
60%	0	14	14	0	28
MR	0	0	0	0	0
Total	0	24	24	0	
Total LI Units:					48
Owner/Employee Units:					0
Total Project Units:					48
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: \$2,723,349 Average Square Feet/Unit 761  
 Gross Building Square Feet 37,586 Cost Per Net Rentable Square Foot \$74.52  
 Total Net Rentable Area Square Feet: 36,546 Credits per Low Income Uni \$3,039

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income \$185,059  
 Total Expenses: \$125,816  
 Net Operating Income \$59,243  
 Estimated 1st Year Debt Coverage Ratio 1.14

**FINANCING**

Permanent Principal Amount: \$1,615,000  
 Applicant Equity: \$0  
 Equity Source: NA  
 Syndication Rate: \$0.7599

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Fountainhead Affiliates, Inc.	Market Analyst:	NA
Housing GC:	Fountainhead Construction, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	Sherrill & Associates, Inc.
Cost Estimator:	NA	Attorney:	McDonald Sanders, P.C.
Architect:	J. Douglas Cain Associates Architects	Accountant:	Gwen Ward, P.C., C.P.A.
Property Manager:	Fountainhead Management, Inc.	Supp Services:	NA
Syndicator:	Boston Capital Corp.	Permanent Lender:	U.S.D.A. note assumption

**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: 0 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: Kenneth Davis, Hill County Judge, S	
TX Representative: Jim Pitts, District 10, N	
TX Senator: Kip Averitt, District 22, S	
US Representative:	
US Senator:	
General Summary of Comment: Some Support	

**DEPARTMENT EVALUATION**

Points Awarded: 25 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of TX-USDA-RHS approval of an increase in the Basic Rents up to at least \$294 for the one-bedroom units and \$380 for the two-bedroom units prior to closing.

Receipt, review and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos containing materials in public buildings.

Receipt, review and acceptance of TX-USDA-RHS approval prior to Carryover of the extension of the transfer sales price exceeding the current outstanding loan balance of the USDA loan.

Receipt, review and acceptance of TX-USDA-RHS approval prior to Carryover of the extension of the amortization term of the restructured USDA loan to 41 years or other such accommodation to allow for consistency with the projected annual debt service of \$32,313.

Receipt, review and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to Carryover.

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.

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: This Development is needed to meet the USDA and At-Risk Set-Asides.**

_____ Robert Onion, Manager of Awards and Allocation	_____ Date	_____ Brooke Boston, Director of Multifamily Finance Production	_____ Date
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_____ Edwina Carrington, Executive Director	_____ Date
Chairman of Executive Award and Review Advisory Committee	

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

Approved Credit Amount:  Date of Determination:

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

Project ID # **03259**

Name: **Pecan Creek Apartments**

City: **Hillsboro**

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: 12 Projects grouped by score 0-9 12 10-19 0 20-29 0

Total # monitored with a score less than 30: 12 # not yet monitored or pending review: 7

### 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:** June 15, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03259

**DEVELOPMENT NAME**

Pecan Creek Apartments

**APPLICANT**

**Name:** Hillsboro Fountainhead, L.P. **Type:** For Profit  
**Address:** 4000 Old Benbrook Road **City:** Fort Worth **State:** Texas  
**Zip:** 76116 **Contact:** Patrick A. Barbolla **Phone:** (817) 732-1055 **Fax:** (817) 732-7716

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Fountainhead Affiliates, Inc. **(%):** 0.01 **Title:** Managing General Partner  
**Name:** Patrick Barbolla **(%):** N/A **Title:** 100% owner of MGP

**PROPERTY LOCATION**

**Location:** 1815 Old Brandon Road  **QCT**  **DDA**  
**City:** Hillsboro **County:** Hill County **Zip:** 76645

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$145,350	N/A	N/A	15 years
2) \$515,000	2.00%	30 yrs	30 yrs

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

**Proposed Use of Funds:** 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 \$145,850 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$515,000, STRUCTURED AS A LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HOME AWARD NOT BE APPROVED, THE TAX CREDITS ARE NOT RECOMMENDED AS THE DEVELOPMENT WOULD NO LONGER BE FEASIBLE.

**CONDITIONS**

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase in Basic Rents up to at least \$294 for one-bedroom units and \$380 for two-bedroom units prior to construction loan closing;
2. Receipt, review and acceptance at cost certification of evidence of compliance with the Texas Department of Health requirements pertaining to testing and handling of asbestos containing materials in public

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

buildings;

3. Receipt, review and acceptance of TX-USDA-RHS approval prior to carryover of the transfer sales price exceeding the current outstanding loan balance of the USDA loan;
4. Receipt, review and acceptance of TX-USDA-RHS approval prior to carryover of the extension of the amortization term of the restructured USDA loan to 41 years or other such accommodation to allow for consistency with the projected annual debt service of \$32,313;
5. Receipt, review and acceptance of a third party review and acceptance of the scope of work/needs assessment prior to carryover; and
6. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 48    **# Rental Buildings:** 4    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** 18 yrs    **Vacant:** 13% at 02/ 21/ 2003  
**Net Rentable SF:** 36,546    **Av Un SF:** 761    **Common Area SF:** 1040    **Gross Bldg SF:** 37586

**STRUCTURAL MATERIALS**

Wood frame, concrete slab on grade, 85% brick veneer and 15% wood siding exterior wall covering, with drywall interior wall surfaces and composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpet & vinyl flooring, range & oven, hood & fan, refrigerator, tile and fiberglass tubs showers, laminated counter tops, and individual water heaters.

**ON-SITE AMENITIES**

1,040 SF common building housing the management offices, mechanical and storage rooms and laundry facilities, equipped children's play area, and a picnic area.

**Uncovered Parking:** 64 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Pecan Creek Apartments is a proposed acquisition and rehabilitation of 48 units of affordable housing located in Hillsboro, Texas. The development was built in 1984 and is comprised of four (4) residential buildings as follows:

- € (1) Building Type A with 16 one-bedroom/ one-bath units;
- € (2) Building Type B with 8 two- bedroom/ one-bath units; and
- € (1) Building Type C with 8 one-bedroom/ one-bath units, 8 two- bedroom/ one-bath units.

The extensive rehabilitation consists of foundation repairs for two buildings, replacement of doors and storm windows in most units, new carpet and vinyl flooring, new appliances in most units, refinish or replacement of cabinets in kitchen and bath, new toilets in all units, conversion of three units to accessible units, replace damaged sheet rock and tape, bed, texture and paint all units, repair of curbs and resurface parking and drives.

**Existing Subsidies:** The financing plan calls for the assumption of the current USDA loan on the property, along with its associated interest reduction payments. Currently, USDA also provides rental assistance for twenty units. The Applicant plans to request a rent increase of 21% in order to support the proposed additional HOME debt service.

**Architectural Review:** The project is a plain-looking, two-story, garden style apartment complex dating from 1985.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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**Schedule:** The Applicant anticipates construction to begin in October of 2003, to be completed in July of 2004, to be placed in service in July of 2004, and to be substantially leased-up in August of 2004.

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	4.00 acres	172,240 square feet	<b>Zoning/ Permitted Uses:</b> Residential Multiple Family Highest Density district
<b>Flood Zone Designation:</b>	Zone X	<b>Status of Off-Sites:</b>	Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Hillsboro is located on Interstate 35, north of Waco, and south of Dallas and Fort Worth in Hill County. The site is an irregularly-shaped parcel located in the east side of the city, within three miles of the central business district. The site is situated on the north side of Old Brandon Road, or Ranch Road 286.

**Adjacent Land Uses:**

- ∅ **North:** Vacant land
- ∅ **South:** Shopping center
- ∅ **East:** Church
- ∅ **West:** Nursing home

**Site Access:** Access to the property is from the south from Old Brandon Road. Brandon Road provides access into Hillsboro, and access to Interstate Highway 35 is within half of a mile to the west.

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

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

**Site Inspection Findings:** ORCA staff performed a site inspection on May 5, 2003 and found the location to be acceptable for the proposed development.

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

Because the project is financed by the USDA, a Phase I Environmental Site Assessment is not required in accordance with Section 49.9(e)(13)(A) of the Texas Administrative Code. The applicant has included \$4,000 in the construction budget for environmental assessments. At the time of cost certification, the applicant should submit evidence of compliance with Texas Department of Health requirements pertaining to the testing and handling of asbestos containing materials in public buildings. Lead based paint became prohibited in 1978, and should, therefore, not be of a concern.

**POPULATIONS TARGETED**

**Income Set-Aside:** For tax-credit purposes, the Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units, however, will be restricted to households earning 60% of AMGI or less, out of which three units (6.3% of the total) will be made available to households earning 50% of AMI or less, eight units (17%) will be made available to households earning 40% of AMGI or less, and nine units (19%) will be made available to households earning 30% of AMGI or less. For purposes of the HOME loan, only the 20 units (42%) targeted at 50% or below will be considered Low-HOME units.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$17,580	\$20,100	\$22,620	\$25,140	\$27,180	\$29,160
<b>50% of AMI</b>	14,650	16,750	18,850	20,950	22,650	24,300
<b>40% of AMI</b>	11,720	13,400	15,080	16,760	18,120	19,440

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

<b>30% of AMI</b>	8,800	10,050	11,300	12,550	13,600	14,600
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**MARKET HIGHLIGHTS**

A market feasibility study provided by Ipser and Associates, Inc. and dated March 26, 2003 was provided as part of the HOME application. This study was not required for the LIHTC application due to the property's existing USDA loan, and further is of limited value given that the property is over 85% occupied and the tenancy is not expected to change significantly. The Market Analyst concludes 500 units of demand in this market as defined as all of Hill County. Adjusted market comparable rent conclusions were \$355 for the one bedroom units and \$420 for the two-bedroom units. The inclusive capture rate was calculated at 25% including all 48 subject units and the proposed second phase of Rosemont of Hillsboro. The inclusive capture rate in a rural market may be as high as 100% and, again, the 48 units at Pecan Creek are not at risk of having an oversaturation effect on the market as the units already exist and are over 85% occupied.

**OPERATING PROFORMA ANALYSIS**

**Income:** Tax credit rent restrictions for households earning thirty percent (30%), forty percent (40%), fifty percent (50%), and sixty percent (60%) of Area Median Income, and Low HOME rents all apply to the property. All except for the thirty percent (30%) AMI tax credit rents exceed the market rents as determined by the appraisal, but only the 60% rents exceed the Market Analyst's market rent conclusion. The Applicant's income projections are based on rental subsidies provided by the USDA, which are in excess of 30%, 40% and Low HOME rental restrictions, for both unit sizes. This is allowed under both the tax credit program and HOME program rules (for Low HOME units) as long as the portion of rent paid by tenants does not exceed the maximum rent restrictions.

The Applicant included an estimate of approximately \$10.33 per unit in secondary income, and vacancy and collection losses of 7.50% of potential gross income. These estimates are consistent with TDHCA's underwriting criteria, and therefore, were also used by the Underwriter.

**Expenses:** The Applicant's total expense estimate of \$2,517 per unit is within 5% of a TDHCA database-derived estimate of \$2,621 per unit for comparably-sized developments and based upon historical operating data for this property.

**Conclusion:** The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations; however 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.

The Underwriter's estimated debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$53,857 by a reduction of the HOME loan interest rate to 1%.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only: 4.00 acres</b>	\$60,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Existing Building(s): "as is"</b>	\$785,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>USDA Subsidy:</b>	\$265,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Total Development: "as is"</b>	\$1,110,000	<b>Date of Valuation:</b>	02/	06/	2003
<b>Appraiser:</b> Jerry Sherrill	<b>City:</b> Arlington	<b>Phone:</b>	(817)	557-1791	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The appraiser notes that current employment in the area appears stable, that there are no apparent factors that would negatively affect the future employment stability of the area, and that there are no economic or social changes anticipated that would have an impact on rental rates in the area. However, the appraiser further mentions that, although the population of the city has been increasing by about one percent (1%) annually, there does not appear to be a need for any additional low income housing units at this time.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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Current vacancies are cited to range from 5% to 15% on properties that are well managed and maintained. The appraiser concludes that market rents for the project would likely be approximately \$279 per unit per month for the one bedroom units and \$361 per unit per month for the two bedroom units.

**Conclusion:** The conclusions of the appraisal found the market value of the property to be approximately \$845,000 (including the land valued at \$60,000), and added to this the present value of the USDA interest rate subsidy to come to a final value of \$1,110,000.

**ASSESSED VALUE**

<b>Land: 4.00 acres</b>	\$92,570	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$442,000	<b>Valuation by:</b>	Hill County Appraisal District
<b>Total Assessed Value:</b>	\$534,570	<b>Tax Rate:</b>	\$3.07

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Purchase And Sale Agreement					
<b>Contract Expiration Date:</b>	12/	01/	2003	<b>Anticipated Closing Date:</b>	11/	01/ 2003
<b>Acquisition Cost:</b>	\$1,350,000	<b>Other Terms/Conditions:</b>	Assumption of USDA Note + \$280K cash			
<b>Seller:</b>	Pecan Creek Apts., Ltd.			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition contract specifically identifies the cost of the land to be \$60,000, and the Applicant has excluded this cost from eligible basis. The terms of the agreement stipulate that the seller of the property is to be paid \$250,000, with the remainder of the purchase price to be financed by the assumption of the USDA loan. While the Applicant's approach to determining the acquisition basis has been accepted in the past, a more consistent approach would be to apply the percentage of building value as established by the Appraisal to the purchase price. This approach would result in a \$36.5K reduction in the acquisition basis and a subsequent reduction in the credit allocation. While the latter approach has become more standard in Texas for underwriting, either approach could be justified in this instance and thus the Applicant's estimate was not adjusted.

It is the Underwriter's understanding that USDA allows a property to be transferred at a cost higher than the appraised value only if the seller can document that the exit tax liability to transfer the property is more than the tax liability that would result from a foreclosure. In this case, the sales price appears to be approximately \$385K more than the debt after the debt is resized based on the appraised value. The Applicant indicated that \$135K of the \$156K in existing replacement reserve will be used to pay down the debt to the appraised value and \$250K in cash will be paid to the seller at closing. Therefore, receipt, review and acceptance of USDA approval of the transfer and sale of the property for more than the existing or revise debt is a condition of this report.

**Sitework Cost:** Sitework, including the construction of a sign for the property, the provision of a playground, and repairs and improvements to sidewalks, the parking lot, drainage, landscaping and fencing, totals \$107,933, according to the applicant's estimates, or \$2,248 per unit. This is a reasonable cost for a rehabilitation development.

**Direct Construction Cost:** According to the Applicant's scope of work and cost estimate, repairs are required to most components of the property to one degree or another. The total rehabilitation direct costs are \$645,557, or \$13,449/unit.

While the scope of work/needs assessment is quite detailed and thorough, it was prepared by the principal of the Applicant and not a third party. The underwriting evaluation must rely on this report as its verification that the Applicant's scope and costs are acceptable. Thus, a third party architect, engineer or contractor able to make such a review and determination is necessary. Therefore, this report is conditioned upon receipt, review and acceptance of such a third party review by carryover.

**Fees:** The Applicant's contractor and developer fees appear to be within the TDHCA guidelines.

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

**Conclusion:** The Applicant's total development costs are accepted subject to a third party review of the scope of work. As a result, a total eligible basis of \$2,596,364 results in a credit allocation of \$145,850. The resulting syndication proceeds will be compared to the gap in need to determine the total credit recommendation.

**FINANCING STRUCTURE**

**LONG TERM/PERMANENT FINANCING**

**Source:** U.S.D.A. note assumption **Contact:** Scotter Brockett  
**Principal Amount:** \$1,100,000 **Interest Rate:** 1.00%  
**Additional Information:** Assumption of existing note with balance of approximately \$1,235,000 to be paid down with \$135K in existing reserve funds prior to closing  
**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$32,313 **Lien Priority:** 1st **Commitment Date** / /

**LIHTC SYNDICATION**

**Source:** Boston Capital **Contact:** Jennifer Robichaud  
**Address:** One Boston Place **City:** Boston  
**State:** Mass. **Zip:** 02108 **Phone:** (617) 624-8868 **Fax:** (617) 624-8999  
**Net Proceeds:** \$1,108,349 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 76¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 21/ 2003  
**Additional Information:**

**APPLICANT EQUITY**

**Amount:** N/A **Source:** N/A

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The primary financing will be the assumption of an existing USDA loan. The loan originated in 1984, and matures in 2034. The original principal of \$1,271,000 has or will be reduced to \$1,100,000. Through interest reduction subsidies, the stated interest rate of 10.75% is reduced to 1.00%, resulting in annual debt service estimated by the Applicant of \$32,313. The Underwriter's estimated payment based on the 31 year remaining amortization anticipated by the Applicant reflects an annual debt service of \$41,282. The USDA loan amortization would need to be extended an additional ten years for the proposed payment to be correct. Therefore, this report is conditioned upon receipt, review and acceptance of the Applicant's re-evaluation of the annual USDA payment and potential USDA agreement to extend the amortization period to 41 years.

The proposed HOME loan will be used in conjunction with tax-credit proceeds to finance the remaining acquisition cost, the rehabilitation of the property, and the various associated transaction costs. The Applicant requested HOME repayment terms of 30 ears at 2%; however, the Underwriter's analysis reflects that even with the undersized USDA debt service payment the HOME loan at 2% interest does not allow for an acceptable debt coverage ratio of at least 1.10. Thus, the Underwriter recommends the interest rate on this loan be reduced to 1%. Without the HOME loan the transaction would no longer be feasible and the amount of developer fee and related party contractor fees would be insufficient to fill the gap. Even if they were augmented by developer debt, the total would not be repayable within 15 years as required by current department guidelines.

**LIHTC Syndication:** The first page of the Application reflects requested credits of \$145,350 and is probably an error. Elsewhere in the application, the credit request is calculated to be \$145,850. The syndicator's letter indicates \$145,850 in credits which is confirmed by the Underwriter's eligible basis calculation.

Boston Capital proposes to invest in the limited partnership at the rate of \$0.76 per each dollar of tax-credits

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

acquired, resulting in the provision of \$1,108,349 in equity to be paid at various stages for the development of the project. The investment proceeds will be used to pay for the various direct and indirect costs of rehabilitation, as well as other soft costs associated with the transaction.

**Financing Conclusions:** The Applicant's costs, subject to third party scope of work verification, are used to derive the total development costs for this property. The requested credits in this case are identical to the recalculated credits and the gap determination of credits, only the Underwriter's calculation of credits using the lower acquisition basis provides a lower credit amount. The credit amount of \$145,850 is recommended, which will result in no deferred developer fee. Should the HOME funds not be awarded to this development, the tax credits are not recommended since there would be insufficient deferred developer fee available to absorb the gap. Moreover, even if contractor fees were deferred there would not be sufficient net cash flow over 15 years to repay the gap and in that case the transaction would be infeasible.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The developer, general contractor and property manager are all related parties owned by the principal of the Applicant. These are typical LIHTC relationships.

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

**Financial Highlights:** Patrick A. Barbolla, the principal of the general partner, submitted unaudited personal financial statements dated December 31, 2002.

**Background & Experience:** Mr. Barbolla, principal of the general partner, has had experience in developing affordable multifamily rental housing since 1982. Through affiliated entities, he currently has ownership interest in seven (7) projects throughout Texas, and is responsible for managing fifteen (15) others. These projects fall under the scope of various governmental housing programs including those of Rural Development, the Section 8 program, the Low Income Housing Tax Credit program, and the HOME program.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 15, 2003
	<i>Stephen Apple</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 15, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**Pecan Creek Apartments, , Hillsboro, LIHTC #03259**

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
>30%TC,>LH	5	1	1	667	\$235	\$294	\$1,470	\$0.44	\$52.00	\$21.00
>40%TC,>LH	4	1	1	667	314	294	1,176	0.44	52.00	21.00
<50%TC,>LH	1	1	1	667	341	294	294	0.44	52.00	21.00
<60%TC	14	1	1	667	471	294	4,116	0.44	52.00	21.00
>30%TC,>LH	4	2	1	863	282	380	1,520	0.44	67.00	23.00
>40%TC,>LH	4	2	1	863	377	380	1,520	0.44	67.00	23.00
<50%TC,>LH	2	2	1	863	412	380	760	0.44	67.00	23.00
<60%TC	14	2	1	863	565	380	5,320	0.44	67.00	23.00
<b>TOTAL:</b>	<b>48</b>		<b>AVERAGE:</b>	<b>765</b>	<b>\$432</b>	<b>\$337</b>	<b>\$16,176</b>	<b>\$0.44</b>	<b>\$59.50</b>	<b>\$22.00</b>

**INCOME**

Total Net Rentable Sq Ft: **36,720**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$10.33  
Other Support Income: (describe)

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.07%	\$118	0.15	\$5,687	\$5,760	\$0.16	\$120	3.11%
Management	8.48%	327	0.43	15,685	\$17,050	0.46	355	9.21%
Payroll & Payroll Tax	17.05%	657	0.86	\$31,544	\$29,100	0.79	606	15.72%
Repairs & Maintenance	7.65%	295	0.39	14,150	\$11,915	0.32	248	6.44%
Utilities	1.63%	63	0.08	\$3,015	\$3,050	0.08	64	1.65%
Water, Sewer, & Trash	6.85%	264	0.35	12,672	\$11,740	0.32	245	6.34%
Property Insurance	5.27%	203	0.27	9,754	\$11,847	0.32	247	6.40%
Property Tax 3.0746	9.57%	369	0.48	17,710	\$16,436	0.45	342	8.88%
Reserve for Replacements	7.78%	300	0.39	14,400	\$12,710	0.35	265	6.87%
Other Expenses:	0.65%	25	0.03	1,200	\$1,200	0.03	25	0.65%
<b>TOTAL EXPENSES</b>	<b>67.99%</b>	<b>\$2,621</b>	<b>\$3.43</b>	<b>\$125,816</b>	<b>\$120,808</b>	<b>\$3.29</b>	<b>\$2,517</b>	<b>65.28%</b>
<b>NET OPERATING INC</b>	<b>32.01%</b>	<b>\$1,234</b>	<b>\$1.61</b>	<b>\$59,243</b>	<b>\$64,256</b>	<b>\$1.75</b>	<b>\$1,339</b>	<b>34.72%</b>

**DEBT SERVICE**

USDA Loan Assumption	22.31%	\$860	\$1.12	\$41,282	\$32,313	\$0.88	\$673	17.46%
HOME Loan	12.34%	\$476	\$0.62	22,842	22,200	\$0.60	\$463	12.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>-2.64%</b>	<b>(\$102)</b>	<b>(\$0.13)</b>	<b>(\$4,881)</b>	<b>\$9,743</b>	<b>\$0.27</b>	<b>\$203</b>	<b>5.26%</b>

AGGREGATE DEBT COVERAGE RATIO

0.92 1.18

RECOMMENDED DEBT COVERAGE RATIO

1.14

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		49.98%	\$28,300	\$36.99	\$1,358,386	\$1,358,386	\$36.99	\$28,300	49.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.97%	2,249	2.94	107,933	107,933	2.94	2,249	3.96%
Direct Construction		23.75%	13,449	17.58	645,558	645,557	17.58	13,449	23.70%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	6.00%	1.66%	942	1.23	45,209	45,209	1.23	942	1.66%
Contractor's G & A	2.00%	0.55%	314	0.41	15,069	15,069	0.41	314	0.55%
Contractor's Profit	6.00%	1.66%	942	1.23	45,209	45,209	1.23	942	1.66%
Indirect Construction		2.96%	1,675	2.19	80,395	80,395	2.19	1,675	2.95%
Ineligible Costs		0.27%	153	0.20	7,350	7,350	0.20	153	0.27%
Developer's G & A	2.80%	2.29%	1,297	1.70	62,264	67,731	1.84	1,411	2.49%
Developer's Profit	12.20%	9.97%	5,644	7.38	270,924	270,924	7.38	5,644	9.95%
Interim Financing		0.73%	416	0.54	19,951	19,951	0.54	416	0.73%
Reserves		2.19%	1,242	1.62	59,635	59,635	1.62	1,242	2.19%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$56,623</b>	<b>\$74.02</b>	<b>\$2,717,883</b>	<b>\$2,723,349</b>	<b>\$74.17</b>	<b>\$56,736</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>31.60%</b>	<b>\$17,895</b>	<b>\$23.39</b>	<b>\$858,978</b>	<b>\$858,977</b>	<b>\$23.39</b>	<b>\$17,895</b>	<b>31.54%</b>

**SOURCES OF FUNDS**

				TDHCA	APPLICANT	RECOMMENDED	
USDA Loan Assumption	40.47%	\$22,917	\$29.96	\$1,100,000	\$1,100,000	\$1,100,000	Developer fee Available
HOME Loan	18.95%	\$10,729	\$14.03	515,000	515,000	515,000	\$333,188
LIHTC Syndication Proceeds	40.78%	\$23,091	\$30.18	1,108,349	1,108,349	1,108,349	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0	0	0%
Additional (excess) Funds Required	-0.20%	(\$114)	(\$0.15)	(5,466)	0	0	Dev Fee Repayable in 15 yrs
<b>TOTAL SOURCES</b>				<b>\$2,717,883</b>	<b>\$2,723,349</b>	<b>\$2,723,349</b>	<b>\$159,286.32</b>

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST** (continued)  
**Pecan Creek Apartments, Hillsboro, LIHTC #03259**

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,100,000	Term	372
Int Rate	1.00%	DCR	1.44

<b>Secondary</b>	\$515,000	Term	360
Int Rate	2.00%	Subtotal DCR	0.92

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	0.92

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$32,313
Secondary Debt Service	19,877
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$7,053</b>

<b>Primary</b>	\$1,100,000	Term	500
Int Rate	1.00%	DCR	1.83

<b>Secondary</b>	\$515,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.14

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

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

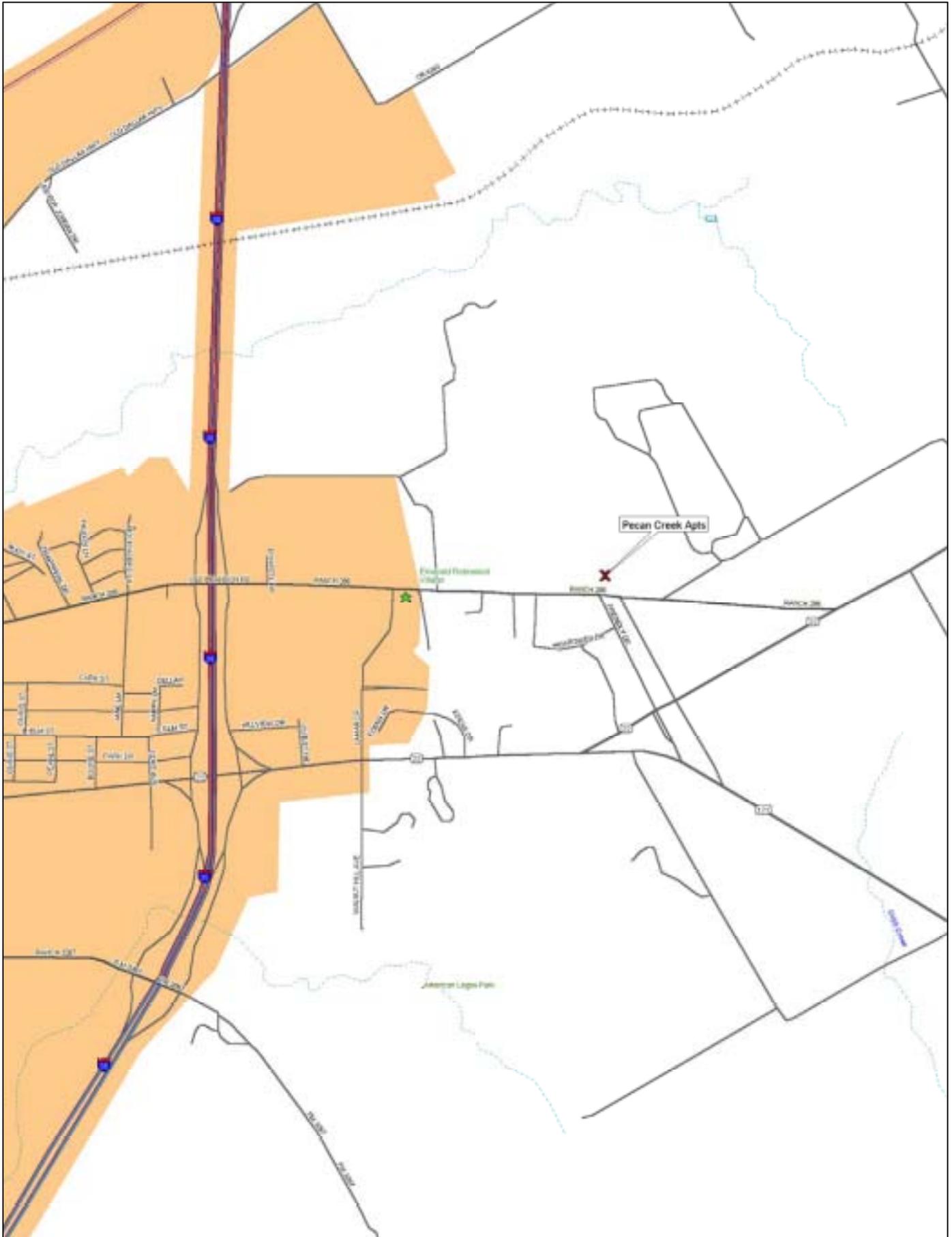
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$194,112	\$199,935	\$205,933	\$212,111	\$218,475	\$253,272	\$293,612	\$340,377	\$457,438
Secondary Income	5,952	6,131	6,314	6,504	6,699	7,766	9,003	10,437	14,026
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	200,064	206,066	212,248	218,615	225,174	261,038	302,615	350,813	471,464
Vacancy & Collection Loss	(15,005)	(15,455)	(15,919)	(16,396)	(16,888)	(19,578)	(22,696)	(26,311)	(35,360)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$185,059</b>	<b>\$190,611</b>	<b>\$196,329</b>	<b>\$202,219</b>	<b>\$208,286</b>	<b>\$241,460</b>	<b>\$279,919</b>	<b>\$324,502</b>	<b>\$436,104</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$5,687	\$5,914	\$6,151	\$6,397	\$6,653	\$8,094	\$9,848	\$11,981	\$17,735
Management	15,685	16,155	16,640	17,139	17,653	20,465	23,725	27,503	36,962
Payroll & Payroll Tax	31,544	32,805	34,118	35,482	36,902	44,896	54,623	66,458	98,374
Repairs & Maintenance	14,150	14,716	15,305	15,917	16,553	20,140	24,503	29,812	44,129
Utilities	3,015	3,136	3,261	3,392	3,527	4,291	5,221	6,352	9,403
Water, Sewer & Trash	12,672	13,179	13,706	14,254	14,824	18,036	21,944	26,698	39,520
Insurance	9,754	10,144	10,550	10,972	11,411	13,883	16,891	20,550	30,419
Property Tax	17,710	18,418	19,155	19,921	20,718	25,206	30,667	37,312	55,230
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
<b>TOTAL EXPENSES</b>	<b>\$125,816</b>	<b>\$130,692</b>	<b>\$135,758</b>	<b>\$141,022</b>	<b>\$146,491</b>	<b>\$177,216</b>	<b>\$214,436</b>	<b>\$259,533</b>	<b>\$380,423</b>
<b>NET OPERATING INCOME</b>	<b>\$59,243</b>	<b>\$59,919</b>	<b>\$60,572</b>	<b>\$61,198</b>	<b>\$61,795</b>	<b>\$64,244</b>	<b>\$65,483</b>	<b>\$64,969</b>	<b>\$55,681</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313	\$32,313
Second Lien	19,877	19,877	19,877	19,877	19,877	19,877	19,877	19,877	19,877
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$7,053</b>	<b>\$7,729</b>	<b>\$8,381</b>	<b>\$9,007</b>	<b>\$9,604</b>	<b>\$12,054</b>	<b>\$13,292</b>	<b>\$12,779</b>	<b>\$3,491</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.15</b>	<b>1.16</b>	<b>1.17</b>	<b>1.18</b>	<b>1.23</b>	<b>1.25</b>	<b>1.24</b>	<b>1.07</b>

**LIHTC Allocation Calculation - Pecan Creek Apartments, Hillsboro, LIHTC #03259**

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
<b>(1) Acquisition Cost</b>						
Purchase of land	\$60,000	\$96,453				
Purchase of buildings	\$1,298,386	\$1,261,933	\$1,298,386	\$1,261,933		
<b>(2) Rehabilitation/New Construction Cost</b>						
On-site work	\$107,933	\$107,933			\$107,933	\$107,933
Off-site improvements						
<b>(3) Construction Hard Costs</b>						
New structures/rehabilitation hard costs	\$645,557	\$645,558			\$645,557	\$645,558
<b>(4) Contractor Fees &amp; General Requirements</b>						
Contractor overhead	\$15,069	\$15,069			\$15,069	\$15,069
Contractor profit	\$45,209	\$45,209			\$45,209	\$45,209
General requirements	\$45,209	\$45,209			\$45,209	\$45,209
<b>(5) Contingencies</b>						
<b>(6) Eligible Indirect Fees</b>	\$80,395	\$80,395	\$6,650	\$6,650	\$73,745	\$73,745
<b>(7) Eligible Financing Fees</b>	\$19,951	\$19,951			\$19,951	\$19,951
<b>(8) All Ineligible Costs</b>	\$7,350	\$7,350				
<b>(9) Developer Fees</b>						
				\$190,287		\$142,901
Developer overhead	\$67,731	\$62,264	\$39,151		\$28,580	
Developer fee	\$270,924	\$270,924	\$156,604		\$114,320	
<b>(10) Development Reserves</b>						
	\$59,635	\$59,635				
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$2,723,349</b>	<b>\$2,717,883</b>	<b>\$1,500,791</b>	<b>\$1,458,870</b>	<b>\$1,095,573</b>	<b>\$1,095,575</b>

<b>Deduct from Basis:</b>						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
<b>TOTAL ELIGIBLE BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
High Cost Area Adjustment					100%	100%
<b>TOTAL ADJUSTED BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
Applicable Fraction			100%	100%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>			\$1,500,791	\$1,458,870	\$1,095,573	\$1,095,575
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			\$54,479	\$52,957	\$91,371	\$91,371

Syndication Proceeds	0.7599	\$413,997	\$402,433	\$694,349	\$694,350
<b>Total Credits (Eligible Basis Method)</b>				<b>\$145,850</b>	<b>\$144,328</b>
Syndication Proceeds				\$1,108,346	\$1,096,783
Requested Credits				\$145,850	
Syndication Proceeds				\$1,108,349	
<b>Gap of Syndication Proceeds Needed</b>				<b>\$1,108,349</b>	
Credit Amount				\$145,850	



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 Zoom Level: 13-0 Datum: WGS84

Scale: 1" = 25,000  
 1" = 2000 ft

