

**TDHCA #**

**03067**

**Region 9**



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

Development Name: **Tuscany Court**

TDHCA #: **03067**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 2208 14th Street  
 City: Hondo County: Medina Zip Code: 78861  
 TTC  DDA  QCT Purpose / Activity: Rehab Only  
**Targeted Units:** Family: 76 Elderly: 0 Handicapped/Disabled 5 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Hanbeck Ltd.

Principal Names	Principal Contact	Percentage Ownership
Alsace Developers, Inc.	Ronnie Hodges	.9% of Owner
Valentine Realtors, Inc.	Ronnie Hodges	01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$465,802** Allocation over 10 Years: \$4,658,020  
 Credits Requested: \$467,182 Eligible Basis Amount: \$465,802 Equity/Gap Amount: \$510,302

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	6	7	13
40%	0	0	2	3	5
50%	0	0	2	2	4
60%	0	0	9	41	50
MR	0	0	1	3	4
Total	0	0	20	56	

**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

Total LI Units: 72  
 Owner/Employee Units: 0  
 Total Project Units: 76  
 Applicable Fraction: 95.00

**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

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

**BUILDING INFORMATION**

Total Development Cost: \$6,112,030 Average Square Feet/Unit: 1,192  
 Gross Building Square Feet: 93,608 Cost Per Net Rentable Square Foot: \$67.46  
 Total Net Rentable Area Square Feet: 90,608 Credits per Low Income Uni: \$6,469

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$397,188  
 Total Expenses: \$243,656  
 Net Operating Income: \$153,532  
 Estimated 1st Year Debt Coverage Ratio: 1.14

**FINANCING**

Permanent Principal Amount: \$1,979,000  
 Applicant Equity: \$360,415  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.8099

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

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



# Developer Evaluation

Project ID # **03067/03821**

Name: **Tuscany Court**

City: **Hondo**

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: 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 6/4/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found   
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found   
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 3, 2003      **PROGRAM:** 9% LIHTC  
HTF      **FILE NUMBER:** 03067  
03821

**DEVELOPMENT NAME**

Tuscany Court

**APPLICANT**

**Name:** Hanbeck, Ltd.      **Type:** For Profit  
**Address:** 8455 Lyndon Lane      **City:** Austin      **State:** TX  
**Zip:** 78729      **Contact:** Ronette Hodges      **Phone:** (512) 249-6240      **Fax:** (512) 249-6660

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Alsace Developers, Inc.      **(%):** 0.009      **Title:** Managing General Partner/Developer  
**Name:** Valentine Realtors, Inc.      **(%):** 0.001      **Title:** Co-General Partner  
**Name:** Charter Builders/R.J. Collins      **(%):** N/A      **Title:** General Contractor

**PROPERTY LOCATION**

**Location:** 2208 14<sup>th</sup> Street       QCT       DDA  
**City:** Hondo      **County:** Medina      **Zip:** 78861

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$467,182	N/A	N/A	N/A
2) \$329,000	0%	30 yrs	30 yrs

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

**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 \$465,802 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED \$329,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 26 YEARS AFTER A 4 YEAR NON-AMORTIZING PERIOD AT 0% INTEREST, SUBJECT TO CONDITIONS.
- SHOULD THE HOUSING TRUST FUND LOAN NOT BE APPROVED, THE TRANSACTION WOULD NO LONGER BE FINANCIALLY FEASIBLE AND NO LOW INCOME HOUSING TAX CREDIT WOULD BE RECOMMENDED.

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

**CONDITIONS**

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 76    **# Rental Buildings:** 19    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 90,608    **Av Un SF:** 1,192    **Common Area SF:** 3,000    **Gross Bldg SF:** 93,608

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Community room, management offices, laundry facility, restrooms, computer/business center, daycare facility, central mailroom, swimming pool, equipped children's play area are located toward the rear of the property. In addition sports courts and picnic areas are planned for the site.

**Uncovered Parking:** 114 spaces    **Carports:** N/A spaces    **Garages:** 76 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Tuscan Court is a new moderately dense 6.8 units/acre mixed income housing development located in Hondo, Texas. The development is comprised of 19 evenly distributed four unit residential buildings comprised of townhomes as follows:

- Nine Building Type A with two two- bedroom units and two three- bedroom units;
- One Building Type B with two ADA two-bedroom units and two three- bedroom units;
- Six Building Type C with four three- bedroom units; and
- Three Building Type D with two ADA three- bedroom units and two three- bedroom units.

**Architectural Review:** The unit floorplans include ample storage space and adequate living areas. Each unit also includes an attached garage and utility closet with space for full-size appliances. The simple combination Hardiplank/brick veneer buildings have pitched roofs and gabled entrances.

**Supportive Services:** The Applicant plans to contract with Texas Interfaith Management Corporation to provide optional resident services. The application indicates that tenants will be responsible for an additional charge in an unspecified amount. The Applicant also included \$9,120 in supportive services expense in the Annual Operating Budget.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 11.25 acres    490,050 square feet    **Zoning/ Permitted Uses:** Multi-Family  
**Flood Zone Designation:** Zone C    **Status of Off-Sites:** Partially Improved

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject property is located on 14<sup>th</sup> Street, east of Avenue Y in the City of Hondo, Medina County. Hondo is located 40 miles west of San Antonio.

**Adjacent Land Uses:** The neighborhood is characterized predominantly residential developments including single family detached homes and mobile home parks. “The adjoining properties are either vacant or residential properties with the exception of the City of Hondo’s Volunteer Fire Department to the west.” (p. 11, Phase I ESA) As of 1995 the adjacent land uses included:

- **North:** mobile home subdivision, vacant land
- **South:** mobile homes, other residential dwellings
- **East:** vacant portion of former airbase
- **West:** Hondo Volunteer Fire department, Avenue Y

**Site Access:** Access to the site will be via 14<sup>th</sup> Street, the primary east/west artery through this section of Hondo. Avenue Y, the main north/south artery, provides access to State highway 90, which runs to San Antonio.

**Public Transportation:** No local public bus transportation services are available.

**Shopping & Services:** The Hondo Independent School District includes an elementary, intermediate, middle and high school. College level courses are available locally and major universities can be found within 40 miles of the city. Medina Community Hospital located in the southeastern portion of the city serves Hondo and the surrounding areas. A grocery and public library are located within one mile of the site. The city offers six parks with sport courts, a youth center, community/senior center, and a convention center along with other gathering/event areas.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 16, 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 13, 2003 was prepared by Matrix Environmental Sciences, Inc. and contained the following findings and recommendations: “...small piles of trash, used tires, equipment, small portable tanks, paint cans, two drums of (used) oil, hoses and old metal and stained concrete, should be removed and disposed of in a TCEQ Approved Landfill or recycled with a TCEQ Approved Recycling Company. No other recognized environmental concerns were noted.” (executive summary)

Although the property was part of a former US Airbase, the environmental firm’s research revealed that this portion of the airbase were not used “for activities that would have used hazardous chemicals or explosives...the environmental lien search indicated that no environmental liens have been filed for public record.” (p. 2)

It should be noted the ESA identified a wooden storage building on a concrete slab and several other concrete slabs and foundations remaining from former buildings that were on the subject property. In response to a request, the Applicant provided a letter from the City of Hondo, the current owner of the property, indicating the storage building has been demolished, the site has been “cleaned,” and the slabs will be removed upon receipt of a tax credit reservation for the subject property.

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Seventy-two of the units (95% of the total) will be reserved for low-income tenants. Thirteen of the units (17%) will be reserved for households earning 30% or less of AMGI, five units (7%) will be reserved for households earning 40% or less of AMGI, four of the units (5%) will be reserved for households earning 50% or less of AMGI, 50 units (66%) will be reserved for households earning 60% or less of AMGI, and the remaining four units (5%) will be offered at market rents. All seventy-two of the low-income units will be restricted by HTF.

<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>	\$18,720	\$21,360	\$24,060	\$26,700	\$28,860	\$30,960

**MARKET HIGHLIGHTS**

A market feasibility study dated February 5, 2003 was prepared by Novogradac & Company, LLP and highlighted the following findings:

**Definition of Primary Market:** "For purposes of this Study, the Subject's Primary Market Area (PMA) will be defined as Medina County." (p. 14)

**Population:** The estimated 2001 population of Medina County was 40,552 and is expected to increase to approximately 46,602 by 2006. Within the primary market area there were estimated to be 13,296 households in 2001.

**Total Local/Submarket Demand for Rental Units:**

<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	29	10%	29	11%
Resident Turnover	220	80%	227	89%
Other Sources:	28	10%	N/A	
<b>TOTAL ANNUAL DEMAND</b>	<b>277</b>	<b>100%</b>	<b>255</b>	<b>100%</b>

Ref: p. 61

**Inclusive Capture Rate:** Based on the market analyst's total demand figure, the inclusive capture rate for the property is 26%. The Underwriter calculated an inclusive capture rate of 28% based upon a revised demand of 255. In both instances, the capture rate is below the 100% limit allowed for rural developments under the Department's current Market Analysis rules.

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 339 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>	\$191	\$191	\$0	\$525	-\$334
<b>2-Bedroom (40%)</b>	\$292	\$292	\$0	\$525	-\$233
<b>2-Bedroom (50%)</b>	\$392	\$392	\$0	\$525	-\$133
<b>2-Bedroom (60%)</b>	\$492	\$492	\$0	\$525	-\$33
<b>2-Bedroom (MR)</b>	\$541	N/A		\$525	+\$16
<b>3-Bedroom (30%)</b>	\$195	\$194	+\$1	\$650	-\$455

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

<b>3-Bedroom (40%)</b>	\$311	\$311	\$0	\$650	-\$339
<b>3-Bedroom (50%)</b>	\$426	\$426	\$0	\$650	-\$224
<b>3-Bedroom (60%)</b>	\$542	\$542	\$0	\$650	-\$108
<b>3-Bedroom (MR)</b>	\$596	N/A		\$650	-\$54

(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)

**Primary Market Occupancy Rates:** “Occupancy rates reported in the market ranged from 96 to 100 percent, with an average occupancy of approximately 98 percent.” (p. 36)

**Absorption Projections:** “...we conservatively estimate an annual turnover rate of approximately 20 percent for the subject.” (p. 36)

**Known Planned Development:** “Based on interviews with local property managers and the Planning Department, there are no known new market rate or LIHTC properties proposed for the PMA (other than the subject). Moreover, no new LIHTC developments targeted for the PMA were allocated tax credits in 2002.” (p. 28)

The Underwriter found the market study provided sufficient information for this analysis.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are equal to the maximum rents allowed under LIHTC guidelines. The Applicant included a two bedroom unrestricted rent that was \$16 higher than the Market Analyst’s conclusion of market rent, therefore the Underwriter used the lower Market Analyst’s rent for this unit. The Applicant’s vacancy and collection loss and secondary income assumptions are in line with Department guidelines.

**Expenses:** The Applicant’s estimate of total operating expense is 2% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. In addition, each of the Applicant’s specific expense line items compare well to the Underwriter’s estimates.

**Conclusion:** The Applicant’s effective gross income, operating expense, and net operating income projections are all within 5% of the Underwriter’s estimate. Therefore, the Applicant’s proforma is used to determine the development’s debt service capacity. Based on the current terms for permanent financing, the development’s initial debt coverage ratio is below the Department’s guideline of 1.10 to 1.30. However, should the Board approve a HTF award in the amount requested, but structured with an initial four-year non-amortizing period as recommended, the development’s debt coverage ratio increases to an acceptable 1.14. In Year 5 of operation, the development can support debt service for repayment of the HTF loan based on an amortization period over the remaining 26 year term of the HTF loan.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	\$0 currently city owned	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Medina County Appraisal District
<b>Total Assessed Value:</b>	\$0	<b>Tax Rate:</b>	2.815

**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/	30/ 2003
<b>Acquisition Cost:</b>	\$110,300			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	City of Hondo			<b>Related to Development Team Member:</b>	No	



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

feasibility of the development. Without the HTF the developments deferred developer fee would increase to \$689,415 and would not be predicted to be repaid within the initial 15 years which would lead to a characterization of the development as infeasible. Moreover, the HTF repayment structure recommended includes a deferral for the first four years of operation followed by full amortization over the remaining 26 years at 0% interest, by the fifth year cash flow from the development is sufficient to support such a payment and cash flow prior to that than is needed to repay the anticipated deferred developer fee.

**LIHTC Syndication:** The Applicant's revised sources and uses are consistent with the submitted offer to acquire a limited partnership interest. The resulting syndication proceeds will be dispersed in three payments with 40% available during the course of construction.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 44% of total developer fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated contractor fees, is used to calculate eligible basis and eligible annual tax credits of \$286,440. The overall gap in need supports an annual tax credit award in this amount. The resulting reduction in anticipated syndication funds indicates a need for an increase in the total deferred developer fee to \$360,415 (47% of total). Deferred fees in this amount do not appear to be repayable from development cash flow within ten years of stabilized operation, but appear to be repayable within 15 years.

It should be reiterated that the development is not financially feasible without the requested HTF funds of \$329,000 structured as recommended with a four-year non-amortizing period followed by repayment in full based on a 26-year amortization schedule. Without an HTF award, or an alternate source of secondary financing with similar terms, the resulting anticipated deferred developer fees are not repayable within 15 years. Therefore, Board approval of an HTF award of \$329,000 with the recommended terms is a condition of recommending a LIHTC award.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and Managing General Partner are newly-formed entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Co-General Partner, Valentine Realtors, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$468K consisting of cash, work in progress, commissions, investments and equipment/furniture. Liabilities totaled \$161K, resulting in a net worth of \$307K.

**Background & Experience:** Ronette Hodges, owner of the co-general partners, has reported participation in one LIHTC/HTF development totaling 76 units since 2002.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.

**Underwriter:**

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

**Date:** June 3, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 3, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Tuscany Court, Hondo, 9% LIHTC 03067**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC 30%	6	2	2	980	\$300	\$191	\$1,145	\$0.19	\$74.52	\$34.70
TC 40%	2	2	2	980	401	292	584	0.30	74.52	34.70
TC 50%	2	2	2	980	501	392	784	0.40	74.52	34.70
TC 60%	9	2	2	980	601	492	4,426	0.50	74.52	34.70
MR	1	2	2	980		525	525	0.54	74.52	34.70
TC 30%	7	3	2	1,268	346	194	1,355	0.15	109.10	43.29
TC 40%	3	3	2	1,268	463	311	932	0.24	109.10	43.29
TC 50%	2	3	2	1,268	578	426	851	0.34	109.10	43.29
TC 60%	41	3	2	1,268	694	542	22,206	0.43	109.10	43.29
MR	3	3	2	1,268		596	1,788	0.47	109.10	43.29
<b>TOTAL:</b>	<b>76</b>		<b>AVERAGE:</b>	<b>1,192</b>	<b>\$558</b>	<b>\$455</b>	<b>\$34,595</b>	<b>\$0.38</b>	<b>\$100.00</b>	<b>\$41.03</b>

**INCOME** Total Net Rentable Sq Ft: 90,608

	TDHCA	APPLICANT	USS Region	9
POTENTIAL GROSS RENT	\$415,142	\$415,716	IREM Region	San Antonio
Secondary Income Per Unit Per Month: \$15.00	13,680	10,920	\$11.97	Per Unit Per Month
Other Support Income: Interest on Reserves	0	2,760	\$3.03	Per Unit Per Month

POTENTIAL GROSS INCOME	TDHCA	APPLICANT		
Vacancy & Collection Loss % of Potential Gross Income: -7.50%	(32,162)	(32,208)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions	0	0		
<b>EFFECTIVE GROSS INCOME</b>	<b>\$396,660</b>	<b>\$397,188</b>		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.57%	\$238	0.20	\$18,122	\$19,913	\$0.22	\$262	5.01%
Management	5.00%	261	0.22	19,833	\$19,860	0.22	261	5.00%
Payroll & Payroll Tax	15.90%	830	0.70	63,067	\$56,747	0.63	747	14.29%
Repairs & Maintenance	11.46%	598	0.50	45,474	\$45,220	0.50	595	11.39%
Utilities	2.13%	111	0.09	8,436	\$6,840	0.08	90	1.72%
Water, Sewer, & Trash	3.14%	164	0.14	12,473	\$13,376	0.15	176	3.37%
Property Insurance	4.34%	227	0.19	17,216	\$17,480	0.19	230	4.40%
Property Tax 2.815	9.44%	493	0.41	37,440	\$38,000	0.42	500	9.57%
Reserve for Replacements	3.83%	200	0.17	15,200	\$15,200	0.17	200	3.83%
Compliance, Supportive Services	2.78%	145	0.12	11,020	\$11,020	0.12	145	2.77%
<b>TOTAL EXPENSES</b>	<b>62.59%</b>	<b>\$3,267</b>	<b>\$2.74</b>	<b>\$248,279</b>	<b>\$243,656</b>	<b>\$2.69</b>	<b>\$3,206</b>	<b>61.35%</b>
<b>NET OPERATING INC</b>	<b>37.41%</b>	<b>\$1,952</b>	<b>\$1.64</b>	<b>\$148,381</b>	<b>\$153,532</b>	<b>\$1.69</b>	<b>\$2,020</b>	<b>38.65%</b>

DEBT SERVICE	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
First Lien Mortgage	\$134,266	\$139,506	\$1.54	\$1,836	35.12%
Housing Trust Fund	10,967	0	\$0.00	\$0	0.00%
Housing Trust Fund	0	0	\$0.00	\$0	0.00%
<b>NET CASH FLOW</b>	<b>\$3,149</b>	<b>\$14,026</b>	<b>\$0.15</b>	<b>\$185</b>	<b>3.53%</b>

AGGREGATE DEBT COVERAGE RATIO	TDHCA	APPLICANT
	1.02	1.10
<b>RECOMMENDED DEBT COVERAGE RATIO</b>		<b>1.14</b>

CONSTRUCTION COST	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.76%	\$1,451	\$1.22	\$110,300	\$110,300	\$1.22	\$1,451	1.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.41%	5,275	4.42	400,925	400,925	4.42	5,275	6.56%
Direct Construction		61.80%	50,825	42.63	3,862,715	3,765,483	41.56	49,546	61.61%
Contingency	2.93%	2.00%	1,646	1.38	125,059	125,059	1.38	1,646	2.05%
General Req'ts	3.91%	2.67%	2,194	1.84	166,745	166,745	1.84	2,194	2.73%
Contractor's G & A	1.96%	1.33%	1,097	0.92	83,373	83,373	0.92	1,097	1.36%
Contractor's Profit	3.91%	2.67%	2,194	1.84	166,745	166,745	1.84	2,194	2.73%
Indirect Construction		3.26%	2,679	2.25	203,620	203,620	2.25	2,679	3.33%
Ineligible Costs		0.95%	784	0.66	59,607	59,607	0.66	784	0.98%
Developer's G & A	3.92%	3.28%	2,698	2.26	205,061	205,061	2.26	2,698	3.36%
Developer's Profit	10.79%	9.02%	7,420	6.22	563,921	563,921	6.22	7,420	9.23%
Interim Financing		3.45%	2,837	2.38	215,591	215,591	2.38	2,837	3.53%
Reserves		1.39%	1,143	0.96	86,865	45,600	0.50	600	0.75%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$82,244</b>	<b>\$68.98</b>	<b>\$6,250,527</b>	<b>\$6,112,030</b>	<b>\$67.46</b>	<b>\$80,421</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>76.88%</b>	<b>\$63,231</b>	<b>\$53.04</b>	<b>\$4,805,562</b>	<b>\$4,708,330</b>	<b>\$51.96</b>	<b>\$61,952</b>	<b>77.03%</b>

SOURCES OF FUNDS	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage		26.40%	\$21,711	\$18.21	\$1,650,000	\$1,650,000	\$1,650,000	Developer Fee Available
Cityof Hondo Grant		0.02%	\$13	\$0.01	\$1,000	\$1,000	\$0	\$768,982
Housing Trust Fund		5.26%	\$4,329	\$3.63	329,000	329,000	329,000	% of Dev. Fee Deferred
LIHTC Syndication Proceeds		60.54%	\$49,787	\$41.76	3,783,796	3,783,796	3,772,615	47%
Deferred Developer Fees		5.41%	\$4,450	\$3.73	338,234	338,234	360,415	15-Yr Cumulative Cash Flow
Additional (excess) Funds Required		2.38%	\$1,954	\$1.64	148,497	10,000	0	\$372,176.90
<b>TOTAL SOURCES</b>					<b>\$6,250,527</b>	<b>\$6,112,030</b>	<b>\$6,112,030</b>	

**MULTIFAMILY COMPARATIVE ANALYSIS**(continued)  
**Tuscany Court, Hondo, 9% LIHTC 03067**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Basis with some Average Quality Multiple Residence Adjustments

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.60	\$4,222,709
<b>Adjustments</b>				
Exterior Wall Finish	4.00%		\$1.86	\$168,908
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.49)	(134,704)
Floor Cover			1.92	173,967
Porches/Balconies	\$29.24	2410	0.78	70,468
Plumbing	\$615	228	1.55	140,220
Built-In Appliances	\$1,625	76	1.36	123,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.73	156,752
Garages	\$14.06	21,590	3.35	303,555
Comm &/or Aux Bldgs	\$59.56	3,000	1.97	178,686
Other:			0.00	0
<b>SUBTOTAL</b>			<b>59.64</b>	<b>5,404,062</b>
Current Cost Multiplier	1.03		1.79	162,122
Local Multiplier	0.85		(8.95)	(810,609)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$52.49</b>	<b>\$4,755,575</b>
Plans, specs, survy, bld prnt	3.90%		(\$2.05)	(\$185,467)
Interim Construction Interes	3.38%		(1.77)	(160,501)
Contractor's OH & Profit	11.50%		(6.04)	(546,891)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.63</b>	<b>\$3,862,715</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,650,000	Term	360
Int Rate	7.19%	DCR	1.11
<b>Secondary</b>	\$329,000	Term	360
Int Rate		Subtotal DCR	1.02
<b>Additional</b>	\$3,783,796	Term	
Int Rate		Aggregate DCR	1.02

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S N**

Primary Debt Service	\$134,266
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$19,266</b>

<b>Primary</b>	\$1,650,000	Term	360
Int Rate	7.19%	DCR	1.14

<b>Secondary</b>	\$329,000	Term	312
Int Rate	0.00%	Subtotal DCR	1.05

<b>Additional</b>	\$3,783,796	Term	0
Int Rate	0.00%	Aggregate DCR	1.05

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

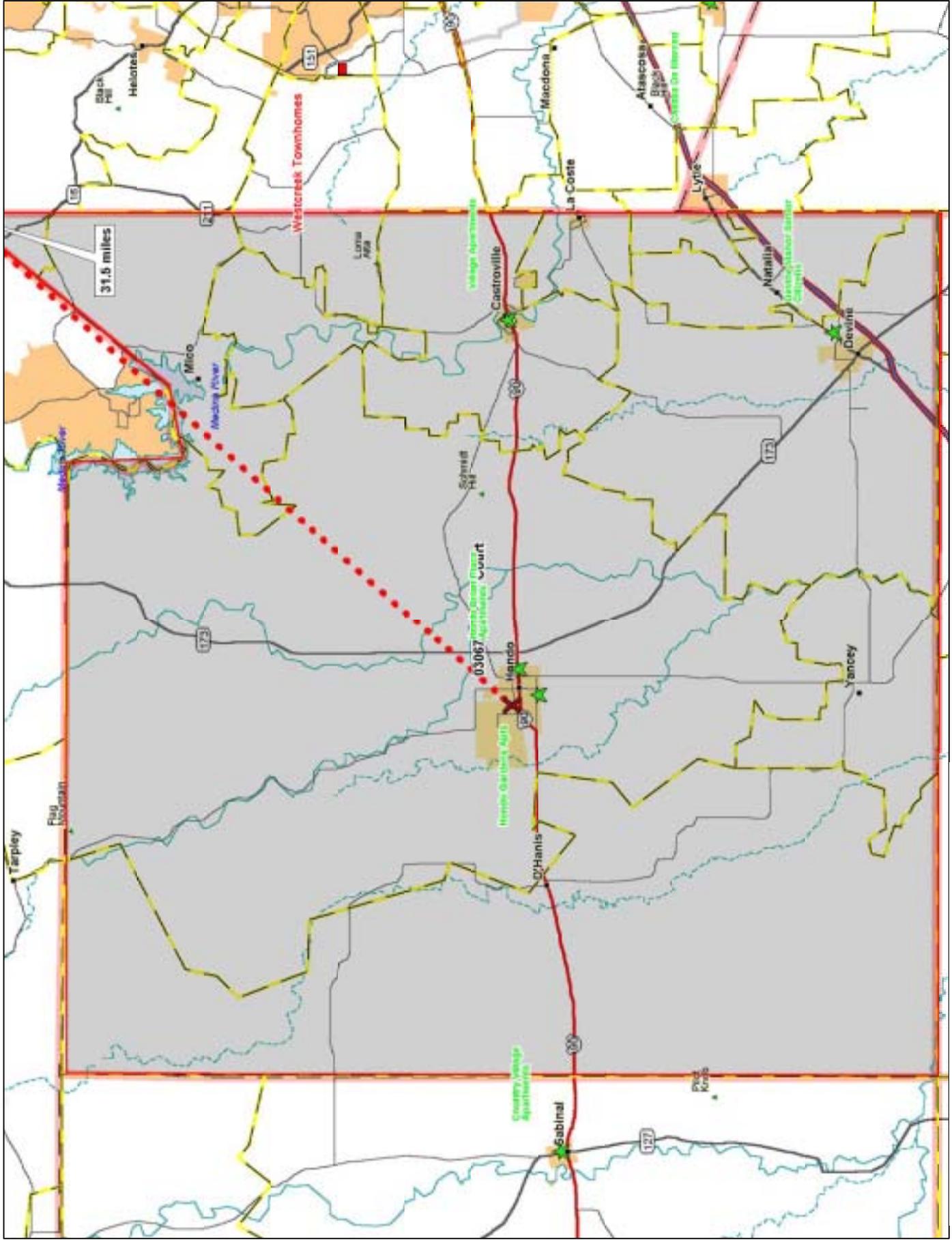
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$415,716	\$428,187	\$441,033	\$454,264	\$467,892	\$542,415	\$628,808	\$728,961	\$979,662
Secondary Income	10,920	11,248	11,585	11,933	12,291	14,248	16,517	19,148	25,734
Contractor's Profit	2,760	2,843	2,928	3,016	3,106	3,601	4,175	4,840	6,504
<b>POTENTIAL GROSS INCOME</b>	<b>429,396</b>	<b>442,278</b>	<b>455,546</b>	<b>469,213</b>	<b>483,289</b>	<b>560,264</b>	<b>649,500</b>	<b>752,948</b>	<b>1,011,900</b>
Vacancy & Collection Loss	(32,208)	(33,171)	(34,166)	(35,191)	(36,247)	(42,020)	(48,712)	(56,471)	(75,892)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$397,188</b>	<b>\$409,107</b>	<b>\$421,380</b>	<b>\$434,022</b>	<b>\$447,042</b>	<b>\$518,245</b>	<b>\$600,787</b>	<b>\$696,477</b>	<b>\$936,007</b>
EXPENSES at 4.00%									
General & Administrative	\$19,913	\$20,710	\$21,538	\$22,399	\$23,295	\$28,342	\$34,483	\$41,954	\$62,102
Management	19,860	20,456	21,070	21,702	22,353	25,913	30,040	34,825	46,802
Payroll & Payroll Tax	56,747	59,017	61,378	63,833	66,386	80,769	98,267	119,557	176,974
Repairs & Maintenance	45,220	47,029	48,910	50,866	52,901	64,362	78,306	95,272	141,025
Utilities	6,840	7,114	7,398	7,694	8,002	9,735	11,845	14,411	21,332
Water, Sewer & Trash	13,376	13,911	14,467	15,046	15,648	19,038	23,163	28,181	41,715
Insurance	17,480	18,179	18,906	19,663	20,449	24,879	30,270	36,828	54,514
Property Tax	38,000	39,520	41,101	42,745	44,455	54,086	65,804	80,060	118,509
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	11,020	11,461	11,919	12,396	12,892	15,685	19,083	23,217	34,368
<b>TOTAL EXPENSES</b>	<b>\$243,656</b>	<b>\$253,204</b>	<b>\$263,127</b>	<b>\$273,442</b>	<b>\$284,162</b>	<b>\$344,445</b>	<b>\$417,583</b>	<b>\$506,329</b>	<b>\$744,744</b>
<b>NET OPERATING INCOME</b>	<b>\$153,532</b>	<b>\$155,903</b>	<b>\$158,253</b>	<b>\$160,580</b>	<b>\$162,880</b>	<b>\$173,800</b>	<b>\$183,205</b>	<b>\$190,148</b>	<b>\$191,264</b>
DEBT SERVICE									
First Lien Financing	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266	\$134,266
Second Lien	0	0	0	0	12,654	12,654	12,654	12,654	12,654
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$19,266</b>	<b>\$21,637</b>	<b>\$23,987</b>	<b>\$26,314</b>	<b>\$15,960</b>	<b>\$26,880</b>	<b>\$36,285</b>	<b>\$43,228</b>	<b>\$44,344</b>
DEBT COVERAGE RATIO	1.14	1.16	1.18	1.20	1.11	1.18	1.25	1.29	1.30

**LIHTC Allocation Calculation - Tuscany Court, Hondo, 9% LIHTC 03067**

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	\$110,300	\$110,300		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$400,925	\$400,925	\$400,925	\$400,925
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,765,483	\$3,862,715	\$3,765,483	\$3,862,715
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$83,373	\$83,373	\$83,328	\$83,373
Contractor profit	\$166,745	\$166,745	\$166,745	\$166,745
General requirements	\$166,745	\$166,745	\$166,745	\$166,745
<b>(5) Contingencies</b>				
	\$125,059	\$125,059	\$125,059	\$125,059
<b>(6) Eligible Indirect Fees</b>				
	\$203,620	\$203,620	\$203,620	\$203,620
<b>(7) Eligible Financing Fees</b>				
	\$215,591	\$215,591	\$215,591	\$215,591
<b>(8) All Ineligible Costs</b>				
	\$59,607	\$59,607		
<b>(9) Developer Fees</b>				
Developer overhead	\$205,061	\$205,061	\$205,061	\$205,061
Developer fee	\$563,921	\$563,921	\$563,921	\$563,921
<b>(10) Development Reserves</b>				
	\$45,600	\$86,865		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,112,030</b>	<b>\$6,250,527</b>	<b>\$5,896,478</b>	<b>\$5,993,755</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$5,896,478</b>	<b>\$5,993,755</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$5,896,478</b>	<b>\$5,993,755</b>
Applicable Fraction			95%	95%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$5,585,151</b>	<b>\$5,677,292</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$465,802</b>	<b>\$473,486</b>

Syndication Proceeds	0.8099	\$3,772,615	\$3,834,854
<b>Total Credits (Eligible Basis Method)</b>		<b>\$465,802</b>	<b>\$473,486</b>
Syndication Proceeds		\$3,772,615	\$3,834,854
Requested Credits		\$467,182	
Syndication Proceeds		\$3,783,796	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,133,030</b>	
Credit Amount		\$510,302	



Scale: 1 : 350,000 Zoom Level: 9-2 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 6.5°E

**TDHCA #**

**03136**

**Region 9**



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

Development Name: **Tigoni Villas**

TDHCA #: **03136**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 4601 Rimrock Street  
 City: San Antonio County: Bexar Zip Code: 78228  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 112 Elderly: 0 Handicapped/Disabled 10 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Tigoni Villas, LP

Principal Names	Principal Contact	Percentage Ownership
Lone Star Housing Corporation	Melanie Bunstine	.01% of Owner

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$851,994** Allocation over 10 Years: **\$8,519,940**  
 Credits Requested: **\$1,071,629** Eligible Basis Amount: **\$882,700** Equity/Gap Amount: **\$851,994**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	22	22
40%	0	0	0	12	12
50%	0	0	0	22	22
60%	0	0	0	56	56
MR	0	0	10	18	28
Total	0	0	10	130	
Total LI Units:					112
Owner/Employee Units:					0
Total Project Units:					140
Applicable Fraction:					80.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

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

**UNIT AMENITIES** (no extra cost to tenant)

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

**BUILDING INFORMATION**

Total Development Cost:	\$11,380,078	Average Square Feet/Unit	1,042
Gross Building Square Feet	149,900	Cost Per Net Rentable Square Foot	\$78.00
Total Net Rentable Area Square Feet:	145,900	Credits per Low Income Uni	\$7,607

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income	\$984,912
Total Expenses:	\$555,419
Net Operating Income	\$429,493
Estimated 1st Year Debt Coverage Ratio	1.21

**FINANCING**

Permanent Principal Amount:	\$4,650,000
Applicant Equity:	\$0
Equity Source:	NA
Syndication Rate:	\$0.7899

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Huelon A. Harrison	Market Analyst:	Integra Realty Resources
Housing GC:	Picerne Construction Corporation	Originator/UW:	NA
Engineer:	Brown & Gay	Appraiser:	NA
Cost Estimator:	Picerne Construction Corporation	Attorney:	Gray, Harris & Robinson
Architect:	Humphries & Partners	Accountant:	Reznick, Fedder & Silverman
Property Manager	Reliance Management	Supp Services	Beacon Endeavors, Inc.
Syndicator:	NA	Permanent Lender	Key Bank

**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: **3** 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	Emil R. Moncivais, Director of Planning City of San Antonio, S
TX Representative: Trey Martinez Fischer, District 116,N	
TX Senator: Leticia Van De Putte, District 26, S	
US Representative:	
US Senator:	
General Summary of Comment: Some Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 103	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of architectural plans for each building type with accurate and legible scales and/or dimensions by Carryover.

Receipt, review and acceptance of final unit floor plans prepared by an architect by Carryover.

Receipt, review and acceptance of a revised development cost budget certified by the general contractor and reflecting a reduction in cost of at least \$434,195 by Carryover.

Receipt, review and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from a construction lender and syndicator that accepts this guarantee to fulfill its guarantee requirement.

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
--	------	---	------

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

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

Approved Credit Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03136**

Name: **Tigoni Villas**

City: **San Antonio**

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: 1 Projects grouped by score 0-9 1 10-19 0 20-29 0

Total # monitored with a score less than 30: 1 # 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 15, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03136

**DEVELOPMENT NAME**

Tigoni Villas

**APPLICANT**

<b>Name:</b>	<u>Tigoni Villas, LP</u>	<b>Type:</b>	<u>For Profit</u>
<b>Address:</b>	<u>139 Sharon</u>	<b>City:</b>	<u>San Antonio</u> <b>State:</b> <u>TX</u>
<b>Zip:</b>	<u>78216</u>	<b>Contact:</b>	<u>Melanie Bunstine</u>
<b>Phone:</b>	<u>(210) 383-6800</u>	<b>Fax:</b>	<u>(210) 490-0912</u>

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	<u>Lone Star Housing Corp.</u>	<b>(%):</b>	<u>0.01</u>	<b>Title:</b>	<u>Managing General Partner</u>
<b>Name:</b>	<u>Huelon Harris</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Developer</u>

**PROPERTY LOCATION**

**Location:** 4601 Rimrock Street       **QCT**       **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78228

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,071,629*	N/A	N/A	N/A
<b>Other Requested Terms:</b>	1) Annual ten-year allocation of low-income housing tax credits, the original request was \$1,143,394 but has since been amended by the Applicant		
<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 type="checkbox"/> Elderly <input type="checkbox"/> At Risk

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$851,994 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of architectural plans for each building type with accurate and legible scales and/or dimensions by carryover;
2. Receipt, review and acceptance of final unit floorplans prepared by an architect by carryover;
3. Receipt, review and acceptance of a revised development cost budget certified by the general contractor and reflecting a reduction in cost of at least \$434,195 by carryover;
4. Receipt, review and acceptance of a revised development team ownership structure that includes a development partner possessing financial resources sufficient to provide the required guarantee during the construction period of this project, and/or a commitment from a construction lender and syndicator that accepts this guarantee to fulfill its guarantee requirement; and
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>140</u>	<b># Rental Buildings</b>	<u>6</u>	<b># Common Area Bldgs</b>	<u>1</u>	<b># of Floors</b>	<u>—</u>	<b>Age:</b>	<u>N/A</u> yrs	<b>Vacant:</b>	<u>N/A</u> at / /	
<b>Net Rentable SF:</b>	<u>145,900</u>	<b>Av Un SF:</b>	<u>1,042</u>	<b>Common Area SF:</b>	<u>4,000</u>	<b>Gross Bldg SF:</b>	<u>149,900</u>					

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 80% stucco/20% wood siding exterior wall covering with wood trim, plaster interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, and 9' ceilings.

**ON-SITE AMENITIES**

Amenities include a community building with a community room, management offices, laundry facilities, kitchen, restrooms, computer/business center, and central mailroom. An adjacent swimming pool and children's play area are located at the entrance to/middle of the property. In addition a picnic area and perimeter fencing with limited access gate(s) is planned for the site.

<b>Uncovered Parking:</b>	<u>300</u>	spaces	<b>Carports:</b>	<u>N/A</u>	spaces	<b>Garages:</b>	<u>N/A</u>	spaces
---------------------------	------------	--------	------------------	------------	--------	-----------------	------------	--------

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Tigoni Villas is a relatively dense 23 units per acre new construction development of 160 units of mixed income housing located in San Antonio. The development is comprised of six evenly distributed large garden style walk-up residential buildings as follows:

- € One building Style I with eight two-bedroom and 16 three-bedroom units;
- € One building Style II with two two-bedroom units and 22 three-bedroom units;
- € Three building Style III with 24 three-bedroom units; and
- € One building Style IV with 20 three-bedroom units.

**Architectural Review:** The drawings of the residential buildings and community building do not include a scale; therefore, it was not possible to verify the total breezeway area and clubhouse square footage. The underwriting report has relied on Exhibit 3, Part B, Square Footage and Applicable Fraction Calculation in costing the development. However, receipt, review and acceptance of architectural plans for each building type with accurate and legible scales and/or dimensions is a condition of this report. Rough floorplans of the individual units was provided. The plans do not indicate the number or location of bathroom fixtures. Also, a small hall closet is labeled "utility," but it is not clear if the intention is to provide washer/dryer connections as indicated in the uniform application. There does not appear to be enough space for full size side-by-side appliances. Receipt, review and acceptance of final unit floorplans prepared by an architect is a condition of this report.

**Supportive Services:** The Applicant plans to contract with Beacon Endeavors to provide optional supportive services at no additional expense to tenants.

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

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 6.2 acres 270,072 square feet **Zoning/ Permitted Uses:** MF33 & C-3  
**Flood Zone Designation:** Zone X **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on the north side of Rimrock Street, east of Early Trail in San Antonio.

**Adjacent Land Uses:**

- ∅ **North:** vacant land, commercial
- ∅ **South:** single family
- ∅ **East:** single family
- ∅ **West:** single family

**Site Access:** The principal thoroughfares servicing the subject property's market area include Interstate Highways 10 and 35, Loop 410, Highway 90, and Highway 81.

**Public Transportation:** According to the Market Analyst, transportation is available via private automobile. However, general knowledge indicates San Antonio's Metro system (VIA) provides a number of routes throughout the City of San Antonio. Medical facilities in the area include University of Texas Health Center, Methodist Hospital, University Healthcare Hospital, and SW Texas Methodist Hospital. San Antonio offers a variety of educational and recreational facilities.

**Shopping & Services:** The neighborhood is served by multiple school districts, but children at the property will attend Northside ISD schools.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 7, 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 2003 was prepared by Tidewater Environmental and contained the following findings and recommendations:

**Findings:** "Based on investigations of the subject property completed to date, Tidewater Environmental Services, Inc. (TES) found no recognized environmental conditions in connection with the subject property."

**Recommendations:** "Therefore, no immediate response actions, further field studies or environmental research are necessary at this time." (p. 17)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and twelve of the units (80% of the total) will be reserved for low-income tenants. Of the three-bedroom units 22 (16% of the total development units) will be reserved for households earning 30% or less of AMGI, 12 units (40%) will be reserved for households earning 40% or less of AMGI, 22 of the units (16%) will be reserved for households earning 50% or less of AMGI, 56 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 18 three-bedroom units will be offered at market rents. In addition, all 10 of the two-bedroom units (7% of the total development units) will be offered at market rates.

**MAXIMUM ELIGIBLE INCOMES**

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
<b>60% of AMI</b>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

**MARKET HIGHLIGHTS**

A market feasibility study dated March 12, 2003 was prepared by O'Connor and Associates and highlighted

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

the following findings:

**Definition of Primary Market:** “For purposes of this analysis, the subject’s neighborhood is generally defined as being bound by Loop 410 on the north and west, Interstate Highway 10 and a line roughly between General McMullen Drive and Zarzamora Road on the east, and Somerset Road on the south. This geographic area essentially is contained within the following zip codes: 78211, 78226, 78227, 78228, 78236, 78237, 78241, and 78242.” (p. 27)

**Population:** The estimated 2001 population of the primary market area was 211,352 and is expected to increase to approximately 214,248 by 2006. Within the primary market area there were estimated to be 61,115 households in 2001.

**Total Local/Submarket Demand for Rental Units:**

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	20	1%	12	0.5%
Resident Turnover	2,141	90%	2,182	95.5%
Other Sources:	216	9%	N/A	
<b>TOTAL ANNUAL DEMAND</b>	<b>2,377</b>	<b>100%</b>	<b>2,194</b>	<b>100%</b>

Ref: p. 61

**Inclusive Capture Rate:** The Market Analyst concluded a capture rate for a total of 332 proposed affordable units of 13.97%. The unsubsidized comparable units included were 61 units from Bexar Creek and 140 units from Heatherwilde Estates. It appears that the market analyst miscalculated based on their assumption; the total should be 312 units. (p. 62) The Underwriter calculated a concentration capture rate of 14.22% based upon a revised supply of unstabilized comparable affordable units of 312, including the subject, divided by a revised demand of 2,194.

**Market Rent Comparables:** The Market Analyst surveyed five comparable apartment projects totaling 1,286 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
<b>2-Bedroom (MR)</b>	\$700	N/A		\$750	-\$50
<b>3-Bedroom (30%)</b>	\$328	\$393	-\$65	\$850	-\$522
<b>3-Bedroom (40%)</b>	\$459	\$525	-\$66	\$850	-\$391
<b>3-Bedroom (50%)</b>	\$534	\$656	-\$122	\$850	-\$316
<b>3-Bedroom (60%)</b>	\$722	\$787	-\$65	\$850	-\$128
<b>3-Bedroom (MR)</b>	\$820	N/A		\$850	-\$30

(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)

**Primary Market Occupancy Rates:** “The overall occupancy rate for projects in this primary market area was 93.8% as of February 2003.” (p. 37)

**Absorption Projections:** “Existing LIHTC properties surveyed reported leasing between 17 and 38 units per month. Based on our research, most projects that are constructed in the San Antonio area typically lease-up within 12 months. Pre-leasing should commence prior to completion of construction.” (p. 12)

**Known Planned Development:** “To the best of our knowledge, there are six proposed LIHTC projects in which applications will be filed with the TDHCA located within the subject’s primary market area (excluding the subject)...the total number of proposed units within the LIHTC projects is 3,544, including the subject.” (p. 40)

The Underwriter found the market study provided sufficient information for purposes of this underwriting analysis.

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

**OPERATING PROFORMA ANALYSIS**

**Income:** Despite the Applicant's use of slightly overstated utility allowances and an understated gross rent for the three-bedroom units targeting households with incomes at or below 50% of AMGI, their potential gross income is within 5% of the Underwriter's estimate. The Applicant's use of secondary income and vacancy loss assumptions that meet current underwriting guidelines results in an effective gross income that is also within 5% of the Underwriter's estimate.

**Expenses:** The Applicant's total expense estimate of \$3,967 per unit is within 5% of the Underwriter's estimate.

**Conclusion:** The Applicant's estimated effective gross income, total operating expense and net operating income are consistent with the Underwriter's expectations. Therefore, the Applicant's NOI is used to evaluate debt service capacity. The Applicant's proforma reflects a DCR below 1.10.

The Underwriter's proforma indicates that the development will be able to service the proposed debt with an initial debt coverage ratio that is within the Department's guideline of 1.10 to 1.30. It should be noted that the Applicant's debt service projection is significantly higher than that calculated by the Underwriter based on the terms presented in the submitted letter of interest. The Applicant's net operating income estimate and the Underwriter's revised debt service projection result in a debt coverage ratio that is within the Department's guideline of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land:</b>	\$65,200	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	\$0	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Assessed Value:</b>	\$65,200	<b>Tax Rate:</b>	2.48148

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract					
<b>Contract Expiration Date:</b>	10/	10/	2003	<b>Anticipated Closing Date:</b>	10/	01/ 2003
<b>Acquisition Cost:</b>	\$400,000			<b>Other Terms/Conditions:</b>		
<b>Seller:</b>	TMM Trust, Terry Miller Trustee			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** Despite being six times the tax assessed value, the acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

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

**Direct Construction Cost:** The Applicant's costs are significantly more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate based on the information provided. This would suggest that the Applicant's direct construction costs are overstated. The submitted floorplans were found to be inadequate for the purposes of accurately costing the development. The Underwriter attempted to make contact with the Applicant through fax and telephone, but no response was received.

**Fees:** The Applicant's contractor's general and administrative fees exceed the 2% maximum allowed by LIHTC guidelines based on their own construction costs. In addition, the Applicant's contingency cost exceeds the underwriting guideline of 5% of sitework and direct construction costs for a new construction development. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$14,700 effectively moved to ineligible costs.

The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the

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

eligible portion of the Applicant's developer fee must be reduced by \$502,945.

**Conclusion:** Due to the Applicant's higher direct construction costs and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be significantly overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits. As a result an eligible basis of \$11,637,418 is used to determine a credit allocation of \$882,700 from this method. Development costs equal to the anticipated grant of \$200,000 was excluded from the eligible basis calculation. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM CONSTRUCTION or GAP FINANCING**

**Source:** Key Bank **Contact:** Dan Kierce  
**Principal Amount:** \$5,071,593 **Interest Rate:** Prime + 100 bps  
**Additional Information:** \_\_\_\_\_  
**Amortization:** N/A yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** Key Bank **Contact:** Dan Kierce  
**Principal Amount:** \$4,480,000 **Interest Rate:** 15-year Interpolated US Treasury + 325 bps; 7% lender's underwrite rate  
**Additional Information:** Permanent Loan Conduit Program: CS First Boston; Accelerated repayment after year 18  
**Amortization:** 30 yrs **Term:** 30 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$396,396 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 02/ 20/ 2003

**GRANT**

**Source:** HOME – San Antonio **Contact:** Andrew Cameron  
**Amount:** \$200,000 **Commitment:**  None  Firm  Conditional  
**Additional Information:** Application received by San Antonio in 5/2003; Final decision May 15, 2003

**LIHTC SYNDICATION**

**Source:** Key Investment Fund Limited Partnership, XII **Contact:** Dan Kierce  
**Address:** 127 Public Square, 4<sup>th</sup> Floor **City:** Cleveland  
**State:** OH **Zip:** 44114 **Phone:** (216) 689-0201 **Fax:** (216) 689-4516  
**Net Proceeds:** \$8,561,399 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 79¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 20/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$243,264 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

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

An application for HOME funding was received by the City of San Antonio in March 2003. Although the City of San Antonio planned to make a decision by May 15, 2003, the Applicant could not be reached to verify an award. Development costs equal to the anticipated grant of \$200,000 was excluded from the Applicant's eligible basis calculation. Debt service is not anticipated for these funds but should debt service

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

be required, a reduction in the permanent loan may be required.

**LIHTC Syndication:** The Applicant's anticipated syndication proceeds is inconsistent with the proceeds indicated in the letter of interest from Key Investment Fund. The majority of the equity funds will be available prorate with the construction loan upon submission of draw requests, site inspection, title review acceptable to KeyCorp and updated title insurance endorsements.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 12% of total developer fees.

**Financing Conclusions:** As stated above, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits of \$882,700. However, the gap in need based on the Underwriter's significantly lower total development cost estimate results in a recommended annual tax credit allocation of \$851,994, which is \$30,706 less than the development's eligible tax credits, \$219,635 less than the Applicant's most recent request and \$291,400 less than the original request.

Based on the Underwriter's total development cost estimate and assuming the Applicant receives a HOME grant from the City of San Antonio in the amount of \$200,000, there would be no need to defer developer fees. However, without the HOME funds, it is anticipated developer fees of \$200K will be deferred with anticipated repayment from development cashflow within four years of stabilized operation.

Should the Applicant not be able to contract to build the development for at least \$434K less than they have proposed, there would be insufficient developer fee to defer and the development would not be feasible. Therefore, receipt, review and acceptance of a revised budget certified by the general contractor and reflecting a reduction of at least \$434,195 is a condition of this report.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

None noted from documents submitted at application.

**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.
- € Lone Star Housing, the general partner, reported total assets of \$352K, comprised of cash and interest in various partnerships, and no liabilities.
- € Personal financial statements were provided for the owners of the General Partner and the Developer.

**Background & Experience:**

- € The Applicant is a new entity formed for the purpose of developing the project.
- € A previous participation form was not submitted for the General Partner.
- € The owners of the General Partner, Melanie Bunstine and Cathy Graugnard, have indicated participation in three affordable housing developments totaling 388 units since 2001.
- € The developer, Huelon Harris, has participated in one affordable housing development totaling 180 units. A certificate of experience issued by the Department was also submitted.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.
- € The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- € The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- € The principals of the Applicant do not appear to have the development experience/financial capacity to support the project if needed.

Underwriter: \_\_\_\_\_

Date: June 15, 2003

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

**Director of Real Estate Analysis:**

*Lisa Vecchietti*

**Date:** June 15, 2003

*Tom Gouris*

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Tigoni Villas, San Antonio, 9% LIHTC 03136**

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
MR	10	2	2	940		\$700	\$7,000	\$0.74	\$52.90	\$29.28
TC 30%	22	3	2	1,050	393	327	7,201	0.31	65.70	37.68
TC 40%	12	3	2	1,050	525	459	5,512	0.44	65.70	37.68
TC 50%	22	3	2	1,050	656	590	12,987	0.56	65.70	37.68
TC 60%	56	3	2	1,050	787	721	40,393	0.69	65.70	37.68
MR	18	3	2	1,050		820	14,760	0.78	65.70	37.68
<b>TOTAL:</b>	<b>140</b>		<b>AVERAGE:</b>	<b>1,042</b>	<b>\$525</b>	<b>\$628</b>	<b>\$87,852</b>	<b>\$0.60</b>	<b>\$64.79</b>	<b>\$37.08</b>

**INCOME**

Total Net Rentable Sq Ft: **145,900**

**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	5.21%	\$371	0.36
Management	5.00%	357	0.34
Payroll & Payroll Tax	11.64%	830	0.80
Repairs & Maintenance	6.35%	453	0.43
Utilities	1.80%	128	0.12
Water, Sewer, & Trash	3.97%	283	0.27
Property Insurance	3.65%	261	0.25
Property Tax 2.48148	12.18%	869	0.83
Reserve for Replacements	2.80%	200	0.19
Other Expenses:	2.52%	180	0.17
<b>TOTAL EXPENSES</b>	<b>55.12%</b>	<b>\$3,931</b>	<b>\$3.77</b>
<b>NET OPERATING INC</b>	<b>44.88%</b>	<b>\$3,201</b>	<b>\$3.07</b>

**DEBT SERVICE**

First Lien Mortgage	35.58%	\$2,538	\$2.44
HOME -- San Antonio	0.00%	\$0	\$0.00
HOME -- San Antonio	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>9.30%</b>	<b>\$663</b>	<b>\$0.64</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)		3.51%	\$2,857	\$2.74
Off-Sites		0.00%	0	0.00
Sitework		7.38%	6,000	5.76
Direct Construction		48.67%	39,560	37.96
Contingency	5.00%	2.80%	2,278	2.19
General Req'ts	4.87%	2.73%	2,220	2.13
Contractor's G & A	2.00%	1.12%	911	0.87
Contractor's Profit	6.00%	3.36%	2,734	2.62
Indirect Construction		8.85%	7,190	6.90
Ineligible Costs		2.08%	1,687	1.62
Developer's G & A	2.00%	1.59%	1,289	1.24
Developer's Profit	13.00%	10.31%	8,379	8.04
Interim Financing		4.38%	3,559	3.42
Reserves		3.23%	2,622	2.52
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$81,286</b>	<b>\$78.00</b>	
<b>Recap-Hard Construction Costs</b>	<b>66.07%</b>	<b>\$53,703</b>	<b>\$51.53</b>	

**SOURCES OF FUNDS**

First Lien Mortgage	39.10%	\$31,786	\$30.50
HOME -- San Antonio	1.76%	\$1,429	\$1.37
LIHTC Syndication Proceeds	74.38%	\$60,464	\$58.02
Deferred Developer Fees	2.14%	\$1,738	\$1.67
Additional (excess) Funds Required	-17.38%	(\$14,130)	(\$13.56)
<b>TOTAL SOURCES</b>			

TDHCA	APPLICANT
\$1,054,219	\$1,039,572
25,200	25,200
0	0
\$1,079,419	\$1,064,772
(80,956)	(79,860)
0	0
\$998,463	\$984,912
\$51,986	\$54,600
49,923	\$49,319
116,175	\$114,100
63,353	\$53,200
17,983	\$12,600
39,625	\$49,000
36,475	\$43,400
121,593	\$126,000
28,000	\$28,000
25,200	\$25,200
\$550,312	\$555,419
\$448,151	\$429,493
\$355,272	\$410,427
0	0
0	0
\$92,879	\$19,066
1.26	1.05
	1.21

USS Region	9	
IREM Region	San Antonio	
Per Unit Per Month	\$15.00	
of Potential Gross Rent	-7.50%	
PER SQ FT	PER UNIT	% OF EGI
\$0.37	\$390	5.54%
0.34	352	5.01%
0.78	815	11.58%
0.36	380	5.40%
0.09	90	1.28%
0.34	350	4.98%
0.30	310	4.41%
0.86	900	12.79%
0.19	200	2.84%
0.17	180	2.56%
\$3.81	\$3,967	56.39%
\$2.94	\$3,068	43.61%
\$2.81	\$2,932	41.67%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.13	\$136	1.94%

TDHCA	APPLICANT
\$400,000	\$400,000
0	0
840,000	840,000
5,538,449	6,720,000
318,922	388,500
310,800	310,800
127,569	155,400
382,707	388,500
1,006,609	1,006,609
236,155	236,155
180,467	454,879
1,173,036	1,592,077
498,298	498,298
367,066	367,066
\$11,380,078	\$13,358,284
\$4,450,000	\$4,450,000
200,000	200,000
8,465,020	8,465,020
243,264	243,264
(1,978,206)	0
\$11,380,078	\$13,358,284

PER SQ FT	PER UNIT	% of TOTAL
\$2.74	\$2,857	2.99%
0.00	0	0.00%
5.76	6,000	6.29%
46.06	48,000	50.31%
2.66	2,775	2.91%
2.13	2,220	2.33%
1.07	1,110	1.16%
2.66	2,775	2.91%
6.90	7,190	7.54%
1.62	1,687	1.77%
3.12	3,249	3.41%
10.91	11,372	11.92%
3.42	3,559	3.73%
2.52	2,622	2.75%
\$91.56	\$95,416	100.00%
\$60.34	\$62,880	65.90%
<b>RECOMMENDED</b>		
\$4,450,000	Developer Fee Available	
200,000	\$1,544,011	
6,730,078	% of Dev. Fee Deferred	
0	0%	
0	15-Yr Cumulative Cash Flow	
\$11,380,078	\$1,898,243.12	

**MULTIFAMILY COMPARATIVE ANALYSIS(continued)**

**Tigoni Villas, San Antonio, 9% LIHTC 03136**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ.FT	PER SF	AMOUNT
Base Cost			\$41.23	\$6,015,550
<b>Adjustments</b>				
Exterior Wall Finish	0.20%		\$0.08	\$12,031
9' Ceilings	3.00%		1.24	180,467
Roofing			0.00	0
Subfloor			(0.72)	(105,256)
Floor Cover			1.92	280,128
Porches/Balconies	\$29.24	15,320	3.07	447,957
Plumbing	\$615	420	1.77	258,300
Built-In Appliances	\$1,625	140	1.56	227,500
Exterior Stairs	\$1,625	46	0.51	74,750
Floor Insulation			0.00	0
Heating/Cooling			1.47	214,473
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$57.91	4,000	1.59	231,630
Other:			0.00	0
<b>SUBTOTAL</b>			<b>53.72</b>	<b>7,837,529</b>
Current Cost Multiplier	1.03		1.61	235,126
Local Multiplier	0.84		(8.59)	(1,254,005)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$46.74</b>	<b>\$6,818,650</b>
Plans, specs, survy, bld prm	3.90%		(\$1.82)	(\$265,927)
Interim Construction Interest	3.38%		(1.58)	(230,129)
Contractor's OH & Profit	11.50%		(5.37)	(784,145)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$37.96</b>	<b>\$5,538,449</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$4,450,000	Term	360
Int Rate	7.00%	DCR	1.26

<b>Secondary</b>	\$200,000	Term	
Int Rate	0.00%	Subtotal DCR	1.26

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.26

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

Primary Debt Service	\$355,272
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$74,221</b>

<b>Primary</b>	\$4,450,000	Term	360
Int Rate	7.00%	DCR	1.21

<b>Secondary</b>	\$200,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.21

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.21

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,039,572	\$1,070,759	\$1,102,882	\$1,135,968	\$1,170,047	\$1,356,406	\$1,572,446	\$1,822,896	\$2,449,820
Secondary Income	25,200	25,956	26,735	27,537	28,363	32,880	38,117	44,188	59,385
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,064,772	1,096,715	1,129,617	1,163,505	1,198,410	1,389,286	1,610,563	1,867,084	2,509,205
Vacancy & Collection Loss	(79,860)	(82,254)	(84,721)	(87,263)	(89,881)	(104,196)	(120,792)	(140,031)	(188,190)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$984,912</b>	<b>\$1,014,462</b>	<b>\$1,044,895</b>	<b>\$1,076,242</b>	<b>\$1,108,529</b>	<b>\$1,285,090</b>	<b>\$1,489,771</b>	<b>\$1,727,053</b>	<b>\$2,321,015</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$54,600	\$56,784	\$59,055	\$61,418	\$63,874	\$77,713	\$94,550	\$115,034	\$170,278
Management	49,319	50,799	52,323	53,892	55,509	64,350	74,600	86,481	116,224
Payroll & Payroll Tax	114,100	118,664	123,411	128,347	133,481	162,400	197,584	240,391	355,838
Repairs & Maintenance	53,200	55,328	57,541	59,843	62,236	75,720	92,125	112,084	165,912
Utilities	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Water, Sewer & Trash	49,000	50,960	52,998	55,118	57,323	69,742	84,852	103,236	152,814
Insurance	43,400	45,136	46,941	48,819	50,772	61,772	75,155	91,437	135,349
Property Tax	126,000	131,040	136,282	141,733	147,402	179,337	218,191	265,463	392,950
Reserve for Replacements	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
Other	25,200	26,208	27,256	28,347	29,480	35,867	43,638	53,093	78,590
<b>TOTAL EXPENSES</b>	<b>\$555,419</b>	<b>\$577,143</b>	<b>\$599,720</b>	<b>\$623,186</b>	<b>\$647,575</b>	<b>\$784,688</b>	<b>\$951,001</b>	<b>\$1,152,758</b>	<b>\$1,694,573</b>
<b>NET OPERATING INCOME</b>	<b>\$429,493</b>	<b>\$437,319</b>	<b>\$445,175</b>	<b>\$453,056</b>	<b>\$460,955</b>	<b>\$500,401</b>	<b>\$538,770</b>	<b>\$574,295</b>	<b>\$626,441</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$355,272	\$355,272	\$355,272	\$355,272	\$355,272	\$355,272	\$355,272	\$355,272	\$355,272
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>\$74,221</b>	<b>\$82,047</b>	<b>\$89,903</b>	<b>\$97,785</b>	<b>\$105,683</b>	<b>\$145,130</b>	<b>\$183,498</b>	<b>\$219,024</b>	<b>\$271,170</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.21</b>	<b>1.23</b>	<b>1.25</b>	<b>1.28</b>	<b>1.30</b>	<b>1.41</b>	<b>1.52</b>	<b>1.62</b>	<b>1.76</b>

**LIHTC Allocation Calculation - Tigoni Villas, San Antonio, 9% LIHTC 03136**

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	\$400,000	\$400,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$840,000	\$840,000	\$840,000	\$840,000
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$6,720,000	\$5,538,449	\$6,720,000	\$5,538,449
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$155,400	\$127,569	\$151,200	\$127,569
Contractor profit	\$388,500	\$382,707	\$388,500	\$382,707
General requirements	\$310,800	\$310,800	\$310,800	\$310,800
<b>(5) Contingencies</b>				
	\$388,500	\$318,922	\$378,000	\$318,922
<b>(6) Eligible Indirect Fees</b>				
	\$1,006,609	\$1,006,609	\$1,006,609	\$1,006,609
<b>(7) Eligible Financing Fees</b>				
	\$498,298	\$498,298	\$498,298	\$498,298
<b>(8) All Ineligible Costs</b>				
	\$236,155	\$236,155		
<b>(9) Developer Fees</b>				
			\$1,544,011	
Developer overhead	\$454,879	\$180,467		\$180,467
Developer fee	\$1,592,077	\$1,173,036		\$1,173,036
<b>(10) Development Reserves</b>				
	\$367,066	\$367,066		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$13,358,284</b>	<b>\$11,380,078</b>	<b>\$11,837,418</b>	<b>\$10,376,857</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis			\$200,000	\$200,000
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>\$11,637,418</b>	<b>\$10,176,857</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$15,128,643</b>	<b>\$13,229,914</b>
Applicable Fraction			80.00%	80.00%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$12,102,915</b>	<b>\$10,583,931</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$1,009,383</b>	<b>\$882,700</b>

Syndication Proceeds	0.7899	\$7,973,329	\$6,972,632
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,009,383</b>	<b>\$882,700</b>
Syndication Proceeds		\$7,973,329	\$6,972,632
<b>Requested Credits</b>		<b>\$1,071,629</b>	
Syndication Proceeds		\$8,465,023	
<b>Gap of Syndication Proceeds Needed</b>			<b>\$6,730,078</b>
<b>Credit Amount</b>			<b>\$851,994</b>



**TDHCA #**

**03155**

**Region 9**



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

Development Name: **Villas of Leon Valley**

TDHCA #: **03155**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 7000 Block of Huebner Rd.  
 City: Leon Valley County: Bexar Zip Code: 78240  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 0 Elderly: 126 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: Villas of Leon Valley Limited Partnership

Principal Names	Principal Contact	Percentage Ownership
Leon Valley Villas, LLC	Deborah A. Griffin	0.1% of Owner
Hearthside Development Corp.	Deborah A. Griffin	100% of GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$487,601** Allocation over 10 Years: **\$4,876,010**  
 Credits Requested: **\$492,672** Eligible Basis Amount: **\$487,601** Equity/Gap Amount: **\$533,352**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	20	0	0	20
40%	0	10	0	0	10
50%	0	20	0	0	20
60%	0	0	50	0	50
MR	0	6	19	0	25
Total	0	56	69	0	
Total LI Units:					100
Owner/Employee Units:					1
Total Project Units:					126
Applicable Fraction:					79.00

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: **\$7,971,930** Average Square Feet/Unit: **773**  
 Gross Building Square Feet: **105,349** Cost Per Net Rentable Square Foot: **\$81.81**  
 Total Net Rentable Area Square Feet: **97,446** Credits per Low Income Uni: **\$4,876**

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: **\$755,932**  
 Total Expenses: **\$426,455**  
 Net Operating Income: **\$329,477**  
 Estimated 1st Year Debt Coverage Ratio: **1.14**

**FINANCING**

Permanent Principal Amount: **\$3,656,000**  
 Applicant Equity: **\$370,210**  
 Equity Source: **Deferred Developer Fee**  
 Syndication Rate: **\$0.8092**

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Hearthside Development Corporation Market Analyst: The Jack Poe Company, Inc.  
 Housing GC: Rainer Company, LTD. Originator/UW: NA  
 Engineer: Macina, Bose, Copeland & Assoc. Appraiser: The Jack Poe Company, Inc.  
 Cost Estimator: Rainer Company, LTD. Attorney: Matthews, Carlton, Stein, et al  
 Architect: Gary Garmon Architects Accountant: Reznick, Fedder & Silverman  
 Property Manager: Quest Asset Management, Inc. Supp Services: NA  
 Syndicator: Sun America Affordable Housing Permanent Lender: PNC Bank



# Developer Evaluation

Project ID # **03155**

Name: **Villas of Leon Valley**

City:

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

Total # monitored with a score less than 30: 9 # 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 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 9, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03155

**DEVELOPMENT NAME**

Villas of Leon Valley Apartments

**APPLICANT**

<b>Name:</b> Villas of Leon Vallet Limited Partnership	<b>Type:</b> For Profit
<b>Address:</b> 5757 W. Lovers Lane	<b>City:</b> Dallas <b>State:</b> TX
<b>Zip:</b> 75209 <b>Contact:</b> Deborah Griffin	<b>Phone:</b> (214) 350-8822 <b>Fax:</b> (214) 350-8483

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b> Leon Valley Villas, LLC	<b>(%):</b> 0.1	<b>Title:</b> Managing General Partner
<b>Name:</b> Hearthside Development Corporation (HDC)	<b>(%):</b>	<b>Title:</b> Developer & owner of G.P.
<b>Name:</b> Deborah Griffin	<b>(%):</b> N/A	<b>Title:</b> President & owner of HDC

**PROPERTY LOCATION**

**Location:** 7000 block of Huebner Road  QCT  DDA  
**City:** Leon Valley **County:** Bexar **Zip:** 78240

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$492,672	N/A	N/A	N/A
<b>Other Requested Terms:</b> Annual ten-year allocation of low-income housing tax credits			
<b>Proposed Use of Funds:</b> New construction		<b>Property Type:</b> Multifamily	
<b>Set-Aside(s):</b> <input 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 \$487,601 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of documentation of compliance with the environmental analyst's recommendations prior to cost certification.
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.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 126    **# Rental Buildings:** 6    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** 0 yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 97,446    **Av Un SF:** 773    **Common Area SF:** 7,903    **Gross Bldg SF:** 105,349

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high-speed internet access, two three-stop elevators.

**ON-SITE AMENITIES**

A 4,000-SF community area on the first floor of the three-story building with activity room, management offices, theater, beauty salon, kitchen, and restrooms are planned at the entrance to the site. A swimming pool is located near the entrance and a laundry and maintenance building is located near the middle of the property. In addition, perimeter fencing with a limited access gate is also planned for the site.

**Uncovered Parking:** 79 spaces    **Carpports:** 128 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Villas of Leon Valley Apartments is a relatively dense (16.9 units/acre) new construction development of 126 units of mixed-income housing located in northwest Leon Valley. The development is comprised of six residential buildings evenly distributed throughout the site as follows:

- Five one-story buildings with twelve two-bedroom/one-bath units; and
- One three-story elevator-served apartment building with 56 one-bedroom/one-bath units and ten two-bedroom/one-bath units.

**Architectural Review:** The exterior elevations are simple and attractive, with 100% Hardiplank exterior wall finishes and pitched roofs. The units are small but efficiently laid out. The two elevators in the main building provide service to 48 units resulting in a moderate unit to elevator ratio of 24 to 1.

**Supportive Services:** The Applicant did not identify a supportive services provider but indicated an intention to provide a minimum of three of the services from the TDHCA list and included \$2,400 in the operating budget for these services.

**Schedule:** The Applicant anticipates construction to begin in November of 2003, to be completed and placed in service in November of 2004, and to be substantially leased-up in April of 2005.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 7.44 acres    324,086 square feet    **Zoning/ Permitted Uses:** R-3A, Multiple-Family Retirement Dwelling  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Leon Valley is a small municipality located within the city limits of San Antonio, in the northwest area of the city. The site is an irregularly-shaped parcel located in the northwest area of Leon Valley, approximately nine miles from San Antonio's central business district. The site is situated on the northwest side of Huebner Road.

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

**Adjacent Land Uses:**

- **Northeast:** a public elementary school
- **Southeast:** Huebner Road with single-family residences beyond
- **Southwest:** commercial and retail
- **Northwest:** an alley with duplexes beyond

**Site Access:** Access to the property is from the northeast or southwest from Huebner Road. The development is to have a single entry from Huebner Road. Access to Interstate Highway (Loop) 410 is two miles east, which provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by the city bus system, the closest stop is currently less than one block from the site.

**Shopping & Services:** The site is within three miles of a major grocery/pharmacy, neighborhood and regional shopping centers, 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:** TDHCA staff performed a site inspection on May 7, 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 10, 2003 was prepared by ATC Associates, Inc. and contained the following findings and recommendations:

**Findings:** “No recognized environmental conditions were identified for the site or the surrounding areas. However, the following notable findings were identified as a result of this assessment:

- Septic tanks associated with the mobile home community were previously installed on the site. ATC was unable to document if the septic tanks were removed or if they still remain located on the property. ATC was also unable to document the locations of the septic tanks.
- A potable water well was installed on the property in 1956. ATC was unable to document if the well was properly plugged and abandoned, therefore, it is assumed that the well is still in place.” (p. 20)

**Recommendations:** “Based on these findings, ATC recommends no further investigation. Based on the findings and conclusions presented in this report, ATC recommends the following for the site:

- The presence and location of the septic tanks should be located, followed by proper abandonment.
- The potable water well should be properly plugged and abandoned in accordance with local, county, city, and/or state regulations.” (p. 22)

The Applicant provided letters from the General Contractor and a civil engineering firm indicating that the procedures for properly dealing with these existing structures have been considered and the costs included in the project cost schedule. Receipt, review, and acceptance of documentation of compliance with the environmental analyst’s recommendations are 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. 100 of the units (79% of the total) will be reserved for low-income elderly tenants. Twenty of the units (16%) will be reserved for households earning 30% or less of AMGI, ten units (8%) will be reserved for households earning 40% or less of AMGI, 20 units (16%) will be reserved for households earning 50% or less of AMGI, 50 units (40%) will be reserved for households earning 60% or less of AMGI, one unit will be employee-occupied, and the remaining 25 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>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

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

**MARKET HIGHLIGHTS**

A market feasibility study dated February 18, 2003 was prepared by the Jack Poe Company, Inc. and highlighted the following findings:

**Definition of Market/Submarket:** “The boundaries for the primary market consist of Interstate Loop 410 on the southeast, Highway 151 on the south-southwest side, Highway 1604 as the northern boundary, and Interstate Highway 10 as the eastern boundary...The supply of, and demand for, multifamily housing in the primary market is extracted from the Multifamily Housing Conditioning Report for January 2003 published by Apartment MarketData Research, LLC. It defines this area as submarkets ‘N1’ and ‘W1’ with Highway 16 being the common boundary between them. The total area contains approximately 56.5 square miles.” (p. 25) The analyst used the city of San Antonio as the secondary market.

**Population:** The estimated 2002 elderly population of the primary market area was 26,381 and is expected to increase by 19.8% to approximately 31,604 by 2007. Within the primary market area there were estimated to be 15,406 elderly households in 2002. (p. 26)

**Total Local/Submarket Demand for Rental Units:** “...there are 1,762 qualified senior rental households in the primary market. If 65% of income-qualified rental households are the targeted households (based on turnover), then there are 1,145 units of demand. This demand is forecasted to increase by 107 [units of household growth demand] by the completion date of the project....In addition, there will be a demand for 3,414 market rate units for senior households with income above the income band and this demand will increase by 327 to 3,741 senior renter households as potential renters for the subject’s market rate units.” (p. 55)

<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	107	9%	69	5%
Resident Turnover	1,145	91%	1,189	95%
Other Sources: 10 yrs pent-up demand	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>1,252</b>	<b>100%</b>	<b>1,258</b>	<b>100%</b>

Ref: p. 54

**Inclusive Capture Rate:** “The total low-income income-qualified demand is estimated to be 1,252 in the primary market, and the inclusive capture rate is 8.0%...The inclusive capture rate for the market rate units is 0.7%.” (p. 58) The Underwriter calculated an essentially identical inclusive capture rate of 7.9% based upon a slightly higher demand estimate of 1,258 units.

**Local Housing Authority Waiting List Information:** No information provided.

**Market Rent Comparables:** The Market Analyst surveyed ten comparable apartment projects totaling 2,089 units in the market area. “The projected initial rents for the project are 31.5% lower than the rental range for comparable market rate projects within the market area.” (p. 61) Only one of the comparable properties is an elderly development, and it is slightly outside the primary 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>1-Bedroom (30%)</b>	\$220	\$226	-\$6	\$650	-\$430
<b>1-Bedroom (40%)</b>	\$316	\$322	-\$6	\$650	-\$334
<b>1-Bedroom (50%)</b>	\$410	\$416	-\$6	\$650	-\$240
<b>1-Bedroom (MR)</b>	\$650	N/A	N/A	\$650	\$0
<b>2-Bedroom (60%)</b>	\$603	\$613	-\$10	\$750	-\$147
<b>2-Bedroom (MR)</b>	\$750	N/A	N/A	\$750	\$0

(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)

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

**Submarket Vacancy Rates:** “Multifamily housing vacancy is 5.8% in the primary market and 6.7% in the secondary market. In addition, the vacancy rates are for complexes classified as ‘family’ and none of the units or complexes were identified as being restricted to specifically senior residents.” (p. 31)

**Absorption Projections:** “...we project that the subject will be approximately 25% occupied (31 units) once construction is completed, and that it will take approximately four months to lease up the remaining units and reach a stabilized occupancy of 95%.” (p. 59)

**Known Planned Development:** “Kristie Flores of the Office of Community Development in Leon Valley stated there are no multifamily developments currently in the planning or development process. She further stated that the subject’s site is the only property within the city that is zoned for multifamily retirement community.” (p. 26)

**Effect on Existing Housing Stock:** “The proposed project, in light of the vacancy and absorption rates for the applicable market area...is not likely to result in an unreasonably high vacancy rate for comparable units within the market area...” (p. 61)

The Underwriter found the market study to be acceptable.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the Market Analyst. The Applicant used the San Antonio Housing Authority’s duplex utility allowances which are \$6-\$10 per unit higher than the low rise apartment allowances used by the Underwriter; this difference resulted in the Underwriter’s potential gross rent estimate exceeding the Applicant’s by \$9,264. The Applicant used a secondary income estimate of \$20/unit/month and provided sufficient additional substantiation for their estimate. The Applicant utilized a lower vacancy and collection loss rate of 5% based on operations of similar properties, but as none of these comparable properties are located in San Antonio the Underwriter used the TDHCA guideline of 7.5%. The net result of these differences is that the Applicant’s effective gross income estimate exceeds the Underwriter’s estimate by \$11.6K.

**Expenses:** The Applicant’s total expense estimate of \$3,292 per unit is 8% lower than the Underwriter’s database-derived estimate of \$3,385 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly payroll (\$22.8K lower), and utilities (\$11.5K lower). The Underwriter discussed these and other differences with the Applicant but was unable to reconcile all of them with additional information provided by the Applicant.

**Conclusion:** The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. 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: 7.448 acres</b>	\$243,400	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Assessed Value:</b>	\$243,400	<b>Tax Rate:</b>	2.963165

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Earnest money contract						
<b>Contract Expiration Date:</b>	9/	1/	2003	<b>Anticipated Closing Date:</b>	9/	1/	2003
<b>Acquisition Cost:</b>	\$250,000			<b>Other Terms/Conditions:</b>	\$10,000 earnest money		

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

**Seller:** Sundance Financial, Inc.

**Related to Development Team Member:** No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The site cost of \$250,000 (\$0.77/SF or \$33,602/acre) is substantiated by the tax assessed value of \$243,400 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,474 per unit are near the maximum \$7,500 safe harbour tolerance allowed for multifamily projects without requiring additional documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$77K 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 and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$7,477,643 is used to determine a credit allocation of \$487,601 from this method. This is \$5,071 less than requested due to the Applicant's use of a lower applicable fraction of 79% rather than the lower net rentable area fraction of 78.19%. 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:** PNC Bank

**Contact:** Robert Walton

**Principal Amount:** \$3,656,000

**Interest Rate:** Estimated & underwritten at 6.9%

**Additional Information:**

**Amortization:** N/A yrs **Term:** 2 yrs **Commitment:**  LOI  Firm  Conditional

**LONG TERM/PERMANENT FINANCING**

**Source:** PNC Bank

**Contact:** Robert Walton

**Principal Amount:** \$3,656,000

**Interest Rate:** Estimated & underwritten at 6.9%

**Additional Information:**

**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional

**Annual Payment:** \$288,941 **Lien Priority:** 1st **Commitment Date** 2/ 21/ 2003

**LIHTC SYNDICATION**

**Source:** SunAmerica Affordable Housing Partners, Inc.

**Contact:** Denise Fazio

**Address:** 1526 East Parham Road

**City:** Richmond

**State:** VA

**Zip:** 23228

**Phone:** (877) 892-0500

**Fax:** (804) 261-2400

**Net Proceeds:** \$3,986,653

**Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 81¢

**Commitment**  LOI  Firm  Conditional **Date:** 2/ 25/ 2003

**Additional Information:**

**APPLICANT EQUITY**

**Amount:** 1) \$329,177

**Source:** 1) Deferred developer fee

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

2) \$100

2) Developer equity contribution

**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 estimate of eligible basis and adjusted qualified basis, the LIHTC allocation should not exceed \$487,601 annually for ten years, resulting in syndication proceeds of approximately \$3,945,620.

**Deferred Developer's Fees:** The proposed deferred developer's fees of \$329,177 amount to 34% of the total eligible fees. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$370,210, which represents approximately 38% of the eligible fee and which should be repayable from cash flow within six years.

**Financing Conclusions:** Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

The Developer owns the General Partner and is an affiliate of the Property Manager. 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.
- Hearthside Development Corporation, the Developer and owner of the General Partner, submitted an unaudited financial statement as of February 17, 2003 reporting total assets of \$3.02M and consisting of \$480K in cash, \$2.23M in receivables, \$14K in machinery, equipment, and fixtures, and \$1K in partnership interests. Liabilities totaled \$1.56M, resulting in a net worth of \$1.47M.
- Deborah Griffin, the sole owner of the Developer and General Partner, submitted an unaudited financial statement as of February 17, 2003 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Deborah Griffin listed participation in 11 previous LIHTC-funded affordable housing developments totaling 1,328 units since 1995.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

**Underwriter:**

*Jim Anderson*

**Date:** June 9, 2003

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** June 9, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Villas of Leon Valley Apartments, Leon Valley, 9% LIHTC #03155**

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%)	20	1	1	656	\$283	\$226	\$4,515	\$0.34	\$57.26	\$25.28
TC (40%)	10	1	1	656	379	\$322	3,217	0.49	57.26	25.28
TC (50%)	20	1	1	656	473	\$416	8,315	0.63	57.26	25.28
MR	6	1	1	656		650	3,900	0.99	57.26	25.28
TC (60%)	40	2	1	866	682	\$613	24,508	0.71	69.30	29.28
MR	19	2	1	866		750	14,250	0.87	69.30	29.28
EO	1	2	1	866		750	750	0.87	69.30	29.28
TC (60%)	10	2	1	875	682	\$613	6,127	0.70	69.30	29.28
<b>TOTAL:</b>	<b>126</b>		<b>AVERAGE:</b>	<b>773</b>	<b>\$421</b>	<b>\$520</b>	<b>\$65,582</b>	<b>\$0.67</b>	<b>\$63.95</b>	<b>\$27.50</b>

**INCOME**

Total Net Rentable Sq Ft: 97,446

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$20.00

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	3.98%	\$239	0.31	\$30,080	\$25,725	\$0.26	\$204	3.35%
Management	5.00%	300	0.39	37,797	\$36,303	0.37	288	4.73%
Payroll & Payroll Tax	13.73%	823	1.06	103,752	\$80,924	0.83	642	10.54%
Repairs & Maintenance	4.07%	244	0.32	30,780	\$31,500	0.32	250	4.10%
Utilities	3.26%	196	0.25	24,656	\$13,200	0.14	105	1.72%
Water, Sewer, & Trash	5.50%	330	0.43	41,583	\$39,000	0.40	310	5.08%
Property Insurance	4.64%	278	0.36	35,081	\$35,000	0.36	278	4.56%
Property Tax 2.963165	10.47%	628	0.81	79,127	\$82,000	0.84	651	10.68%
Reserve for Replacements	3.33%	200	0.26	25,200	\$31,500	0.32	250	4.10%
Other: spt svcs, compl fees, cable TV	2.43%	146	0.19	18,400	\$18,400	0.19	146	2.40%
<b>TOTAL EXPENSES</b>	<b>56.41%</b>	<b>\$3,385</b>	<b>\$4.38</b>	<b>\$426,455</b>	<b>\$393,552</b>	<b>\$4.04</b>	<b>\$3,123</b>	<b>51.27%</b>
<b>NET OPERATING INC</b>	<b>43.59%</b>	<b>\$2,615</b>	<b>\$3.38</b>	<b>\$329,477</b>	<b>\$374,004</b>	<b>\$3.84</b>	<b>\$2,968</b>	<b>48.73%</b>

**DEBT SERVICE**

PNC Bank	38.22%	\$2,293	\$2.97	\$288,941	\$288,941	\$2.97	\$2,293	37.64%
Developer Equity	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>5.36%</b>	<b>\$322</b>	<b>\$0.42</b>	<b>\$40,536</b>	<b>\$85,063</b>	<b>\$0.87</b>	<b>\$675</b>	<b>11.08%</b>

AGGREGATE DEBT COVERAGE RATIO

1.14 1.29

RECOMMENDED DEBT COVERAGE RATIO

1.14

**CONSTRUCTION COST**

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.14%	\$2,004	\$2.59	\$252,500	\$252,500	\$2.59	\$2,004	3.17%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.70%	7,474	9.66	941,700	941,700	9.66	7,474	11.81%
Direct Construction		49.10%	31,367	40.56	3,952,229	3,881,851	39.84	30,808	48.69%
Contingency	4.87%	2.96%	1,893	2.45	238,500	238,500	2.45	1,893	2.99%
General Req'ts	5.78%	3.51%	2,243	2.90	282,632	282,632	2.90	2,243	3.55%
Contractor's G & A	1.93%	1.17%	748	0.97	94,211	94,211	0.97	748	1.18%
Contractor's Profit	5.78%	3.51%	2,243	2.90	282,632	282,632	2.90	2,243	3.55%
Indirect Construction		4.65%	2,968	3.84	373,990	373,990	3.84	2,968	4.69%
Ineligible Costs		1.12%	713	0.92	89,787	89,787	0.92	713	1.13%
Developer's G & A	4.45%	3.64%	2,322	3.00	292,590	292,590	3.00	2,322	3.67%
Developer's Profit	10.39%	8.48%	5,418	7.01	682,710	682,710	7.01	5,418	8.56%
Interim Financing		5.05%	3,229	4.17	406,827	406,827	4.17	3,229	5.10%
Reserves		1.97%	1,258	1.63	158,500	152,000	1.56	1,206	1.91%
<b>TOTAL COST</b>		<b>100.00%</b>	<b>\$63,879</b>	<b>\$82.60</b>	<b>\$8,048,808</b>	<b>\$7,971,930</b>	<b>\$81.81</b>	<b>\$63,269</b>	<b>100.00%</b>
<b>Recap-Hard Construction Costs</b>		<b>71.96%</b>	<b>\$45,967</b>	<b>\$59.44</b>	<b>\$5,791,904</b>	<b>\$5,721,526</b>	<b>\$58.71</b>	<b>\$45,409</b>	<b>71.77%</b>

**SOURCES OF FUNDS**

						RECOMMENDED	
PNC Bank	45.42%	\$29,016	\$37.52	\$3,656,000	\$3,656,000	\$3,656,000	Developer Fee Available
Developer Equity	0.00%	\$1	\$0.00	100	100	100	\$975,300
LIHTC Syndication Proceeds	49.53%	\$31,640	\$40.91	3,986,653	3,986,653	3,945,620	% of Dev. Fee Deferred
Deferred Developer Fees	4.09%	\$2,613	\$3.38	329,177	329,177	370,210	38%
Additional (excess) Funds Required	0.96%	\$610	\$0.79	76,878	0	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$8,048,808</b>	<b>\$7,971,930</b>	<b>\$7,971,930</b>	<b>\$1,209,583</b>

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Villas of Leon Valley Apartments, Leon Valley, 9% LIHTC #03155**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.30	\$4,219,182
<b>Adjustments</b>				
Exterior Wall Finish	1.00%		\$0.43	\$42,192
Elderly	5.00%		2.16	210,959
Roofing			0.00	0
Subfloor			(1.39)	(135,586)
Floor Cover			1.92	187,096
Common Areas/Corridors	\$29.24	13,835	4.15	404,535
Plumbing	\$615	0	0.00	0
Built-In Appliances	\$1,625	126	2.10	204,750
Stairs	\$1,625	6	0.10	9,750
Floor Insulation			0.00	0
Heating/Cooling			1.47	143,246
Carports	\$7.83	21,294	1.71	166,732
Aux Bldgs	\$47.82	896	0.44	42,844
Other: Elevators	\$48,575	2	1.00	97,150
<b>SUBTOTAL</b>			<b>57.39</b>	<b>5,592,849</b>
Current Cost Multiplier	1.03		1.72	167,785
Local Multiplier	0.84		(9.18)	(894,856)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$49.93</b>	<b>\$4,865,779</b>
Plans, specs, survy, bld prm	3.90%		(1.95)	(189,765)
Interim Construction Interest	3.38%		(1.69)	(164,220)
Contractor's OH & Profit	11.50%		(5.74)	(559,565)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$40.56</b>	<b>\$3,952,229</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$3,656,000	Term	360
Int Rate	6.90%	DCR	1.14
<b>Secondary</b>	\$100	Term	
Int Rate	0.00%	Subtotal DCR	1.14
<b>Additional</b>	\$3,986,653	Term	
Int Rate		Aggregate DCR	1.14

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$288,941
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$40,536</b>

<b>Primary</b>	\$3,656,000	Term	360
Int Rate	6.90%	DCR	1.14
<b>Secondary</b>	\$100	Term	0
Int Rate	0.00%	Subtotal DCR	1.14
<b>Additional</b>	\$3,986,653	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

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

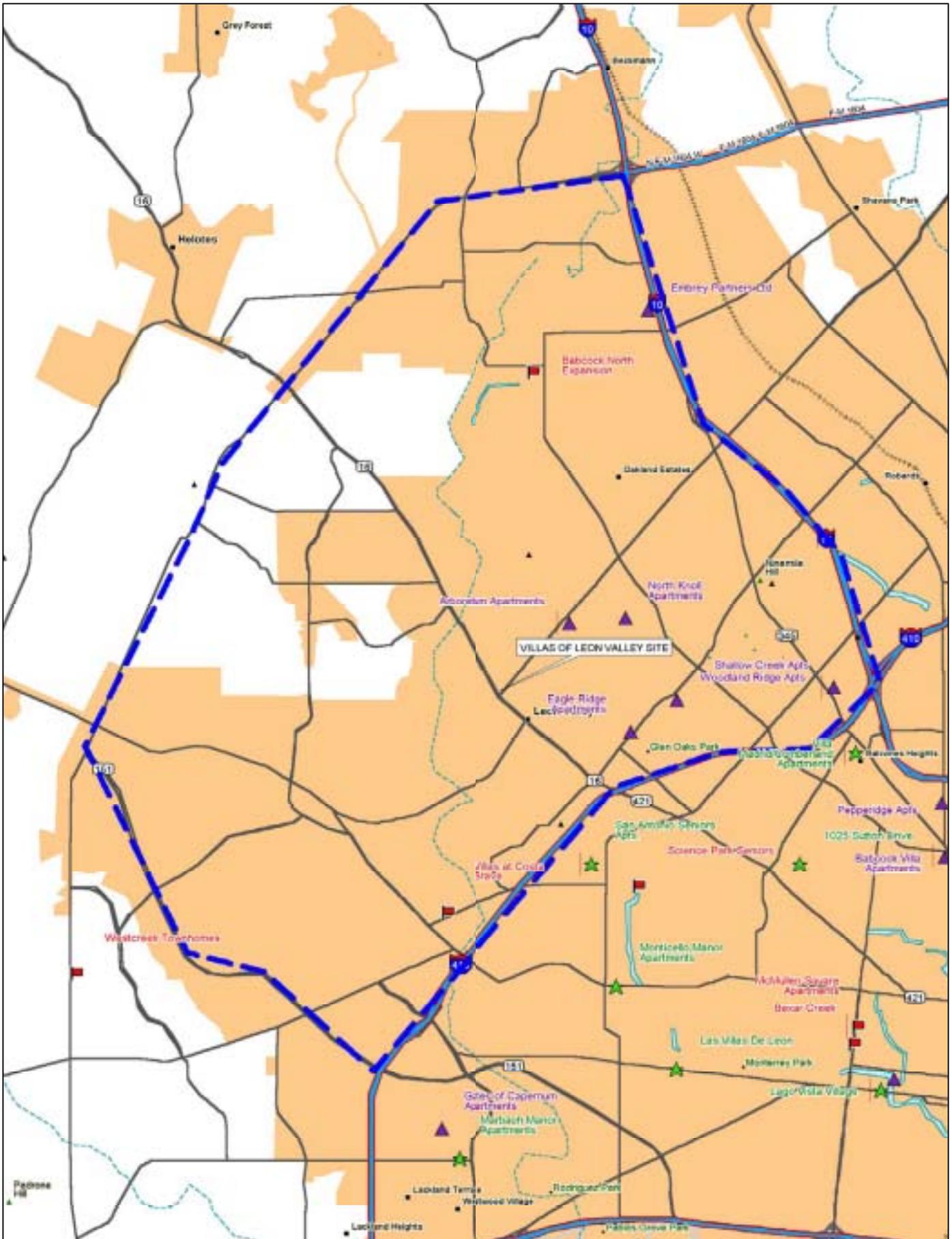
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$786,984	\$810,594	\$834,911	\$859,959	\$885,757	\$1,026,836	\$1,190,384	\$1,379,981	\$1,854,579
Secondary Income	30,240	31,147	32,082	33,044	34,035	39,456	45,741	53,026	71,263
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	817,224	841,741	866,993	893,003	919,793	1,066,292	1,236,125	1,433,007	1,925,842
Vacancy & Collection Loss	(61,292)	(63,131)	(65,024)	(66,975)	(68,984)	(79,972)	(92,709)	(107,476)	(144,438)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$755,932</b>	<b>\$778,610</b>	<b>\$801,968</b>	<b>\$826,028</b>	<b>\$850,808</b>	<b>\$986,320</b>	<b>\$1,143,415</b>	<b>\$1,325,532</b>	<b>\$1,781,404</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$30,080	\$31,283	\$32,535	\$33,836	\$35,189	\$42,813	\$52,089	\$63,374	\$93,809
Management	37,797	38,931	40,098	41,301	42,540	49,316	57,171	66,277	89,070
Payroll & Payroll Tax	103,752	107,902	112,218	116,707	121,375	147,671	179,665	218,590	323,566
Repairs & Maintenance	30,780	32,011	33,292	34,623	36,008	43,810	53,301	64,849	95,992
Utilities	24,656	25,642	26,668	27,735	28,844	35,093	42,696	51,947	76,894
Water, Sewer & Trash	41,583	43,247	44,977	46,776	48,647	59,186	72,009	87,610	129,684
Insurance	35,081	36,484	37,943	39,461	41,039	49,931	60,748	73,909	109,404
Property Tax	79,127	82,292	85,583	89,007	92,567	112,622	137,022	166,708	246,769
Reserve for Replacements	25,200	26,208	27,256	28,347	29,480	35,867	43,638	53,093	78,590
Other	18,400	19,136	19,901	20,697	21,525	26,189	31,863	38,766	57,383
<b>TOTAL EXPENSES</b>	<b>\$426,455</b>	<b>\$443,136</b>	<b>\$460,472</b>	<b>\$478,490</b>	<b>\$497,216</b>	<b>\$602,499</b>	<b>\$730,202</b>	<b>\$885,122</b>	<b>\$1,301,161</b>
<b>NET OPERATING INCOME</b>	<b>\$329,477</b>	<b>\$335,475</b>	<b>\$341,497</b>	<b>\$347,538</b>	<b>\$353,592</b>	<b>\$383,821</b>	<b>\$413,213</b>	<b>\$440,410</b>	<b>\$480,242</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$288,941	\$288,941	\$288,941	\$288,941	\$288,941	\$288,941	\$288,941	\$288,941	\$288,941
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>\$40,536</b>	<b>\$46,533</b>	<b>\$52,556</b>	<b>\$58,597</b>	<b>\$64,651</b>	<b>\$94,880</b>	<b>\$124,272</b>	<b>\$151,469</b>	<b>\$191,301</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.16</b>	<b>1.18</b>	<b>1.20</b>	<b>1.22</b>	<b>1.33</b>	<b>1.43</b>	<b>1.52</b>	<b>1.66</b>

**LIHTC Allocation Calculation - Villas of Leon Valley Apartments, Leon Valley, 9% LIHTC #03155**

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	\$252,500	\$252,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$941,700	\$941,700	\$941,700	\$941,700
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,881,851	\$3,952,229	\$3,881,851	\$3,952,229
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$94,211	\$94,211	\$94,211	\$94,211
Contractor profit	\$282,632	\$282,632	\$282,632	\$282,632
General requirements	\$282,632	\$282,632	\$282,632	\$282,632
<b>(5) Contingencies</b>				
	\$238,500	\$238,500	\$238,500	\$238,500
<b>(6) Eligible Indirect Fees</b>				
	\$373,990	\$373,990	\$373,990	\$373,990
<b>(7) Eligible Financing Fees</b>				
	\$406,827	\$406,827	\$406,827	\$406,827
<b>(8) All Ineligible Costs</b>				
	\$89,787	\$89,787		
<b>(9) Developer Fees</b>				
Developer overhead	\$292,590	\$292,590	\$292,590	\$292,590
Developer fee	\$682,710	\$682,710	\$682,710	\$682,710
<b>(10) Development Reserves</b>				
	\$152,000	\$158,500		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$7,971,930</b>	<b>\$8,048,808</b>	<b>\$7,477,643</b>	<b>\$7,548,021</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$7,477,643</b>	<b>\$7,548,021</b>
High Cost Area Adjustment			100%	100%
<b>TOTAL ADJUSTED BASIS</b>			<b>\$7,477,643</b>	<b>\$7,548,021</b>
Applicable Fraction			78.19%	78.19%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$5,846,537</b>	<b>\$5,901,563</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$487,601</b>	<b>\$492,190</b>

Syndication Proceeds	0.8092	\$3,945,620	\$3,982,756
<b>Total Credits (Eligible Basis Method)</b>		<b>\$487,601</b>	<b>\$492,190</b>
Syndication Proceeds		\$3,945,620	\$3,982,756
Requested Credits		\$492,672	
Syndication Proceeds		\$3,986,653	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,315,830</b>	
Credit Amount		\$533,352	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000  
 1" = 1.58 mi



**TDHCA #**

**03176**

**Region 9**



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

Development Name: **Binz Ranch (San Miguel Apartments)**

TDHCA #: **03176**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 3600 Block Binz Engleman Road  
 City: San Antonio County: Bexar Zip Code: 78219

TTC  DDA  QCT Purpose / Activity: New Construction

**Targeted Units:** Family: 200 Elderly: 0 Handicapped/Disabled 14 Domestic Abuse: 0 Transitional: 0

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

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: FDCSA Binz, Ltd.

Principal Names	Principal Contact	Percentage Ownership
FDCSA200 Binz, LLC	Aubra Franklin	.01% of Owner
Agape Northeast San Antonio, Inc.	Laura Wingfield	1% of GP
Franklin Development Co., Inc.	Aubra Franklin	99% of GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation **\$1,200,000** Allocation over 10 Years: \$12,000,000  
 Credits Requested \$1,200,000 Eligible Basis Amount: \$1,276,060 Equity/Gap Amount \$1,227,649

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	16	16	32
40%	0	0	8	8	16
50%	0	0	16	16	32
60%	0	0	40	40	80
MR	0	0	20	20	40
Total	0	0	100	100	

Total LI Units: 160  
 Owner/Employee Units: 0  
 Total Project Units: 200  
 Applicable Fraction: 80.00

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: \$16,491,110 Average Square Feet/Unit 1,064  
 Gross Building Square Feet 221,700 Cost Per Net Rentable Square Foot \$77.53  
 Total Net Rentable Area Square Feet: 212,700 Credits per Low Income Uni \$7,500

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income \$1,324,994  
 Total Expenses: \$744,774  
 Net Operating Income \$580,220  
 Estimated 1st Year Debt Coverage Ratio 1.13

**FINANCING**

Permanent Principal Amount: \$6,670,900  
 Applicant Equity: \$221,170  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.7999

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer:	Franklin Development	Market Analyst:	Apartment Market Data Research
Housing GC:	Galaxy Builders, Ltd.	Originator/UW:	Newman Financial Services
Engineer:	MBC Engineers	Appraiser:	Integra Glen Advisors
Cost Estimator:	NA	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	RPGA Design Architects, Inc.	Accountant:	NA
Property Manager	Capstone Real Estate Services, Inc.	Supp Services	American Agape Foundation, Inc.
Syndicator:	Lend Lease	Permanent Lender	Malone Mortgage

**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: NC	Tommy Adkisson, Bexar County Commissioner, S
TX Representative: Ruth Jones McClendon, District 120, N	
TX Senator: Frank Madla, District 19, N	
US Representative: Ciro D. Rodriguez, 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 clear title as reflected in an updated title policy prior to close of construction loan.

Receipt, review, and acceptance of documentation indicating that the recommendations of the Phase I ESA and all subsequent environmental studies completed for the site have been followed to conclusion prior to close of construction loan.

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 \_\_\_\_\_

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

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

Approved Credit Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03176**

Name: **Binz Ranch**

City: **San Antonio**

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 11, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03176

**DEVELOPMENT NAME**

Binz Ranch a.k.a. San Miguel

**APPLICANT**

<b>Name:</b>	<u>FDCSA Binz, Ltd.</u>	<b>Type:</b>	<u>For Profit</u>
<b>Address:</b>	<u>9901 IH 10 West, Suite 605</u>	<b>City:</b>	<u>San Antonio</u> <b>State:</b> <u>TX</u>
<b>Zip:</b>	<u>78230</u>	<b>Contact:</b>	<u>Ryan Wilson</u>
		<b>Phone:</b>	<u>(210) 694-2223</u> <b>Fax:</b> <u>(210) 694-2225</u>

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b>	<u>FDCSA200 Binz, LLC</u>	<b>(%):</b>	<u>0.01</u>	<b>Title:</b>	<u>Managing General Partner</u>
<b>Name:</b>	<u>Franklin Development Company</u>	<b>(%):</b>	<u>N/A</u>	<b>Title:</b>	<u>Developer</u>

**PROPERTY LOCATION**

**Location:** 3600 block Binz Engelman Road       **QCT**       **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78219

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,200,000	N/A	N/A	N/A
<b>Other Requested Terms:</b> <u>1) Annual ten-year allocation of low-income housing tax credits</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 type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

**RECOMMENDATION**

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

**CONDITIONS**

1. Receipt, review and acceptance of clear title as reflected in an updated title policy prior to close of construction loan;
2. Receipt, review and acceptance of documentation indicating that the recommendations of the Phase I ESA and all subsequent environmental studies completed for the site have been followed to conclusion prior to close of construction loan;
3. 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.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 200    **# Rental Buildings:** 7    **# Common Area Bldgs:** 1    **# of Floors:** 3    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 212,700    **Av Un SF:** 1,064    **Common Area SF:** 4,500    **Gross Bldg SF:** 221,700

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 20% stone veneer 80% wood siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

Carpeting and vinyl flooring, range and oven, hood and fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer and dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, heat pump, and 9' ceilings.

**ON-SITE AMENITIES**

Amenities include a clubhouse with a community room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center and central mailroom; and an adjacent swimming pool, are located at the entrance to the property. In addition perimeter fencing with limited access gate is planned for the site.

**Uncovered Parking:** 367 spaces    **Carports:** 80 spaces    **Garages:** 48 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Binz Ranch a.k.a. San Miguel is a relatively dense 15 units per acre new construction development of 200 units of mixed income housing located in San Antonio. The development is comprised of seven evenly distributed large garden style walk-up residential buildings as follows:

- € Four Building Type I with eighteen two- bedroom units and eighteen three- bedroom units;
- € Two Building Type II with eight two- bedroom units and eight three- bedroom units; and
- € One Building Type III with twelve two- bedroom units and twelve three- bedroom units.

**Architectural Review:** The individual units appear to offer adequate storage space with a pantry in the kitchen and a utility closet with room for full size appliances. There is a concern with the design of the two-bedroom unit. Both of the full baths can be accessed only by walking through a bedroom. The three-story residential buildings will be simple, yet attractive with stone veneer along the first floor. The community building will offer many tenant accessible areas as well as leasing/management offices. The exterior of the building will be more decorative than, but compliment the residential buildings.

**Supportive Services:** American Agape Foundation, an affiliate of the 1% nonprofit owner of the General Partner, will be contracted to provide optional supportive services at no additional cost to tenants.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 12 + 2.86 acres    647,302 square feet    **Zoning/ Permitted Uses:** LL/multifamily  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject is located on Binz Engleman Road approximately ½ mile west of Interstate Highway 35 in San Antonio.

**Adjacent Land Uses:** The surrounding area is predominantly light industrial and vacant land.

- € **North:** Binz Engleman Road, undeveloped land
- € **South:** undeveloped land
- € **East:** Averitt Express, undeveloped land
- € **West:** White roofing And Waterproofing (vacant), undeveloped land

**Site Access:** The site has access from Binz Road to the Interstate 35/Loop 410 junction, both of which are major thoroughfares into and around San Antonio proper. Downtown San Antonio is five miles southwest of the site.

**Public Transportation:** Although it is known that San Antonio provides its residents with public transportation, the location of the nearest linkage is not discussed in the submitted market study. The Applicant indicated that a bus stop exists within a mile of the site at the nearby Brooke Army Medical Hospital.

**Shopping & Services:** The subject will be served by the Judson Independent School District which operates an elementary and middle school within a three-mile radius and a high school within 8 miles. Higher education facilities are also located within the San Antonio area. Baptist Memorial Hospital is located within 6 miles and South Texas Medical Center is within 13 miles. San Antonio provides many recreational attractions.

**Special Adverse Site Characteristics:** The title commitment lists “numerous” involuntary liens and bankruptcy proceeding on Jack White, possibly one of the current owners of the subject site. Receipt, review and acceptance of clear title as reflected in an updated title policy is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 7, 2003 and found the location to be acceptable for the proposed development. Staff noted the proximity of high voltage power lines, railroad tracks, and a military base.

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

A Phase I Environmental Site Assessment report dated March 13, 2003 was prepared by D3G – Dominion Due Diligence Group and contained the following findings and recommendations:

**Findings:**

- € “Located at the subject property are five (5) pole-mounted electrical transformers that...are assumed to contain PCB’s. Leakage was not noted on or around the transformers and in their current physical condition the transformers are not believed to present environmental contamination liabilities to the subject property.” (Exec Summary)
- € “Visually observed in the northern portion of the subject property are several areas of non-hazardous debris dumping and an approximate 70’ X 30’ dump area...[including] 55-gallon drums...No visual evidence of staining or spillage was observed in the surface areas surrounding the debris; however, no determination could be made on the condition of the underlying soils.” (Exec Summary)
- € “According to the Environmental Data Resources, Inc. (EDR) Database prepared for this project, one (1) Leaking Underground Storage Tank (LUST) facility is located within the designated ASTM E 1527-00 search radius...Due to its current regulatory status [as closed] and topographic relationship [cross-gradient] to the subject property, this facility is not expected to present environmental contamination liabilities to the subject property.” (Exec Summary)

**Recommendations:** “This assessment revealed no evidence of recognized environmental conditions in connection with the property, with the exception of: Debris Dumping/Drum – testing should be conducted in the 70’ X 30’ area of dumped debris to determine if surrounding soils have been adversely affected. Additionally, the 55-gallon drums should be removed and disposed in accordance with current state and federal regulations.” (Exec Summary)

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

Receipt, review and acceptance of documentation indicating that the recommendations of the Phase I ESA and all subsequent environmental studies completed for the site have been followed to conclusion 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. One hundred and sixty of the units (80% of the total) will be reserved for low-income tenants. Thirty-two of the units (16%) will be reserved for households earning 30% or less of AMGI, 16 units (8%) will be reserved for households earning 40% or less of AMGI, 32 of the units (16%) will be reserved for households earning 50% or less of AMGI, 80 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 40 units (20%) will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

	<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>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

**MARKET HIGHLIGHTS**

A market feasibility study dated March 17, 2003 was prepared by Apartment MarketData and highlighted the following findings:

**Definition of Primary Market:** “For this analysis we utilized a “primary market area” comprising a 5 mile radius around the subject in central San Antonio.” (p. 3)

**Population:** The estimated 2002 population of the primary market area was 215,314 and is expected to increase by 1.9% to approximately 219,388 by 2007. Within the primary market area there were estimated to be 82,402 households in 2002.

**Total Local/Submarket Demand for Rental Units:**

<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	43	0.7%	34	0.7%
Resident Turnover	6,013	99.3%	4,573	99.3%
<b>TOTAL ANNUAL DEMAND</b>	<b>6,056</b>	<b>100%</b>	<b>4,607</b>	<b>100%</b>

Ref: p. 46

**Inclusive Capture Rate:** The Market Analyst has calculated a capture rate of 6.8% which includes the 105 affordable units at Refugio Street (02086) and 150 affordable units at Outspan Townhomes (01081). (p. 46) The Underwriter calculated an inclusive capture rate of 8% based upon a revised supply of unstabilized comparable affordable units of 385 plus the subject affordable units divided by a revised demand for 4,607 affordable units.

**Market Rent Comparables:** The Market Analyst surveyed 1,545 conventional units in the market area. (p. 88)

**RENT ANALYSIS (net tenant-paid rents)**

<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>	\$271	\$272	-\$1	\$755	-\$484
<b>2-Bedroom (40%)</b>	\$385	\$386	-\$1	\$755	-\$370
<b>2-Bedroom (50%)</b>	\$498	\$499	-\$1	\$755	-\$257
<b>2-Bedroom (60%)</b>	\$612	\$613	-\$1	\$755	-\$143
<b>2-Bedroom (MR)</b>	\$700	N/A		\$755	-\$55
<b>3-Bedroom (30%)</b>	\$310	\$305	+\$5	\$1,100	-\$790
<b>3-Bedroom (40%)</b>	\$442	\$437	+\$5	\$1,100	-\$658

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

<b>3-Bedroom (50%)</b>	\$573	\$568	+\$5	\$1,100	-\$527
<b>3-Bedroom (60%)</b>	\$704	\$699	+\$5	\$1,100	-\$396
<b>3-Bedroom (MR)</b>	\$850	N/A		\$1,100	-\$250

(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)

**Primary Market Occupancy Rates:** The 2002 surveyed occupancy rate was 94.3%. (p. 11)

**Absorption Projections:** “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line from construction.” (p. 80)

**Known Planned Development:** The Market Analyst has identified two 2003 Applicants with proposed developments in the primary market area, but neither application has scored high enough to be sent for underwriting.

The Underwriter found the market study provided sufficient information for this underwriting analysis.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are slightly higher than the maximum net rents allowed under LIHTC guidelines due to an understated utility allowance assumption for the three-bedroom units. Secondary income and vacancy loss projections are in line with the Department’s guidelines and the Applicant’s effective gross income estimate is within 5% of the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of \$3,485 per unit is slightly more than 5% lower than the Underwriter’s estimate. The difference cannot be attributed to a single line item operating expense as all of the Applicant’s estimates are within underwriting tolerances after adjustments were made in consideration of information provided by the Applicant, and other local or project specific information was considered.

**Conclusion:** The Applicant’s total estimated operating expense and net operating income are not within 5% of the Underwriter’s estimates. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Both the Underwriter’s and the Applicant’s proformas indicate there is sufficient net operating income to service the total proposed debt at a debt coverage ratio that is within the Department’s underwriting guideline of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 79.439 acres</b>	\$2,145,000	<b>Assessment for the Year of:</b>	2002
<b>1 acre:</b>	\$27,008	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Value: 14.86 acres prorated</b>	\$401,341	<b>Tax Rate:</b>	3.055605

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Unimproved Commercial Property Contract					
<b>Contract Expiration Date:</b>	11/	01/	2003	<b>Anticipated Closing Date:</b>	11/	01/ 2003
<b>Acquisition Cost:</b>	\$1,045,440 + \$10,010		<b>Other:</b>	12 acres net of floodplain plus 2.86 acres within floodplain		
<b>Seller:</b>	Jack and Karen White			<b>Related to Development Team Member:</b>	No	

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm’s-length transaction. The site control document indicates purchase of the subject 12 acres as well as an additional 2.86 acres. The cost of \$10,010 for the 2.86 acres, which the Applicant has indicated is within the 100-year floodplain, is not included in the development budget, but \$10,100 for city required detention is included as an acquisition cost. Based on telephone conversations with a representative of the Applicant, there are no plans to develop the site; the intent is for the property to remain as green space.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$7,301 per unit is within the Department’s site

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

work cost safe harbor limit for multifamily tax credit developments eliminating the need for additional documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$97K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Underwriter has adjusted the Applicant's total development cost schedule to include housing consultant fees as developer fees and limit the total to 15% of eligible costs. As a result the Applicant's developer fees plus housing consultant fee exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible basis must be reduced by \$59,159.

**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 by the Underwriter for an overstated eligible housing consultant fee, is used to calculate eligible basis and determine the eligible tax credits. As a result an eligible basis of \$14,712,003 is used to determine a credit allocation of \$1,276,060 from this method. This is more than the \$1.2M limit per development which was the Applicant's requested amount. The resulting syndication proceeds based on the 1.2M credit amount will be used to compare to the gap of need using the Applicant's cost to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** Malone Mortgage **Contact:** Jeff Rogers  
**Principal Amount:** \$6,370,900 **Interest Rate:** 7.70%  
**Additional Information:** HUD-insured; unspecified length for construction period  
**Amortization:** 40 yrs **Term:** 40 yrs **Commitment:**  Applied  Firm  Conditional  
**Annual Payment:** \$552,000 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 06/ 03/ 2003

**GRANT**

**Source:** CDBG/HOME-San Antonio **Contact:** Andrew Cameron  
**Amount:** \$300,000 **Commitment:**  None  Firm  Conditional  
**Additional Information:** May 23, 2003 commitment from City of San Antonio

**LIHTC SYNDICATION**

**Source:** LendLease **Contact:** Marie H Keutmann  
**Address:** 101 Arch Street, 13<sup>th</sup> Street **City:** Boston  
**State:** MA **Zip:** 02110 **Phone:** (617) 772-0139 **Fax:** (617) 346-7861  
**Net Proceeds:** \$9,599,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢  
**Commitment**  LOI  Firm  Conditional **Date:** 02/ 13/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$221,210 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The Application included a commitment from Malone Mortgage to sponsor an application for a HUD commitment for insurance of a mortgage loan in the amount of \$6,370,900. The terms are consistent with those reflected in the sources and uses listed in the application.

Approval of an application for HOME funding was received from the City of San Antonio on May 23, 2003. The letter indicated that City Council approved \$300,000 funding for the proposed development and

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

\$630,943 for another recently approved LIHTC funded development for the same developer. Development costs equal to the grant of \$300,000 were excluded from the Applicant's eligible basis calculation.

**LIHTC Syndication:** LendLease has offered to purchase a 99.99% limited interest in the Applicant. Fifty percent of the resulting syndication proceeds will be available during the construction period.

**Deferred Developer's Fees:** The proposed deferred fees amount to 11% of total developer and housing consultant fees.

**Financing Conclusions:** As stated above, the Applicant's total cost as adjusted is used to calculate eligible basis and determine the eligible tax credits of \$1,276,060, which is more than the Applicant's request of \$1,200,000 annually in tax credits. Since the requested amount is less than both the eligible credits and the credit calculated based on the gap in need, and the requested amount is the maximum credit allocation per development, it is the recommended amount.

While the HOME funds of \$300,000 from the City of San Antonio have been approved for the development the contract for these funds will not be completed until October 2003. Should the HOME funds not be successfully allocated for the subject development, the resulting total deferred developer fees appear to be repayable within ten years of stabilized operation.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Applicant, Developer and Supportive Services firm are all related entities. These are common relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- € The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € Franklin Development Company, Inc., 99% owner of the General Partner, submitted an unaudited balance sheet dated as of May 1, 2003 indicating total assets of \$165K comprised of cash, receivables, investments, furniture and an automobile. Total liabilities equaled \$70K for equity of \$95K.
- € Agape Northeast San Antonio, Inc., 1% owner of the General Partner, is a "to be formed" nonprofit subsidiary of American Agape Foundation. As of February 18, 2003, American Agape Foundation reported total assets of \$504K comprised of cash, receivables and fixtures. No liabilities were indicated for a net worth of \$504K.
- € The principal of Franklin Development Company, Aubra Franklin, submitted an unaudited financial statement as of February 19, 2003.

**Background & Experience:**

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Principals of the to be formed nonprofit owner (1%) of the General Partner have indicated participation in several phases of a single development and a second development in Oklahoma since 1992.
- € Aubra Franklin, owner of the 99% owner of the General Partner, has received a certificate of experience from TDHCA.
- € Arun Verma, owner of the General Contractor, has received a certificate of experience from TDHCA.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

<b>Underwriter:</b>	_____	<b>Date:</b>	June 11, 2003
	<i>Lisa Vecchiatti</i>		
<b>Director of Real Estate Analysis:</b>	_____	<b>Date:</b>	June 11, 2003
	<i>Tom Gouris</i>		

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Binz Ranch a.k.a. San Miguel, San Antonio, 9% LIHTC 03176**

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%	16	2	2	966	\$341	\$272	\$4,347	\$0.28	\$69.30	\$29.28
TC 40%	8	2	2	966	455	386	3,086	0.40	69.30	29.28
TC 50%	16	2	2	966	568	499	7,979	0.52	69.30	29.28
TC 60%	40	2	2	966	682	613	24,508	0.63	69.30	29.28
MR	20	2	2	966		700	14,000	0.72	69.30	29.28
TC 30%	16	3	2	1,161	393	305	4,885	0.26	87.69	37.68
TC 40%	8	3	2	1,161	525	437	3,498	0.38	87.69	37.68
TC 50%	16	3	2	1,161	656	568	9,093	0.49	87.69	37.68
TC 60%	40	3	2	1,161	787	699	27,972	0.60	87.69	37.68
MR	20	3	2	1,161		850	17,000	0.73	87.69	37.68
<b>TOTAL:</b>	<b>200</b>		<b>AVERAGE:</b>	<b>1,064</b>	<b>\$490</b>	<b>\$582</b>	<b>\$116,369</b>	<b>\$0.55</b>	<b>\$78.50</b>	<b>\$33.48</b>

**INCOME**

Total Net Rentable Sq Ft: 212,700

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
 Other Support Income: telephone, cable, covered parking

**POTENTIAL GROSS INCOME**

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

**EFFECTIVE GROSS INCOME**

**EXPENSES**

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.88%	\$323	0.30
Management	4.00%	265	0.25
Payroll & Payroll Tax	12.53%	830	0.78
Repairs & Maintenance	9.03%	598	0.56
Utilities	1.96%	130	0.12
Water, Sewer, & Trash	4.32%	286	0.27
Property Insurance	3.37%	223	0.21
Property Tax	11.53%	764	0.72
Reserve for Replacements	3.94%	261	0.25
Other Expenses: Compliance fees	0.65%	43	0.04
<b>TOTAL EXPENSES</b>	<b>56.21%</b>	<b>\$3,724</b>	<b>\$3.50</b>

**NET OPERATING INC**

43.79%	\$2,901	\$2.73
--------	---------	--------

**DEBT SERVICE**

First Lien Mortgage	38.83%	\$2,572	\$2.42
San Antonio HOME/CDBG Grant	0.00%	\$0	\$0.00
San Antonio HOME/CDBG Grant	0.00%	\$0	\$0.00
<b>NET CASH FLOW</b>	<b>4.96%</b>	<b>\$329</b>	<b>\$0.31</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)		6.45%	\$5,278	\$4.96
Off-Sites		0.00%	0	0.00
Sitework		8.93%	7,301	6.87
Direct Construction		54.71%	44,745	42.07
Contingency	0.00%	0.00%	0	0.00
General Req'ts	5.90%	3.75%	3,070	2.89
Contractor's G & A	1.92%	1.22%	1,000	0.94
Contractor's Profit	4.17%	2.65%	2,170	2.04
Indirect Construction		3.99%	3,266	3.07
Ineligible Costs		0.70%	569	0.53
Developer's G & A	2.00%	1.58%	1,296	1.22
Developer's Profit	13.00%	10.30%	8,422	7.92
Interim Financing		3.95%	3,234	3.04
Reserves		1.75%	1,432	1.35
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$81,781</b>	<b>\$76.90</b>	
<b>Recap-Hard Construction Costs</b>	<b>71.27%</b>	<b>\$58,286</b>	<b>\$54.81</b>	

**SOURCES OF FUNDS**

First Lien Mortgage	38.95%	\$31,855	\$29.95
San Antonio HOME/CDBG Grant	1.83%	\$1,500	\$1.41
LIHTC Syndication Proceeds	58.69%	\$47,995	\$45.13
Deferred Developer Fees	1.35%	\$1,106	\$1.04
Additional (excess) Funds Required	-0.82%	(\$674)	(\$0.63)
<b>TOTAL SOURCES</b>			

	TDHCA	APPLICANT
	\$1,396,426	\$1,400,592
	36,000	4,800
	0	31,200
	\$1,432,426	\$1,436,592
	(107,432)	(107,748)
	0	0
	\$1,324,994	\$1,328,844
	\$64,685	\$56,556
	53,000	\$53,154
	165,965	\$157,398
	119,667	\$106,350
	25,989	\$21,150
	57,269	\$48,491
	44,667	\$53,175
	152,783	\$140,000
	52,200	\$52,193
	8,550	\$8,550
	\$744,774	\$697,017
	\$580,220	\$631,827
	\$514,436	\$552,000
	0	0
	0	0
	\$65,784	\$79,827
	1.13	1.14
	1.13	

	PER SQ FT	PER UNIT	% OF EGI
	\$0.27	\$283	4.26%
	0.25	266	4.00%
	0.74	787	11.84%
	0.50	532	8.00%
	0.10	106	1.59%
	0.23	242	3.65%
	0.25	266	4.00%
	0.66	700	10.54%
	0.25	261	3.93%
	0.04	43	0.64%
	\$3.28	\$3,485	52.45%
	\$2.97	\$3,159	47.55%
	\$2.60	\$2,760	41.54%
	\$0.00	\$0	0.00%
	\$0.00	\$0	0.00%
	\$0.38	\$399	6.01%

	TDHCA	APPLICANT
	\$1,055,540	\$1,055,540
	0	0
	1,460,255	1,460,255
	8,948,959	9,045,800
	0	0
	614,021	614,021
	200,000	200,000
	433,908	433,908
	653,176	653,176
	113,709	113,709
	259,142	0
	1,684,420	2,017,246
	646,756	646,756
	286,365	250,699
	\$16,356,251	\$16,491,110

	PER SQ FT	PER UNIT	% of TOTAL
	\$4.96	\$5,278	6.40%
	0.00	0	0.00%
	6.87	7,301	8.85%
	42.53	45,229	54.85%
	0.00	0	0.00%
	2.89	3,070	3.72%
	0.94	1,000	1.21%
	2.04	2,170	2.63%
	3.07	3,266	3.96%
	0.53	569	0.69%
	0.00	0	0.00%
	9.48	10,086	12.23%
	3.04	3,234	3.92%
	1.18	1,253	1.52%
	\$77.53	\$82,456	100.00%
	\$55.26	\$58,770	71.27%

**RECOMMENDED**

	\$6,370,900	\$6,370,900	\$6,370,900	Developer Fee Available
	300,000	300,000	300,000	\$1,943,561
	9,599,000	9,599,000	9,599,040	% of Dev. Fee Deferred
	221,210	221,210	221,170	11%
	(134,859)	0	0	15-Yr Cumulative Cash Flow
	\$16,356,251	\$16,491,110	\$16,491,110	\$2,036,142.45

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Binz Ranch a.k.a. San Miguel, San Antonio, 9% LIHTC 03176**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.96	\$8,712,370
<b>Adjustments</b>				
Exterior Wall Finish	4.50%		\$1.84	\$392,057
9' Ceilings	3.00%		1.23	261,371
Roofing			0.00	0
Subfloor			(0.73)	(156,238)
Floor Cover			1.92	408,384
Breezeways	\$22.82	56218	6.03	1,282,895
Plumbing	\$615	700	2.02	430,500
Built-In Appliances	\$1,625	200	1.53	325,000
Exterior Stairs	\$1,625	48	0.37	78,000
Floor Insulation			0.00	0
Heating/Cooling			1.73	367,971
Garages	\$12.54	14,400	0.85	180,576
Comm &/or Aux Bldgs	\$56.80	4,500	1.20	255,620
Carports	\$7.83	16,000	0.59	125,280
<b>SUBTOTAL</b>			<b>59.54</b>	<b>12,663,786</b>
Current Cost Multiplier	1.03		1.79	379,914
Local Multiplier	0.84		(9.53)	(2,026,206)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$51.80</b>	<b>\$11,017,494</b>
Plans, specs, survy, bld prm	3.90%		(\$2.02)	(\$429,682)
Interim Construction Interest	3.38%		(1.75)	(371,840)
Contractor's OH & Profit	11.50%		(5.96)	(1,267,012)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$42.07</b>	<b>\$8,948,959</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,370,900	Term	480
Int Rate	7.70%	DCR	1.13

<b>Secondary</b>	\$300,000	Term	
Int Rate	0.00%	Subtotal DCR	1.13

<b>Additional</b>	\$9,599,000	Term	
Int Rate		Aggregate DCR	1.13

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$514,436
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$65,784</b>

<b>Primary</b>	\$6,370,900	Term	480
Int Rate	7.70%	DCR	1.13

<b>Secondary</b>	\$300,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.13

<b>Additional</b>	\$9,599,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.13

**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	\$1,396,426	\$1,438,318	\$1,481,468	\$1,525,912	\$1,571,689	\$1,822,019	\$2,112,219	\$2,448,641	\$3,290,768
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Other Support Income: telephor	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,432,426</b>	<b>1,475,398</b>	<b>1,519,660</b>	<b>1,565,250</b>	<b>1,612,208</b>	<b>1,868,991</b>	<b>2,166,672</b>	<b>2,511,767</b>	<b>3,375,605</b>
Vacancy & Collection Loss	(107,432)	(110,655)	(113,975)	(117,394)	(120,916)	(140,174)	(162,500)	(188,383)	(253,170)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,324,994</b>	<b>\$1,364,743</b>	<b>\$1,405,686</b>	<b>\$1,447,856</b>	<b>\$1,491,292</b>	<b>\$1,728,816</b>	<b>\$2,004,172</b>	<b>\$2,323,384</b>	<b>\$3,122,434</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$64,685	\$67,272	\$69,963	\$72,762	\$75,672	\$92,067	\$112,013	\$136,281	\$201,730
Management	53,000	54,590	56,227	57,914	59,652	69,153	80,167	92,935	124,897
Payroll & Payroll Tax	165,965	172,603	179,507	186,688	194,155	236,220	287,397	349,663	517,586
Repairs & Maintenance	119,667	124,454	129,432	134,609	139,994	170,324	207,225	252,121	373,200
Utilities	25,989	27,029	28,110	29,234	30,403	36,990	45,005	54,755	81,051
Water, Sewer & Trash	57,269	59,559	61,942	64,419	66,996	81,511	99,171	120,656	178,600
Insurance	44,667	46,454	48,312	50,244	52,254	63,575	77,349	94,107	139,301
Property Tax	152,783	158,894	165,250	171,860	178,734	217,457	264,570	321,890	476,475
Reserve for Replacements	52,200	54,288	56,460	58,718	61,067	74,297	90,394	109,978	162,794
Other	8,550	8,892	9,248	9,618	10,002	12,169	14,806	18,014	26,664
<b>TOTAL EXPENSES</b>	<b>\$744,774</b>	<b>\$774,035</b>	<b>\$804,450</b>	<b>\$836,066</b>	<b>\$868,929</b>	<b>\$1,053,763</b>	<b>\$1,278,095</b>	<b>\$1,550,398</b>	<b>\$2,282,299</b>
<b>NET OPERATING INCOME</b>	<b>\$580,220</b>	<b>\$590,709</b>	<b>\$601,236</b>	<b>\$611,791</b>	<b>\$622,363</b>	<b>\$675,054</b>	<b>\$726,077</b>	<b>\$772,986</b>	<b>\$840,136</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$514,436	\$514,436	\$514,436	\$514,436	\$514,436	\$514,436	\$514,436	\$514,436	\$514,436
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>\$65,784</b>	<b>\$76,273</b>	<b>\$86,800</b>	<b>\$97,354</b>	<b>\$107,927</b>	<b>\$160,618</b>	<b>\$211,640</b>	<b>\$258,550</b>	<b>\$325,699</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.13</b>	<b>1.15</b>	<b>1.17</b>	<b>1.19</b>	<b>1.21</b>	<b>1.31</b>	<b>1.41</b>	<b>1.50</b>	<b>1.63</b>

**LIHTC Allocation Calculation - Binz Ranch a.k.a. San Miguel, San Antonio, 9% LIHTC 03176**

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	\$1,055,540	\$1,055,540		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,460,255	\$1,460,255	\$1,460,255	\$1,460,255
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$9,045,800	\$8,948,959	\$9,045,800	\$8,948,959
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$200,000	\$200,000	\$200,000	\$200,000
Contractor profit	\$433,908	\$433,908	\$433,908	\$433,908
General requirements	\$614,021	\$614,021	\$614,021	\$614,021
<b>(5) Contingencies</b>				
<b>(6) Eligible Indirect Fees</b>				
	\$653,176	\$653,176	\$653,176	\$653,176
<b>(7) Eligible Financing Fees</b>				
	\$646,756	\$646,756	\$646,756	\$646,756
<b>(8) All Ineligible Costs</b>				
	\$113,709	\$113,709		
<b>(9) Developer Fees</b>			\$1,958,087	
Developer overhead		\$259,142		\$259,142
Developer fee	\$2,017,246	\$1,684,420		\$1,684,420
<b>(10) Development Reserves</b>				
	\$250,699	\$286,365		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$16,491,110</b>	<b>\$16,356,251</b>	<b>\$15,012,003</b>	<b>\$14,900,637</b>

<b>Deduct from Basis:</b>			
All grant proceeds used to finance costs in eligible basis		\$300,000	\$300,000
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>\$14,712,003</b>	<b>\$14,600,637</b>
High Cost Area Adjustment		130%	130%
<b>TOTAL ADJUSTED BASIS</b>		<b>\$19,125,604</b>	<b>\$18,980,828</b>
Applicable Fraction		80%	80%
<b>TOTAL QUALIFIED BASIS</b>		<b>\$15,300,484</b>	<b>\$15,184,662</b>
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		<b>\$1,276,060</b>	<b>\$1,266,401</b>

Syndication Proceeds	0.7999	\$10,207,462	\$10,130,193
<b>Total Credits (Eligible Basis Method)</b>		<b>\$1,276,060</b>	<b>\$1,266,401</b>
Syndication Proceeds		\$10,207,462	\$10,130,193
Requested Credits		\$1,200,000	
Syndication Proceeds		\$9,599,040	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$9,820,210</b>	
Credit Amount		\$1,227,649	



**TDHCA #**

**03190**

**Region 9**



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

Development Name: **Westview Ranch (prev. Comal Ranch)**

TDHCA #: **03190**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 1700 Block of West Comal Street  
 City: Pearsall County: Frio Zip Code: 78061  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 72 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: Pearsall DMA Housing, LP

Principal Names	Principal Contact	Percentage Ownership
Diana Mclver	Diana Mclver	25% of MGP
Westview Ranch, LLC	Diana Mclver	.01% of Owner
DMA Community Partners II, Inc.	Diana Mclver	75% of MGP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$591,010** Allocation over 10 Years: **\$5,910,100**  
 Credits Requested: **\$595,000** Eligible Basis Amount: **\$591,010** Equity/Gap Amount: **\$609,032**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	2	0	2
50%	0	2	8	4	14
60%	0	3	34	15	52
MR	0	1	2	1	4
Total	0	6	46	20	
Total LI Units:					68
Owner/Employee Units:					0
Total Project Units:					72
Applicable Fraction:					94.00

**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: **\$6,119,975** Average Square Feet/Unit: **1,046**  
 Gross Building Square Feet: **77,744** Cost Per Net Rentable Square Foot: **\$81.25**  
 Total Net Rentable Area Square Feet: **75,324** Credits per Low Income Uni: **\$8,691**

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: **\$399,432**  
 Total Expenses: **\$254,300**  
 Net Operating Income: **\$145,132**  
 Estimated 1st Year Debt Coverage Ratio: **1.30**

**FINANCING**

Permanent Principal Amount: **\$1,370,000**  
 Applicant Equity: **\$140,560**  
 Equity Source: **Deferred Developer Fee**  
 Syndication Rate: **\$0.7799**

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: DMA Development Company, LLC	Market Analyst: Integra Realty Resources
Housing GC: JDP Group	Originator/UW: NA
Engineer: NA	Appraiser: NA
Cost Estimator: JDP Group	Attorney: Clark, Thomas & Winters
Architect: Chiles Architects, Inc.	Accountant: Novogradac & Company, LLC
Property Manager: DMA Properties, LLC	Supp Services: Community Council of South Central Texas
Syndicator: Apollo Housing Capital, LLC	Permanent Lender: JP Morgan Chase

**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: Roland Sergovia, Mayor, City of Pearsall, S	Clay A. Bell, President, Pearsall Chamber of Commerce, S Carlos Garcia, Frio County Commissioner, S
TX Representative: Timoteo Garza, District 80, S	
TX Senator: Judith Zaffirini, District 21, S	
US Representative: Ciro Rodriguez, S	
US Senator: John Cornyn, S	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 92	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

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

Alternate Recommendation: NA

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

- Score  Meeting a Required Set Aside  Meeting the Regional Allocation
- To serve a greater number of lower income families for fewer credits.
- To ensure geographic dispersion within each Uniform State Service Region.
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.
- To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.
- To give preference to a Development located in a QCT or DDA that contributes to revitalization.
- To provide integrated, affordable accessible housing for individuals, families with different levels of income.

**Explanation: This Development has a competitive score in the Rural Set-Aside.**

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

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

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

Approved Credit Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03190**

Name: **Westview Ranch**

City: **Pearsall**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

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

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by EEF Date 5/16/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie Stuntz Date 5/23/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 4, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03190

**DEVELOPMENT NAME**

Westview Ranch Apartments

**APPLICANT**

**Name:** Pearsall DMA Housing, LP      **Type:** For Profit  
**Address:** 5121 Bee Caves Road, Ste. 201      **City:** Austin      **State:** TX  
**Zip:** 78746      **Contact:** Diana McIver      **Phone:** (512) 328-3232      **Fax:** (512) 328-4584

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Westview Ranch, LLC      **(%):** .01      **Title:** Managing General Partner  
**Name:** DMA Community Partners II, Inc.      **(%):** .75 of MGP      **Title:** Managing Member of MGP  
**Name:** Diana McIver      **(%):** .25 of MGP      **Title:** Member of MGP

**PROPERTY LOCATION**

**Location:** 1700 Block of West Comal Street       **QCT**       **DDA**  
**City:** Pearsall      **County:** Frio      **Zip:** 78061

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$595,000	N/A	N/A	N/A

**Other Requested Terms:** 1) Annual ten-year allocation of low-income housing tax credits  
**Proposed Use of Funds:** New Construction      **Property Type:** Multifamily  
**Set-Aside(s):**     General     Rural     TX RD     Non-Profit     Elderly     At Risk

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$591,010 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

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

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 72    **# Rental Buildings:** 12    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs  
**Net Rentable SF:** 75,324    **Av Un SF:** 1,046    **Common Area SF:** 2,420    **Gross Bldg SF:** 77,744

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A 2,420-SF community building with community room, management offices, laundry facilities, kitchen, restrooms, computer/business center, central mailroom and equipped children's play area are located at the entrance to the property.

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

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Westview Ranch is a relatively dense 13 units per acre new construction development of 72 units of mixed income housing located in Pearsall. The development is comprised of 12 evenly distributed small to large two-story, garden style walk-up residential buildings as follows:

- (1) Building Type A with six one-bedroom/ one-bath units;
- (2) Building Type B with six two-bedroom/ two-bath units;
- (4) Building Type C with six two-bedroom/ two-bath units; and
- (5) Building Type D with two two-bedroom/ one and one half-bath units and four three-bedroom/ two-bath units;

**Architectural Review:** The exterior elevations are attractive. All units are of average size for market rate and LIHTC units. Each unit is to have a semi-private exterior entry that is shared with another unit. The units are in two-story structures with stucco and Hardiplank exterior siding and pitched roofs.

**Supportive Services:** The Applicant certified that the development will provide, at a minimum, three of the service options approved by the Department. The service provider will be Community Council of South Central Texas/Texas Workforce Commission. The Applicant included supportive services as an expense line item.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 5.5 acres    239,580 square feet    **Zoning/ Permitted Uses:** C-3 (Commercial)  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Pearsall is located in south Texas, approximately 40 miles southwest of San Antonio in Frio County. The site is a rectangularly-shaped parcel located in the central area of Pearsall, approximately 1.2

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

miles from the central business district. The site is situated on the northeast side of Comal Street.

**Adjacent Land Uses:**

- **Northeast:** City of Pearsall’s water tower and storage tank
- **Southeast:** Single-family residences
- **Southwest:** vacant land
- **Northwest:** vacant land

**Site Access:** Access to the property is from the northwest or southeast from Comal. The development is to have one main entry, from Comal Street. Access to Interstate Highway 35 is within a short distance from the site, which provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** “Public transportation is available through VIA Metropolitan Transit.” (p. 9)

**Shopping & Services:** The site is within 1.2 miles of an H.E.B. anchored shopping center. In addition, Downtown Pearsall is located 1.2 miles southeast which offers a variety of retail shops and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:**

- **Zoning:** The Applicant’s request for a zoning change from “A-O” Agricultural and Open Space to “C-3” Commercial, which permits multifamily developments, was approved by the City Council for the City of Pearsall on March 18, 2003.
- **Flood Plain:** According to the Phase I ESA performed by STC Environmental Services, “the subject site is not located within the 500 year floodplain or within the 100 year floodplain.” (p. 2-3) Subsequent to the application, STC Environmental Services submitted a letter clarifying that the Federal Emergency Management Agency (FEMA) has not mapped the area that includes the subject site.

**Site Inspection Findings:** An ORCA staff member performed a site inspection on May 22, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated February 12, 2003 was prepared by STC Environmental Services, Inc. and contained the following conclusions and recommendations:

“Based on the results of this Phase I Environmental Site Assessment, a low potential for environmental concern is considered to exist for the subject site. This low potential for concern is considered to exist due to the presence of the regulated facilities in the area of the site. There was no evidence of an environmental impact noted as a result of previous on-site or off-site activities. As a result of our investigation, no further environmental recommendations are provided or considered warranted.” (p. 14)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 68 of the units (94% of the total) will be reserved for low-income tenants. Two of the units (3%) will be reserved for households earning 40% or less of AMGI, 14 units (19%) will be reserved for households earning 50% or less of AMGI, 52 of the units (72%) will be reserved for households earning 60% or less of AMGI and the remaining 4 units (6%) 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>	\$17,280	\$19,800	\$22,260	\$24,720	\$26,700	\$28,680

**MARKET HIGHLIGHTS**

A market feasibility study dated February 26, 2003 was prepared by Integra Realty Resources and highlighted the following findings:

**Definition of Market/Submarket:** “Pearsall is the county seat of Frio County and is the social and

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

economic nexus for the county. For this reason, Frio County is considered the primary market area (PMA) for the proposed subject.” (p. 20)

**Population:** The estimated 2002 population of the PMA was 16,759 and is expected to increase by 1.28% to approximately 17,858 by 2007. Within the primary market area there were estimated to be 4,962 households in 2002.

**Total Local/Submarket Demand for Rental Units:** “The subject is located in an area with high occupancy levels, below average rents, and a moderate amount of supply forecast to come online within the next 24 months.” (p. 41)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	12	14%	13	3%
Resident Turnover	73	86%	380	97%
Other Sources:	N/A	0%	N/A	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>85</b>	<b>100%</b>	<b>391</b>	<b>100%</b>

Ref: p. 43-45

**Inclusive Capture Rate:** The Market Analyst provided an inclusive capture rate of 80%. The Underwriter calculated a capture rate of 17% based upon a supply of unstabilized comparable affordable units of 68 divided by a revised demand of 391. Both are less than the 100% limit for rural areas allowed in the TDHCA Underwriting Rules and Guidelines.

**Local Housing Authority Waiting List Information:** “There are currently 224 Section 8 low-income (public housing) units within the PMA. According to the Pearsall Housing Authority, there are 118 Section 8 vouchers issued for use at either multifamily or single-family rental properties.” (p. 39)

**Market Rent Comparables:** The market analyst surveyed 5 comparable apartment projects totaling 322 units in the market area. (p. 50)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$342	\$342	\$0	\$395	-\$53
1-Bedroom (60%)	\$419	\$419	\$0	\$395	+\$24
1-Bedroom (MR)	\$395	N/A	N/A	\$395	\$0
2-Bedroom/1.5-Bath (40%)	\$314	\$314	\$0	\$510	-\$196
2-Bedroom/1.5-Bath (50%)	\$406	\$406	\$0	\$510	-\$104
2-Bedroom (60%) – 968sf	\$499	\$499	\$0	\$515	-\$16
2-Bedroom (MR) – 968sf	\$515	N/A	N/A	\$515	\$0
2-Bedroom (60%) – 1,033sf	\$499	\$499	\$0	\$545	-\$46
2-Bedroom (MR) – 1,033sf	\$545	N/A	N/A	\$545	\$0
3-Bedroom (50%)	\$466	\$466	\$0	\$655	-\$189
3-Bedroom (60%)	\$572	\$573	-\$1	\$655	-\$83
3-Bedroom (MR)	\$655	N/A	N/A	\$655	\$0

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

**Submarket Vacancy Rates:** According to the information presented in the market study, the simple average occupancy rate for all housing types in the primary market area is 100%. (p. 37-40)

**Absorption Projections:** “No projects have been recently constructed within or near the PMA. Thus, absorption data based upon existing stock is unavailable...Based upon our Demand Analysis,...a new project is likely to be absorbed within 10 months of opening, equating to an absorption pace of approximately 7.2 units per month.” (p. 41)

**Known Planned Development:** “According to the City of Pearsall Planning and Zoning Department, there is an 8-unit project under construction at the intersection of N Oak Street and E Frio Street in the City of

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

Pearsall, approximately 1.3 miles southeast of the subject site.” (p. 40)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. The Market Analyst indicated the market rent for the one bedroom unit is \$24 less than the maximum tax credit rent and therefore the Underwriter has restricted this rent to the market rent. If the maximum tax credit rents were achieved an additional \$1,152 in additional potential gross rent could be achieved annually. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

**Expenses:** The Applicant’s total expense estimate of \$3,532 per unit is within 3% of a TDHCA database-derived estimate of \$3,627 per unit for comparably-sized developments. The Underwriter was able to account for differences with the Applicant and reconcile them with additional information provided by the Applicant except property taxes for which the Applicant’s property was 4% lower.

**Conclusion:** 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 Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

<b>Land: 16.5 acres</b>	\$91,700	<b>Assessment for the Year of:</b>	2002
<b>Land (prorated):</b>	\$5,560	<b>Valuation by:</b>	Frio County Appraisal District
<b>Total Assessed Value: (5.5 acres)</b>	\$30,580	<b>Tax Rate:</b>	2.86

**EVIDENCE of SITE or PROPERTY CONTROL**

<b>Type of Site Control:</b>	Purchase Option		
<b>Contract Expiration Date:</b>	08/ 28/ 2003	<b>Anticipated Closing Date:</b>	08/ 28/ 2003
<b>Acquisition Cost:</b>	\$79,450	<b>Other Terms/Conditions:</b>	
<b>Seller:</b>	Star Realty, Eulalio Trevino, Owner-Broker		<b>Related to Development Team Member:</b> No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm’s-length transaction.

**Sitework Cost:** The Applicant’s claimed sitework costs of \$5,400 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is \$153K or just under 5% higher than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant’s eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. Contingency costs also exceed the maximum allowed by LIHTC guidelines and were reduced by \$27,860. 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 \$5,061.

**Conclusion:** The Applicant’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant’s

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

projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$5,771,761 is used to determine a credit allocation of \$591,010 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.

<b>FINANCING STRUCTURE</b>	
<b>INTERIM TO PERMANENT FINANCING</b>	
<b>Source:</b> JP Morgan Chase	<b>Contact:</b> Dennis Zulkowski
<b>Principal Amount:</b> \$1,370,000	<b>Interest Rate:</b> 8%
<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> \$120,631	<b>Lien Priority:</b> 1st <b>Commitment Date:</b> 02/ 27/ 2003
<b>LIHTC SYNDICATION</b>	
<b>Source:</b> Apollo Housing Capital, LLC	<b>Contact:</b> Bryan Kilbare
<b>Address:</b> 600 Superior Avenue, Ste. 2300	<b>City:</b> Cleveland
<b>State:</b> OH	<b>Zip:</b> 44114
<b>Phone:</b> (216) 875-2626	<b>Fax:</b> (216) 875-2612
<b>Net Proceeds:</b> \$4,640,536	<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC):</b> 78¢
<b>Commitment:</b> <input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional <b>Date:</b> 02/ 27/ 2003	
<b>Additional Information:</b>	
<b>APPLICANT EQUITY</b>	
<b>Amount:</b> \$109,439	<b>Source:</b> Deferred Developer Fee
<b>FINANCING STRUCTURE ANALYSIS</b>	
<p><b><u>Permanent Financing:</u></b> The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. In particular, the term of loan is 18 years with a 30-year amortization. The interest rate is 8% which is very high even for a rural location. The rate could drop by 80 basis points before the DCR would exceed the 1.30 TDHCA maximum.</p> <p><b><u>LIHTC Syndication:</u></b> Apollo Housing Capital, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,640,536 based on a syndication factor of 78%. Based upon the adjustments to eligible basis discussed above, the Underwriter anticipates a reduction in credits of \$31,121.</p> <p><b><u>Deferred Developer's Fees:</u></b> The Applicant's proposed deferred developer's fee of \$109,439 amounts to 14% of the total fees. However, based on the Underwriter's analysis, the developer will have to defer 19% or \$140,560 of the developer fees.</p> <p><b><u>Financing Conclusions:</u></b> The Applicant's total development cost estimate, as adjusted, was used to determine the development's eligible basis and recommended tax credit allocation of \$591,010 annually for ten years, resulting in syndication proceeds of approximately \$4,609,415. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$140,560, which should be repayable from cash flow within four years.</p>	
<b>DEVELOPMENT TEAM</b>	
<b>IDENTITIES of INTEREST</b>	
The Applicant, Developer, and Property Manager firm are all related entities. These are common relationships for LIHTC-funded developments.	
<b>APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE</b>	
<p><b><u>Financial Highlights:</u></b></p> <ul style="list-style-type: none"> <li>The Applicant and General Partner are single-purpose entities created for the purpose of receiving</li> </ul>	

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

assistance from TDHCA and therefore have no material financial statements.

- The Managing Member of the General Partner, DMA Community Partners II, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$14K and consisting of \$439 in cash and \$13K in real property. Liabilities totaled \$3K, resulting in a net worth of \$11K.
- The Developer, DMA Development Company, LLC, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$902K and consisting of \$115K in cash, \$580 in receivables and \$141K in real property. Liabilities totaled \$124K, resulting in a net worth of \$778K.
- The principal of the General Partner, Diana McIver, submitted an unaudited financial statement as of December 31, 2002 and is anticipated to be guarantor of the development.

**Background & Experience:**

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The managing member of the GP, DMA Community Partners II, Inc., has completed five HTF and LIHTC housing developments totaling 240 units since 2001.
- DMA Development Company, the developer, has completed six HTF and LIHTC housing developments totaling 338 units since 1999.
- Diana McIver, the principal of the General Partner, has completed eight HTF and LIHTC housing developments totaling 418 units since 1998.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- None noted.

**Underwriter:**

\_\_\_\_\_  
*Raquel Morales*

**Date:** June 4, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 4, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Westview Ranch, Pearsall, LIHTC #03190**

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
TC50%	2	1	1	701	\$386	\$342	\$685	\$0.49	\$43.68	\$35.40
TC60%	3	1	1	701	463	\$395	1,185	0.56	43.68	35.40
MR	1	1	1	701		395		0.56	43.68	35.40
TC40%	2	2	1.5	961	371	\$314	628	0.33	56.78	38.08
TC50%	8	2	1.5	961	463	\$406	3,250	0.42	56.78	38.08
TC60%	11	2	2	968	556	\$499	5,491	0.52	56.78	38.08
MR	1	2	2	968		515	515	0.53	56.78	38.08
TC60%	23	2	2	1,033	556	\$499	11,482	0.48	56.78	38.08
MR	1	2	2	1,033		545	545	0.53	56.78	38.08
TC50%	4	3	2	1,255	535	\$466	1,863	0.37	69.32	41.22
TC60%	15	3	2	1,255	642	\$573	8,590	0.46	69.32	41.22
MR	1	3	2	1,255		655	655	0.52	69.32	41.22
<b>TOTAL:</b>	<b>72</b>		<b>AVERAGE:</b>	<b>1,046</b>		<b>\$490</b>	<b>\$35,284</b>	<b>\$0.47</b>	<b>\$59.17</b>	<b>\$38.73</b>

INCOME				Total Net Rentable Sq Ft: 75,324		TDHCA		APPLICANT		USS Region 9	
POTENTIAL GROSS RENT						\$423,411	\$423,180	IREM Region			
Secondary Income	Per Unit Per Month:	\$10.00		8,640	8,640	\$10.00	Per Unit Per Month				
Other Support Income: (describe)						0					
POTENTIAL GROSS INCOME						\$432,051	\$431,820				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(32,404)	(32,388)	-7.50%	of Potential Gross Rent				
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$399,647	\$399,432				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% OF EGI		
General & Administrative	3.82%	\$212	0.20	\$15,264	\$15,200	\$0.20	\$211	3.81%			
Management	5.00%	278	0.27	19,982	\$19,972	0.27	277	5.00%			
Payroll & Payroll Tax	13.44%	746	0.71	53,703	\$49,268	0.65	684	12.33%			
Repairs & Maintenance	7.00%	388	0.37	27,965	\$26,800	0.36	372	6.71%			
Utilities	3.95%	219	0.21	15,773	\$17,460	0.23	243	4.37%			
Water, Sewer, & Trash	9.80%	544	0.52	\$39,168	\$37,000	0.49	514	9.26%			
Property Insurance	7.68%	426	0.41	30,700	\$30,700	0.41	426	7.69%			
Property Tax 2.86	9.27%	515	0.49	37,066	\$32,800	0.44	456	8.21%			
Reserve for Replacements	3.60%	200	0.19	14,400	\$18,000	0.24	250	4.51%			
Other Expenses: Compliance/Supp Serv	1.78%	99	0.09	7,100	\$7,100	0.09	99	1.78%			
<b>TOTAL EXPENSES</b>	<b>65.34%</b>	<b>\$3,627</b>	<b>\$3.47</b>	<b>\$261,120</b>	<b>\$254,300</b>	<b>\$3.38</b>	<b>\$3,532</b>	<b>63.67%</b>			
<b>NET OPERATING INC</b>	<b>34.66%</b>	<b>\$1,924</b>	<b>\$1.84</b>	<b>\$138,527</b>	<b>\$145,132</b>	<b>\$1.93</b>	<b>\$2,016</b>	<b>36.33%</b>			
DEBT SERVICE											
JP Morgan Chase	30.18%	\$1,675	\$1.60	\$120,631	\$120,631	\$1.60	\$1,675	30.20%			
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%			
Additional Financing	0.00%	\$0	\$0.00	0		\$0.00	\$0	0.00%			
<b>NET CASH FLOW</b>	<b>4.48%</b>	<b>\$249</b>	<b>\$0.24</b>	<b>\$17,896</b>	<b>\$24,501</b>	<b>\$0.33</b>	<b>\$340</b>	<b>6.13%</b>			
AGGREGATE DEBT COVERAGE RATIO				1.15	1.20						
RECOMMENDED DEBT COVERAGE RATIO					1.30						

CONSTRUCTION COST						TDHCA		APPLICANT		PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	Factor	% of TOTAL	PER UNIT	PER SQ FT	\$82,500	\$82,500	\$1.10	\$1,146	1.35%			
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%			
Sitework		6.62%	5,400	5.16	388,800	388,800	5.16	5,400	6.35%			
Direct Construction		52.75%	43,015	41.12	3,097,083	3,250,000	43.15	45,139	53.10%			
Contingency	5.00%	2.97%	2,421	2.31	174,294	209,800	2.79	2,914	3.43%			
General Req'ts	6.00%	3.56%	2,905	2.78	209,153	220,920	2.93	3,068	3.61%			
Contractor's G & A	2.00%	1.19%	968	0.93	69,718	73,640	0.98	1,023	1.20%			
Contractor's Profit	6.00%	3.56%	2,905	2.78	209,153	220,920	2.93	3,068	3.61%			
Indirect Construction		4.60%	3,750	3.58	270,000	270,000	3.58	3,750	4.41%			
Ineligible Costs		1.66%	1,354	1.29	97,515	97,515	1.29	1,354	1.59%			
Developer's G & A	2.46%	2.03%	1,656	1.58	119,224	151,580	2.01	2,105	2.48%			
Developer's Profit	12.54%	10.33%	8,421	8.05	606,320	606,320	8.05	8,421	9.91%			
Interim Financing		7.13%	5,816	5.56	418,756	418,756	5.56	5,816	6.84%			
Reserves		2.20%	1,795	1.72	129,224	129,224	1.72	1,795	2.11%			
<b>TOTAL COST</b>	<b>100.00%</b>	<b>\$81,552</b>	<b>\$77.95</b>	<b>\$5,871,740</b>	<b>\$6,119,975</b>	<b>\$81.25</b>	<b>\$85,000</b>	<b>100.00%</b>				
<b>Recap-Hard Construction Costs</b>	<b>70.65%</b>	<b>\$57,614</b>	<b>\$55.07</b>	<b>\$4,148,201</b>	<b>\$4,364,080</b>	<b>\$57.94</b>	<b>\$60,612</b>	<b>71.31%</b>				

SOURCES OF FUNDS				RECOMMENDED		Developer Fee Available	
JP Morgan Chase	23.33%	\$19,028	\$18.19	\$1,370,000	\$1,370,000	\$1,370,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$752,839
LIHTC Syndication Proceeds	79.03%	\$64,452	\$61.61	4,640,536	4,640,536	4,609,415	% of Dev. Fee Deferred
Deferred Developer Fees	1.86%	\$1,520	\$1.45	109,439	109,439	140,560	19%
Additional (excess) Funds Required	-4.23%	(\$3,448)	(\$3.30)	(248,235)	0	0	15-Yr Cumulative Cash Flow
<b>TOTAL SOURCES</b>				<b>\$5,871,740</b>	<b>\$6,119,975</b>	<b>\$6,119,975</b>	<b>\$681,925.25</b>

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Westview Ranch, Pearsall, LIHTC #03190*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$47.34	\$3,565,753
<b>Adjustments</b>				
Exterior Wall Finish	0.25%		\$0.12	\$8,914
9" Ceiling	3.00%		1.42	106,973
Roofing			0.00	0
Subfloor			(1.01)	(76,077)
Floor Cover			2.43	183,037
Porches/Balconies	\$15.83	7288	1.53	115,369
Plumbing	\$700	54	0.50	37,800
Built-In Appliances	\$2,100	72	2.01	151,200
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.88	141,609
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$61.22	2,420	1.97	148,144
Other:			0.00	0
<b>SUBTOTAL</b>			<b>58.18</b>	<b>4,382,722</b>
Current Cost Multiplier	1.03		1.75	131,482
Local Multiplier	0.84		(9.31)	(701,236)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$50.62</b>	<b>\$3,812,968</b>
Plans, specs, survy, bid prm	3.90%		(1.97)	(148,706)
Interim Construction Interest	3.38%		(1.71)	(128,688)
Contractor's OH & Profit	11.50%		(5.82)	(438,491)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$41.12</b>	<b>\$3,097,083</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$1,370,000	Term	360
Int Rate	8.00%	DCR	1.15

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

<b>Additional</b>		Term	
Int Rate		Aggregate DCR	1.15

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO**

Primary Debt Service	\$111,620
Secondary Debt Service	0
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$33,512</b>

<b>Primary</b>	\$1,370,000	Term	360
Int Rate	7.20%	DCR	1.30

<b>Secondary</b>	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

<b>Additional</b>	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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

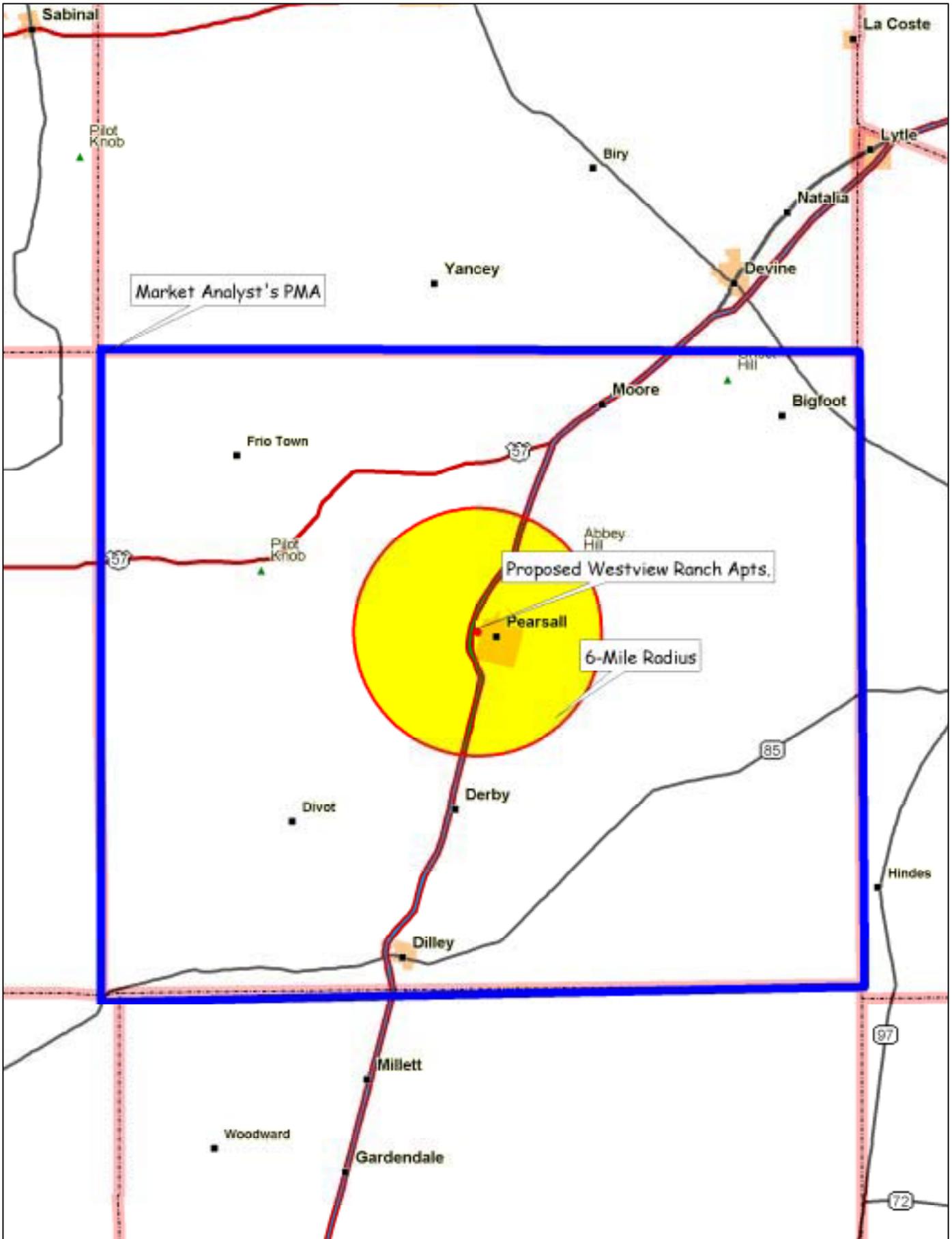
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$423,180	\$435,875	\$448,952	\$462,420	\$476,293	\$552,154	\$640,098	\$742,049	\$997,251
Secondary Income	8,640	8,899	9,166	9,441	9,724	11,273	13,069	15,150	20,361
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	431,820	444,775	458,118	471,861	486,017	563,427	653,166	757,199	1,017,612
Vacancy & Collection Loss	(32,388)	(33,358)	(34,359)	(35,390)	(36,451)	(42,257)	(48,987)	(56,790)	(76,321)
Developer's G & A	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$399,432</b>	<b>\$411,417</b>	<b>\$423,759</b>	<b>\$436,472</b>	<b>\$449,566</b>	<b>\$521,170</b>	<b>\$604,179</b>	<b>\$700,409</b>	<b>\$941,291</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$15,200	\$15,808	\$16,440	\$17,098	\$17,782	\$21,634	\$26,321	\$32,024	\$47,404
Management	19,972	20,571	21,188	21,824	22,479	26,059	30,210	35,021	47,066
Payroll & Payroll Tax	49,268	51,239	53,288	55,420	57,637	70,124	85,316	103,800	153,650
Repairs & Maintenance	26,800	27,872	28,987	30,146	31,352	38,145	46,409	56,464	83,580
Utilities	17,460	18,158	18,885	19,640	20,426	24,851	30,235	36,786	54,452
Water, Sewer & Trash	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Insurance	30,700	31,928	33,205	34,533	35,915	43,696	53,162	64,680	95,743
Property Tax	32,800	34,112	35,476	36,896	38,371	46,685	56,799	69,105	102,292
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	7,100	7,384	7,679	7,987	8,306	10,106	12,295	14,959	22,142
<b>TOTAL EXPENSES</b>	<b>\$254,300</b>	<b>\$264,272</b>	<b>\$274,638</b>	<b>\$285,411</b>	<b>\$296,609</b>	<b>\$359,581</b>	<b>\$435,990</b>	<b>\$528,715</b>	<b>\$777,853</b>
<b>NET OPERATING INCOME</b>	<b>\$145,132</b>	<b>\$147,144</b>	<b>\$149,121</b>	<b>\$151,061</b>	<b>\$152,957</b>	<b>\$161,589</b>	<b>\$168,189</b>	<b>\$171,694</b>	<b>\$163,438</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$111,620	\$111,620	\$111,620	\$111,620	\$111,620	\$111,620	\$111,620	\$111,620	\$111,620
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>\$33,512</b>	<b>\$35,524</b>	<b>\$37,501</b>	<b>\$39,441</b>	<b>\$41,337</b>	<b>\$49,969</b>	<b>\$56,569</b>	<b>\$60,074</b>	<b>\$51,818</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.30</b>	<b>1.32</b>	<b>1.34</b>	<b>1.35</b>	<b>1.37</b>	<b>1.45</b>	<b>1.51</b>	<b>1.54</b>	<b>1.46</b>

**LIHTC Allocation Calculation - Westview Ranch, Pearsall, LIHTC #03190**

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	\$82,500	\$82,500		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$388,800	\$388,800	\$388,800	\$388,800
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation hard costs	\$3,250,000	\$3,097,083	\$3,250,000	\$3,097,083
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$73,640	\$69,718	\$72,776	\$69,718
Contractor profit	\$220,920	\$209,153	\$218,328	\$209,153
General requirements	\$220,920	\$209,153	\$218,328	\$209,153
<b>(5) Contingencies</b>				
	\$209,800	\$174,294	\$181,940	\$174,294
<b>(6) Eligible Indirect Fees</b>				
	\$270,000	\$270,000	\$270,000	\$270,000
<b>(7) Eligible Financing Fees</b>				
	\$418,756	\$418,756	\$418,756	\$418,756
<b>(8) All Ineligible Costs</b>				
	\$97,515	\$97,515		
<b>(9) Developer Fees</b>				
			\$752,839	
Developer overhead	\$151,580	\$119,224		\$119,224
Developer fee	\$606,320	\$606,320		\$606,320
<b>(10) Development Reserves</b>				
	\$129,224	\$129,224		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$6,119,975</b>	<b>\$5,871,740</b>	<b>\$5,771,767</b>	<b>\$5,562,501</b>

<b>Deduct from Basis:</b>				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
<b>TOTAL ELIGIBLE BASIS</b>			<b>\$5,771,767</b>	<b>\$5,562,501</b>
High Cost Area Adjustment			130%	130%
<b>TOTAL ADJUSTED BASIS</b>			<b>7,503,297</b>	<b>\$7,231,251</b>
Applicable Fraction			94.44%	94.44%
<b>TOTAL QUALIFIED BASIS</b>			<b>\$7,086,448</b>	<b>\$6,829,515</b>
Applicable Percentage			8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>			<b>\$591,010</b>	<b>\$569,582</b>

Syndication Proceeds	0.7799	\$4,609,415	\$4,442,292
<b>Total Credits (Eligible Basis Method)</b>		<b>\$591,010</b>	
Syndication Proceeds		\$4,609,415	
Requested Credits		\$595,000	
Syndication Proceeds		\$4,640,536	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$4,749,975</b>	
Credit Amount		\$609,032	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
 Zoom Level: 9-0 Datum: WGS84

Scale 1 : 400 000  
 1" = 6.21 mi



**TDHCA #**

**03191**

**Region 9**



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

Development Name: **Bentley Place Apartments**

TDHCA #: **03191**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 9 Site Address: 8004 Bentley Drive  
 City: San Antonio County: Bexar Zip Code: 78218  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 208 Elderly: 0 Handicapped/Disabled 42 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: AAMHA BPA San Antonio, L.P. (to be formed)

Principal Names	Principal Contact	Percentage Ownership
Alamo Area Mutual Housing Association	Sandra Williams	100% of GP
AAMHA Bentley Place, LLC	Sandra Williams	.01% of Owner and GP

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$981,468** Allocation over 10 Years: **\$9,814,680**  
 Credits Requested: **\$1,006,759** Eligible Basis Amount: **\$981,468** Equity/Gap Amount: **\$1,263,060**

**UNIT INFORMATION**

	Eff	1 BR	2 BR	3 BR	Total
30%	0	10	17	5	32
40%	0	6	8	3	17
50%	0	10	14	10	34
60%	0	17	51	15	83
MR	0	13	18	11	42
Total	0	56	108	44	
Total LI Units:					166
Owner/Employee Units:					0
Total Project Units:					208
Applicable Fraction:					80.00

**DEVELOPMENT AMENITIES** (no extra cost to tenant)

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

**UNIT AMENITIES** (no extra cost to tenant)

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

**BUILDING INFORMATION**

Total Development Cost: **\$16,043,698** Average Square Feet/Unit: **1,009**  
 Gross Building Square Feet: **215,451** Cost Per Net Rentable Square Foot: **\$76.45**  
 Total Net Rentable Area Square Feet: **209,864** Credits per Low Income Uni: **\$5,912**

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: **\$1,261,900**  
 Total Expenses: **\$783,005**  
 Net Operating Income: **\$478,895**  
 Estimated 1st Year Debt Coverage Ratio: **1.10**

**FINANCING**

Permanent Principal Amount: **\$7,005,061**  
 Applicant Equity: **\$1,251,574**  
 Equity Source: **Deferred Developer Fee**  
 Syndication Rate: **\$0.7934**

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

Developer: Alamo Area Mutual Housing Assoc.	Market Analyst: Apartment Market Data Research
Housing GC: C.F. Jordan	Originator/UW: Enterprise Social Investment Corp.
Engineer: Maestas & Bailey	Appraiser: LandAmerica Financial Group, Inc.
Cost Estimator: NA	Attorney: Holland & Knight LLP
Architect: Hensley Lamkin Rachel	Accountant: Novogradac & Company, LLC
Property Manager: Alpha -Barnes Real Estate Services	Supp Services: Alamo Area Mutual Housing Assoc.
Syndicator: Enterprise Social Investment Corporation	Permanent Lender: D. Ansley Company, Inc.

**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: NC	Leticia Van de Putte, State Senator, S
TX Representative: Ruth Jones McClendon, District 120, S	
TX Senator: Judith Zaffirini, District 21, N	
US Representative: Ciro Rodriguez, S	
US Senator:	
General Summary of Comment: Broad Support	

<b>DEPARTMENT EVALUATION</b>	
Points Awarded: 101	Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

- Receipt, review, and acceptance, prior to Carryover, of a commitment for soft financing in the amount of at least \$350,000.
- Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property.
- Receipt, review, and acceptance of revised financing structure commitments wherein total annual debt service does not exceed \$435,359 by construction loan closing.
- 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 \_\_\_\_\_

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

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

Approved Credit Amount:  Date of Determination:

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

# Developer Evaluation

Project ID # **03191**

Name: **Bentley Place Apartments**

City: **San Antonio**

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: 9 Projects grouped by score 0-9 8 10-19 0 20-29 1

Total # monitored with a score less than 30: 9 # 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 1day, June 16, 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 S Roth Date 6/16/2003

## 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 6/16/2003

## 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 6/16/2003

Executive Director: \_\_\_\_\_

Executed: \_\_\_\_\_

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

**DATE:** June 16, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03191

**DEVELOPMENT NAME**

Bentley Place Apartments

**APPLICANT**

**Name:** AAMHA BPA San Antonio, L.P.      **Type:** For Profit  
**Address:** 4502 Centerview Street, Suite 233      **City:** San Antonio      **State:** TX  
**Zip:** 78228      **Contact:** Sandra Williams      **Phone:** (210) 731-8030      **Fax:** (210) 731-8025

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

<b>Name:</b> <u>AAMHA Bentley Place, LLC</u>	<b>(%):</b> <u>0.01</u>	<b>Title:</b> <u>Managing General Partner</u>
<b>Name:</b> <u>Southern Affordable Housing, Inc.</u>	<b>(%):</b> <u>.01</u>	<b>Title:</b> <u>Special Limited Partner</u>
<b>Name:</b> <u>Alamo Area Mutual Housing Association</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Developer &amp; owner of MGP</u>
<b>Name:</b> <u>Stephen Barnes</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>49% owner of SLP</u>
<b>Name:</b> <u>Debra Clark</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>51% owner of SLP</u>
<b>Name:</b> <u>Diana McIver &amp; Associates, Inc.</u>	<b>(%):</b> <u>N/A</u>	<b>Title:</b> <u>Consultant</u>

**PROPERTY LOCATION**

**Location:** 8004 Bentley Drive       **QCT**       **DDA**  
**City:** San Antonio      **County:** Bexar      **Zip:** 78218

**REQUEST**

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$1,006,759	N/A	N/A	N/A
2) \$525,000	1%	30 yrs	30 yrs
3) \$249,000	N/A	N/A	N/A

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

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

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

**RECOMMENDATION**

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$981,468 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TRUST FUND AWARD NOT TO EXCEED \$525,000, STRUCTURED AS A 40-YEAR TERM LOAN, FULLY AMORTIZING OVER 40 YEARS AT 0% INTEREST, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A GRANT OF SECO FUNDS NOT TO EXCEED \$249,000,

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

SUBJECT TO CONDITIONS.

- SHOULD EITHER THE HTF LOAN OR SECO GRANT NOT BE AWARDED, THE LIHTC ALLOCATION IS NOT RECOMMENDED

**CONDITIONS**

1. Receipt, review, and acceptance, prior to carryover, of a commitment for soft financing in the amount of at least \$350,000.
2. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property;
3. Receipt, review, and acceptance of revised financing structure commitments wherein total annual debt service does not exceed \$435,359 by construction loan closing.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated.

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

<b>Total Units:</b>	<u>208</u>	<b># Rental Buildings</b>	<u>13</u>	<b># Common Area Bldgs</b>	<u>2</u>	<b># of Floors</b>	<u>3</u>	<b>Age:</b>	<u>0</u> yrs	<b>Vacant:</b>	<u>N/A</u>	at / /
<b>Net Rentable SF:</b>	<u>209,864</u>	<b>Av Un SF:</b>	<u>1,009</u>	<b>Common Area SF:</b>	<u>5,587</u>	<b>Gross Bldg SF:</b>	<u>215,451</u>					

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A 5,229-SF community building with activity rooms, management offices, maintenance facilities, kitchen, restrooms, computer/business center, & covered patio with outdoor fireplace will be located near the entrance to the property. A 358-SF laundry and central mailroom is to be located at the middle of the property.

**Uncovered Parking:** 353 spaces    **Carports:** 0 spaces    **Garages:** 0 spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Bentley Place Apartments is a relatively dense (15.25 units per acre) new construction development of 208 units of mixed income housing located in northeast San Antonio. The development is comprised of 13 evenly distributed medium to large garden style, walk-up residential buildings as follows:

- € Four Building Type I with eight two-bedroom/1.5-bath units and four three-bedroom/two-bath units;
- € One Building Type IA with four two-bedroom/1.5-bath units and four three-bedroom/two-bath units;
- € Four Building Type II with eight one-bedroom/one-bath units and eight two-bedroom/one-bath units;
- € Two Building Type III with 12 one-bedroom/one-bath units and eight two-bedroom/one-bath units; and
- € Two Building Type IV with 12 two-bedroom/two-bath units and 12 three-bedroom/two-bath units.

**Architectural Review:** The elevations are simple and functional, with a significant amount of limestone veneer and pitched roofs. The units are well laid out, and each features a balcony or patio.

**Supportive Services:** Supportive services will be provided by the nonprofit owner of the Managing General Partner, and \$15,000/year has been budgeted for these services.

**Schedule:** The Applicant anticipates construction to begin in May of 2004, to be completed in July of 2005,

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

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

SITE ISSUES			
SITE DESCRIPTION			
<b>Size:</b>	13.636 acres	593,984 square feet	<b>Zoning/ Permitted Uses:</b> C-3, Business District (rezoning required & application submitted) & MF33, Multiple Family Residence District
<b>Flood Zone Designation:</b>	Zo ne X	<b>Status of Off-Sites:</b>	Partially improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The site is an irregularly-shaped parcel located in the northeast area of San Antonio, approximately nine miles from the central business district. The site is situated on the south and east sides of Bentley Drive (a cul-de-sac).

**Adjacent Land Uses:**

- ∓ **North:** vacant land and commercial fronting on Walzem Road , with commercial and single-family residential beyond
- ∓ **South:** vacant land
- ∓ **East:** vacant land, including a creek
- ∓ **West:** multifamily residential and a public middle school

**Site Access:** Access to the property is from the north from Bentley Drive, from which the development is to have two entries. Access to Interstate Highway 35 is 1.25 miles west, which provides connections to all other major roads serving the San Antonio area.

**Public Transportation:** Public transportation to the area is provided by the city bus system.

**Shopping & Services:** The site is within one-half mile of a major grocery/pharmacy and two miles of a shopping centers and a variety of other retail establishments and restaurants. Public elementary, middle, and high schools are located within a mile, and churches, hospitals, and health care facilities are located within a short driving distance from the site.

**Special Adverse Site Characteristics:** The title commitment lists a vendor’s lien 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 7, 2003 and found the location to be acceptable for the proposed development. The inspectors noted the site is in a major growth corridor, with plentiful shopping nearby.

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

A Phase I Environmental Site Assessment Update report dated February 25, 2003 was prepared by Drash Consulting Engineers, Inc. and contained the following findings and recommendations: “Based on the available data obtained for this Phase I ESA Update, there does not appear to be evidence that suggests environmental concerns currently exist or have existed at the site. No further investigation is recommended.” (p. 12)

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 166 of the units (80% of the total) will be reserved for low-income tenants. 32 of the units (15%) will be reserved for households earning 30% or less of AMGI, 17 units (8%) will be reserved for households earning 40% or less of AMGI, 34 units (16%) will be reserved for households earning 50% or less of AMGI 83 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 42 units will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

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

	<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>	\$21,240	\$24,240	\$27,300	\$30,300	\$32,700	\$35,160

**MARKET HIGHLIGHTS**

A market feasibility study dated February 27, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

**Definition of Market/Submarket:** "...we utilized a primary market area comprising a trade area known as the "E2" submarket area in northeast San Antonio." This area is defined by Interstate Highway 35 on the north and west, Interstate Highway 10 on the south, and Loop 1604 on the east. (p. 31)

**Population:** The estimated 2002 population of the primary market area was 103,324 and is expected to increase by 7.9% to approximately 111,530 by 2007. Within the primary market area there were estimated to be 35,672 households in 2002.

**Total Local/Submarket Demand for Rental Units:** "In the primary market area we have determined that there is a demand for a minimum of 171 rental units per year, based on the household growth analysis." (p. 17)

<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	32	1%	53	2%
Resident Turnover	4,780	99%	2,371	98%
Other Sources:	0	0%	0	0%
<b>TOTAL ANNUAL DEMAND</b>	<b>4,812</b>	<b>100%</b>	<b>2,425</b>	<b>100%</b>

Ref: p. 44

**Inclusive Capture Rate:** The analyst calculated an inclusive capture rate of 3.5%. (p. 44) The Underwriter calculated an inclusive capture rate of 6.8% based upon a revised demand of 2,425 units.

**Local Housing Authority Waiting List Information:** No information provided.

**Market Rent Comparables:** The market analyst surveyed five comparable apartment projects totaling 1,012 units in the market area. "The level of rent being [proposed] is below that which is currently charged on existing market rate projects." (p. 17)

<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>	\$223	\$221	+\$2	\$631	-\$408
<b>1-Bedroom (40%)</b>	\$317	\$317	\$0	\$631	-\$314
<b>1-Bedroom (50%)</b>	\$412	\$411	+\$1	\$631	-\$219
<b>1-Bedroom (60%)</b>	\$507	\$506	+\$1	\$631	-\$124
<b>1-Bedroom (MR)</b>	\$550	N/A	N/A	\$631	-\$81
<b>2-Bedroom (30%)</b>	\$263	\$265	-\$2	\$782	-\$519
<b>2-Bedroom (40%)</b>	\$377	\$379	-\$2	\$782	-\$405
<b>2-Bedroom (50%)</b>	\$490	\$492	-\$2	\$782	-\$292
<b>2-Bedroom (60%)</b>	\$604	\$606	-\$2	\$782	-\$178
<b>2-Bedroom (MR)</b>	\$780	N/A	N/A	\$782	-\$2
<b>3-Bedroom (30%)</b>	\$300	\$294	+\$6	\$877	-\$577
<b>3-Bedroom (40%)</b>	\$432	\$426	+\$6	\$877	-\$445
<b>3-Bedroom (50%)</b>	\$563	\$557	+\$6	\$877	-\$314
<b>3-Bedroom (60%)</b>	\$694	\$688	+\$6	\$877	-\$183
<b>3-Bedroom (MR)</b>	\$875	N/A	N/A	\$877	-\$2

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

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

**Submarket Vacancy Rates:** “The current occupancy of the market area is 92.6% as a result of ever-increasing demand. Demand for new rental apartment units is considered to be stable.” (p. 94)

**Absorption Projections:** “...we estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period].” (p. 78)

**Known Planned Development:** The analyst identified one 208-unit conventional property in lease-up and two conventional properties totaling 476 units in the planning stage, but noted that the latter developments have a low probability of proceeding. No affordable properties were identified. (p. 53)

**Effect on Existing Housing Stock:** “The subject should not have a detrimental effect on any existing projects, as occupancies are stable throughout northeast San Antonio.” (p. 79)

The Underwriter found the market study to provide sufficient information to make a funding determination.

**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 miscalculated (understated) tenant-paid utility allowances by \$2-\$6 on some units, which results in the Underwriter’s potential gross rent estimate being \$820 lower than the Applicant’s. The Applicant stated that tenants will pay water in this development, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the minor difference in tenant-paid utility allowances, the Underwriter’s estimated effective gross income is \$764 less than the Applicant’s.

**Expenses:** The Applicant’s total expense estimate of \$3,401 per unit is 10% lower than the Underwriter’s database-derived estimate of \$3,764 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$19.5K lower), payroll (\$36K lower), and repairs and maintenance (\$21K lower). The Underwriter was unable to reconcile these differences even with additional information provided by the Applicant.

**Conclusion:** The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 0.97 is less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$435,310 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

**ACQUISITION VALUATION INFORMATION**

**APPRAISED VALUE**

<b>Land Only:</b> 13.636 acres	\$742,000	<b>Date of Valuation:</b>	2/	12/	2003
<b>Appraiser:</b> T.C. Doctor & Associates, Inc.	<b>City:</b> San Antonio	<b>Phone:</b>	(210)	493-3132	

**APPRAISED ANALYSIS/CONCLUSIONS**

**Analysis:** The Appraiser selected and considered four comparable land sales in the determination of value, all of which were used for multifamily residential developments following the sales. The adjustments made to the comparable properties were reasonable.

**Conclusion:** The appraised value is considered reasonable as submitted.

**ASSESSED VALUE**

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

<b>Land: 13.636 acres</b>	\$593,300	<b>Assessment for the Year of:</b>	2002
<b>Building:</b>	N/A	<b>Valuation by:</b>	Bexar County Appraisal District
<b>Total Assessed Value:</b>	\$593,300	<b>Tax Rate:</b>	2.96987
<b>EVIDENCE of SITE or PROPERTY CONTROL</b>			
<b>Type of Site Control:</b>	Purchase option		
<b>Contract Expiration Date:</b>	9/ 30/ 2003	<b>Anticipated Closing Date:</b>	9/ 30/ 2003
<b>Acquisition Cost:</b>	\$600,000	<b>Other Terms/Conditions:</b>	
<b>Seller:</b>	AAMHA Bentley Place Apartments, Inc.		<b>Related to Development Team Member:</b> Yes

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** Alamo Area Mutual Housing Association, Inc. (AAMHA), the purchaser and the owner of the Managing General Partner, acquired the site in 2000 at a cost of \$593,287.20. AAMHA subsequently transferred control of the land to an affiliate, AAMHA Bentley Place Apartments, Inc., which is the current seller. The current sales price of \$600,000 is supported by the original purchase price plus property taxes of approximately \$18K/year, and the Applicant also provided an appraisal stating the market value to be \$742,000. Therefore, the acquisition cost of \$600,000 is regarded as reasonable.

**Sitework Cost:** The Applicant's claimed sitework costs of \$6,733 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$258K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Fees:** The Applicant's general requirements and contractor's general and administrative fees exceed the 6% and 2% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Underwriter placed the \$85K housing consultant fee in developer's fees which cause them to exceed 15% of the Applicant's adjusted eligible basis, and therefore the eligible portion of the Applicant's developer fee must be reduced by \$15,108.

**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. Although the Applicant did not remove the \$400,000 City of San Antonio HOME loan from eligible basis, the Underwriter has done so as it appears that the development will be unable to service any additional debt, and even so the proposed unit mix calls for less than 40% of the units to be restricted for residents at or below 50% of AMGI, and thus the property cannot escape the below market rate taint associated with federal funds. Ironically, the unit mix reflects 39.9% and only one more unit would have needed to be at or below the 50% threshold to have avoided removal from eligible basis. As a result an eligible basis of \$15,151,648 is used to determine a credit allocation of \$1,008,081 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**

<b>FINANCING STRUCTURE</b>									
<b>INTERIM CONSTRUCTION or GAP FINANCING</b>									
<b>Source:</b>	Enterprise Foundation				<b>Contact:</b>	Jeffrey Balloutine			
<b>Principal Amount:</b>	\$3,563,931			<b>Interest Rate:</b>	6%				
<b>Additional Information:</b>	Construction phase bridge loan								
<b>Amortization:</b>	N/A	yrs	<b>Term:</b>	2	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>INTERIM to PERMANENT FINANCING</b>									
<b>Source:</b>	D. Ansley Company, Inc.				<b>Contact:</b>	Randall Mason			
<b>Principal Amount:</b>	\$6,528,000			<b>Interest Rate:</b>	Estimated & underwritten at 6.75%				
<b>Additional Information:</b>	FHA Section 221(d)(4) program loan								
<b>Amortization:</b>	40	yrs	<b>Term:</b>	40	yrs	<b>Commitment:</b>	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
<b>Annual Payment:</b>	\$472,700			<b>Lien Priority:</b>	1st		<b>Commitment Date</b>	2/ 26/ 2003	
<b>LONG TERM/PERMANENT FINANCING</b>									
<b>Source:</b>	City of San Antonio HOME funds				<b>Contact:</b>	Andrew Cameron			
<b>Principal Amount:</b>	\$400,000			<b>Interest Rate:</b>	Applicable Federal Rate				
<b>Additional Information:</b>	Unconfirmed, application only, requesting soft second lien with 5-year debt service deferral								
<b>Amortization:</b>	40	yrs	<b>Term:</b>	40	yrs	<b>Commitment:</b>	<input checked="" type="checkbox"/> None	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
<b>Annual Payment:</b>	None provided, estimated at \$21,889 at current AFR			<b>Lien Priority:</b>	2nd		<b>Commitment Date</b>	2/ 18/ 2003	
<b>LIHTC SYNDICATION</b>									
<b>Source:</b>	Enterprise Social Investment Corporation				<b>Contact:</b>	Diana Helms-Morreale			
<b>Address:</b>	8419 Emmett F. Lowry Expressway				<b>City:</b>	Texas City			
<b>State:</b>	Texas	<b>Zip:</b>	77591	<b>Phone:</b>	(409) 908-9400	<b>Fax:</b>	(409) 908-9404		
<b>Net Proceeds:</b>	\$8,003,137			<b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b>	79.5¢				
<b>Commitment</b>	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional	<b>Date:</b>	2/ 18/ 2003				
<b>Additional Information:</b>									
<b>APPLICANT EQUITY</b>									
<b>Amount:</b>	\$672,167			<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 sources and uses of funds listed in the application.									
<b>LIHTC Syndication:</b> The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.									
<b>City of San Antonio HOME Loan:</b> The Applicant has applied for a loan of HOME funds but this source of funds and the financing terms thereof remain unconfirmed. As discussed above this loan must be shown to be repayable at AFR or the unit mix must reflect at least 40% of the units restricted to tenants at or below 50% of AMGI, or the proceeds must be reduced from basis. Both the Applicant's proforma and the underwriting analysis reflect the inability to service all of the proposed debt and the deferral of the HOME loan in this case is quite speculative, thus the HOME funds were excluded from eligible basis. Even if the HOME funds had not been sought the higher tax credit conclusion would have not been sufficient to fill the gap and the resulting deferred developer fees would not have been repayable within 15 years.									

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

**Deferred Developer's Fees:** The proposed deferred developer's fees of \$672,167 amount to approximately 34% of the total eligible fees.

**Financing Conclusions:** Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$981,468 annually for ten years, resulting in syndication proceeds of approximately \$7,787,062. The Housing Trust Fund loan of \$525,000, if approved, should be structured with a term and amortization period of 40 years and a 0% interest rate to minimize debt service. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,251,574, which represents approximately 65% of the eligible fee and which should be repayable from cash flow within 15 years. If the HTF, SECO, or City of San Antonio HOME funds are not awarded, it is projected that insufficient cumulative cash flow would exist to permit repayment within 15 years of the additional deferred developer fee required to substitute for any of those funds, and therefore the development as structured would be deemed infeasible. It is therefore necessary that an LIHTC allocation be conditioned on the award of the requested HTF and SECO funds and that the Applicant also provide a firm commitment for soft funding in the amount of at least \$350,000. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

The Developer, Alamo Area Mutual Housing Association, Inc. owns the Managing General Partner and the land seller and will be the supportive services provider. Debra Clark, 51% owner of the Special Limited Partner, is the spouse of Mike Clark, a principal of the Property Manager. These are permissible relationships for LIHTC-funded developments.

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

**Financial Highlights:**

- € The Applicant and Managing General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The Special Limited Partner, Southern Affordable Housing, Inc., submitted an unaudited financial statement as of February 20, 2003 reporting total assets of \$335 and consisting entirely of cash. No liabilities were reported.
- € The Alamo Area Mutual Housing Association, owner of the Managing General Partner, submitted an audited financial statement as of December 31, 2002 reporting total assets of \$12.6M and consisting of \$835K in cash, \$1.7M in receivables and other current assets, \$8.8M in fixed assets, and \$1.3M in deposits, reserves, and prepaids. Liabilities totaled \$7.5M, resulting in a net fund balance of \$5.1M.
- € The principals of the Special Limited Partner, Stephen Barnes and Debra Clark, submitted unaudited financial statements as of January and February 2003, respectively.

**Background & Experience:**

- € The Applicant and Managing General Partner are new entities formed for the purpose of developing the project.
- € The principals of Alamo Area Mutual Housing Association listed participation in two LIHTC-funded housing developments totaling 224 units since 2001.
- € Stephen Barnes listed participation in four LIHTC-funded housing developments totaling 854 units since 1989.
- € Debra Clark listed participation in one nine-unit LIHTC-funded housing development since 1998.

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

**SUMMARY OF SALIENT RISKS AND ISSUES**

- ⊘ The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- ⊘ 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 seller of the property has an identity of interest with the Applicant.
- ⊘ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

**Underwriter:**

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

**Date:** June 16, 2003

**Director of Real Estate Analysis:**

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

**Date:** June 16, 2003

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Bentley Place Apartments, San Antonio, 9% LIHTC #03191**

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	Int. Pt. Unit	Surr & Trsh
TC (30%)	10	1	1	729	\$283	\$221	\$2,212	\$0.30	\$61.77	\$20.77
TC (40%)	6	1	1	729	379	\$317	1,903	0.44	61.77	20.77
TC (50%)	8	1	1	729	473	\$411	3,290	0.56	61.77	20.77
TC (50%)	2	1	1	761	473	\$411	822	0.54	61.77	20.77
TC (60%)	17	1	1	761	568	\$506	8,606	0.67	61.77	20.77
MR	13	1	1	761		550	7,150	0.72	61.77	20.77
TC (60%)	14	2	1	1,019	682	\$606	8,483	0.59	76.07	22.51
MR	10	2	1	1,019		780	7,800	0.77	76.07	22.51
TC (30%)	17	2	1	1,048	341	\$265	4,504	0.25	76.07	22.51
TC (40%)	8	2	1	1,048	455	\$379	3,031	0.36	76.07	22.51
TC (50%)	14	2	1	1,048	568	\$492	6,887	0.47	76.07	22.51
TC (60%)	9	2	1	1,048	682	\$606	5,453	0.58	76.07	22.51
TC (60%)	28	2	1.5	1,065	682	\$606	16,966	0.57	76.07	22.51
MR	8	2	1.5	1,065		780	6,240	0.73	76.07	22.51
TC (30%)	3	3	2	1,187	393	\$294	881	0.25	99.21	26.16
TC (40%)	1	3	2	1,187	525	\$426	426	0.36	99.21	26.16
TC (50%)	6	3	2	1,187	656	\$557	3,341	0.47	99.21	26.16
TC (60%)	6	3	2	1,187	787	\$688	4,127	0.58	99.21	26.16
MR	4	3	2	1,187		875	3,500	0.74	99.21	26.16
TC (30%)	2	3	2	1,299	393	\$294	588	0.23	99.21	26.16
TC (40%)	2	3	2	1,299	525	\$426	852	0.33	99.21	26.16
TC (50%)	4	3	2	1,299	656	\$557	2,227	0.43	99.21	26.16
TC (60%)	9	3	2	1,299	787	\$688	6,190	0.53	99.21	26.16
MR	7	3	2	1,299		875	6,125	0.67	99.21	26.16
<b>TOTAL:</b>	<b>208</b>		<b>AVERAGE:</b>	<b>1,009</b>	<b>\$450</b>	<b>\$537</b>	<b>\$111,605</b>	<b>\$0.53</b>	<b>\$77.12</b>	<b>\$22.81</b>

INCOME		Total Net Rentable Sq Ft:	209,864		TDHCA	APPLICANT	USS Region	9	
POTENTIAL GROSS RENT					\$1,339,256	\$1,340,076	IREM Region	San Antonio	
Secondary Income	Per Unit Per Month:	\$10.00			24,960	24,960	Per Unit Per Month		
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					\$1,364,216	\$1,365,036			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%			(102,316)	(102,372)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$1,261,900	\$1,262,664			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.33%	\$323	0.32	\$67,272	\$47,760	\$0.23	\$230	3.78%
Management		4.50%	273	0.27	56,785	\$56,910	0.27	274	4.51%
Payroll & Payroll Tax		15.62%	948	0.94	197,156	\$161,150	0.77	775	12.76%
Repairs & Maintenance		7.33%	445	0.44	92,461	\$71,500	0.34	344	5.66%
Utilities		3.89%	236	0.23	49,082	\$46,800	0.22	225	3.71%
Water, Sewer, & Trash		4.51%	274	0.27	56,943	\$66,000	0.31	317	5.23%
Property Insurance		4.09%	248	0.25	51,584	\$60,000	0.29	288	4.75%
Property Tax	2.96987	11.88%	721	0.71	149,921	\$135,400	0.65	651	10.72%
Reserve for Replacements		3.30%	200	0.20	41,600	\$41,600	0.20	200	3.29%
Others: spt svcs, compl fees		1.60%	97	0.10	20,200	\$20,200	0.10	97	1.60%
TOTAL EXPENSES		62.05%	\$3,764	\$3.73	\$783,005	\$707,320	\$3.37	\$3,401	56.02%
NET OPERATING INC		37.95%	\$2,302	\$2.28	\$478,895	\$555,344	\$2.65	\$2,670	43.98%
DEBT SERVICE									
D. Ansley Company, Inc.		37.46%	\$2,272	\$2.25	\$472,646	\$472,700	\$2.25	\$2,273	37.44%
Housing Trust Fund Loan		1.61%	\$97	\$0.10	20,263	20,343	\$0.10	\$98	1.61%
Additional Financing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW		-1.11%	(\$67)	(\$0.07)	(\$14,014)	\$62,301	\$0.30	\$300	4.93%
AGGREGATE DEBT COVERAGE RATIO					0.97	1.13			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST		Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)				3.80%	\$2,933	\$2.91	\$610,000	\$610,000	\$2.91	\$2,933	3.72%
Off-Sites				0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework				8.73%	6,733	6.67	1,400,449	1,400,449	6.67	6,733	8.55%
Direct Construction				50.43%	38,897	38.55	8,090,519	8,348,265	39.78	40,136	50.97%
Contingency	4.21%			2.49%	1,923	1.91	400,017	400,017	1.91	1,923	2.44%
General Req'ts	6.00%			3.55%	2,738	2.71	569,458	593,764	2.83	2,855	3.63%
Contractor's G & A	2.00%			1.18%	913	0.90	189,819	197,921	0.94	952	1.21%
Contractor's Profit	5.92%			3.50%	2,702	2.68	561,915	561,915	2.68	2,702	3.43%
Indirect Construction				3.98%	3,067	3.04	638,000	638,000	3.04	3,067	3.90%
Ineligible Costs				1.66%	1,280	1.27	266,170	266,170	1.27	1,280	1.63%
Developer's G & A	2.00%			1.61%	1,240	1.23	257,940	293,600	1.40	1,412	1.79%
Developer's Profit	13.00%			10.45%	8,061	7.99	1,676,608	1,684,400	8.03	8,098	10.28%
Interim Financing				6.52%	5,033	4.99	1,046,803	1,046,803	4.99	5,033	6.39%
Reserves				2.09%	1,615	1.60	336,000	336,000	1.60	1,615	2.05%
TOTAL COST				100.00%	\$77,133	\$76.45	\$16,043,698	\$16,377,304	\$78.04	\$78,737	100.00%
<b>Recap-Hard Construction Costs</b>				<b>69.89%</b>	<b>\$53,905</b>	<b>\$53.43</b>	<b>\$11,212,178</b>	<b>\$11,502,331</b>	<b>\$54.81</b>	<b>\$55,300</b>	<b>70.23%</b>

SOURCES OF FUNDS						RECOMMENDED			
D. Ansley Company, Inc.	40.69%	\$31,385	\$31.11	\$6,528,000	\$6,528,000	\$5,831,061	Developer Fee Available		
Housing Trust Fund Loan	3.27%	\$2,524	\$2.50	525,000	525,000	525,000	\$1,934,547		
SECO Grant				249,000	249,000	249,000			
City of San Antonio HOME Loan				400,000	400,000	400,000			
LIHTC Syndication Proceeds	49.88%	\$38,477	\$38.13	8,003,137	8,003,137	7,787,062	% of Dev. Fee Deferred	65%	
Deferred Developer Fees	4.19%	\$3,232	\$3.20	672,167	672,167	1,251,574			
Additional (excess) Funds Required	-2.08%	(\$1,604)	(\$1.59)	(333,606)	0	0	15-Yr Cumulative Cash Flow		
TOTAL SOURCES				\$16,043,698	\$16,377,304	\$16,043,698			\$1,308,993

**MULTIFAMILY COMPARATIVE ANALYSIS** (continued)

*Bentley Place Apartments, San Antonio, 9% LIHTC #03191*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.77	\$8,765,313
Adjustments				
Exterior Wall Finish	2.00%		\$0.84	\$175,306
9-Ft. Ceilings	3.25%		1.36	284,873
Roofing			0.00	0
Subfloor			(0.90)	(188,411)
Floor Cover			1.92	402,939
Porches/Balconies	\$29.24	23.404	3.26	684,333
Plumbing	\$615	276	0.81	169,740
Built-in Appliances	\$1,625	208	1.61	338,000
Stairs	\$1,625	120	0.93	195,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	308,500
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$55.70	5,587	1.48	311,204
Other: Fireplace	\$2,200.00	1	0.01	2,200
<b>SUBTOTAL</b>			<b>54.55</b>	<b>11,448,997</b>
Current Cost Multiplier	1.03		1.64	343,470
Local Multiplier	0.84		(8.73)	(1,831,839)
<b>TOTAL DIRECT CONSTRUCTION COSTS</b>			<b>\$47.46</b>	<b>\$9,960,627</b>
Plans, specs, survy, bld prm	3.90%		(\$1.85)	(\$388,464)
Interim Construction Interes	3.38%		(1.60)	(336,171)
Contractor's OH & Profit	11.50%		(5.46)	(1,145,472)
<b>NET DIRECT CONSTRUCTION COSTS</b>			<b>\$38.55</b>	<b>\$8,090,519</b>

**PAYMENT COMPUTATION**

<b>Primary</b>	\$6,528,000	Term	480
Int Rate	6.75%	DCR	1.01

<b>Secondary</b>	\$525,000	Term	360
Int Rate	1.00%	Subtotal DCR	0.97

<b>Additional</b>	\$8,003,137	Term	
Int Rate		Aggregate DCR	0.97

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service	\$422,185
Secondary Debt Service	13,125
Additional Debt Service	0
<b>NET CASH FLOW</b>	<b>\$43,585</b>

<b>Primary</b>	\$5,831,061	Term	480
Int Rate	6.75%	DCR	1.13

<b>Secondary</b>	\$525,000	Term	480
Int Rate	0.00%	Subtotal DCR	1.10

<b>Additional</b>	\$400,000	Term	0
Int Rate	4.60%	Aggregate DCR	1.10

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

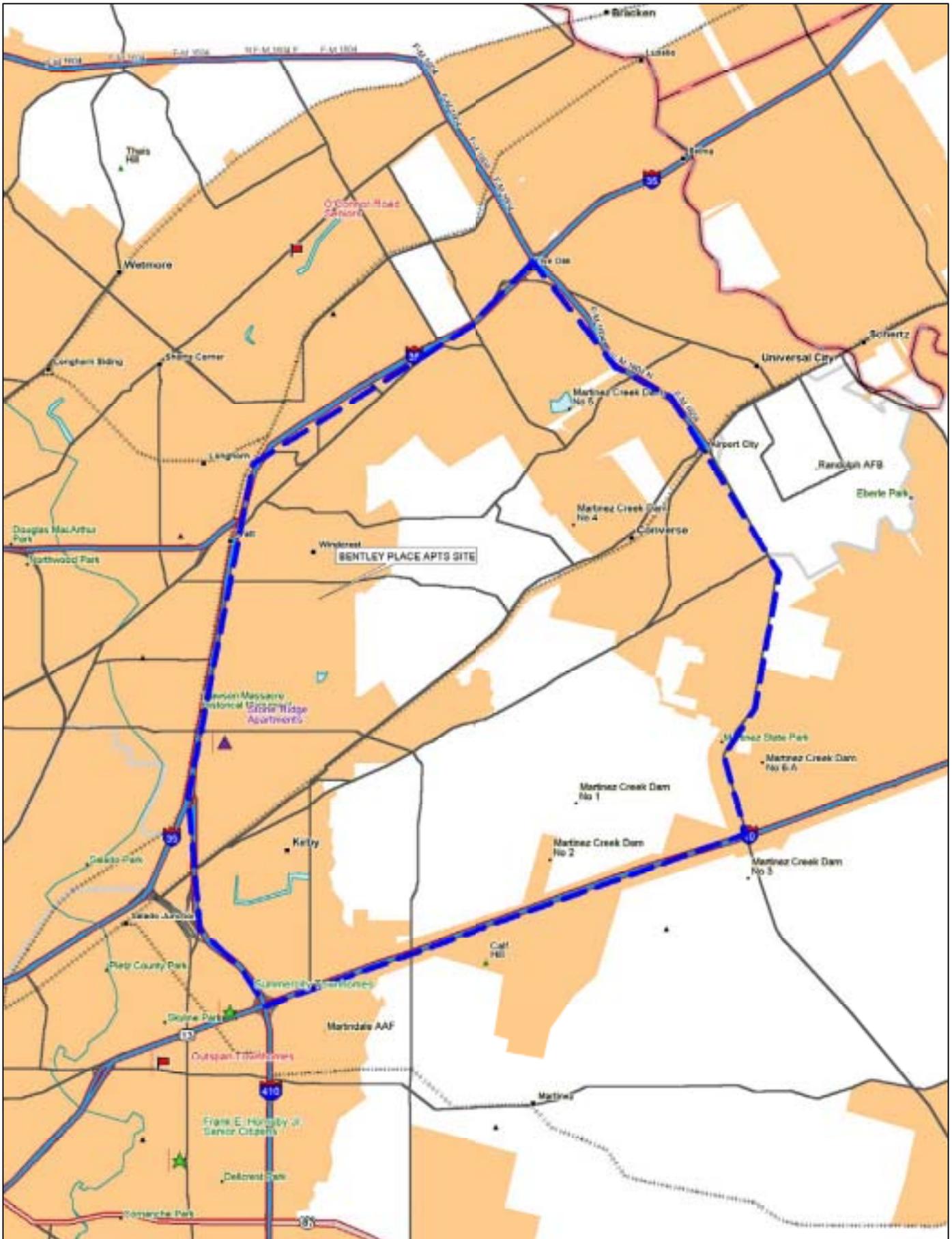
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,339,256	\$1,379,434	\$1,420,817	\$1,463,441	\$1,507,344	\$1,747,425	\$2,025,745	\$2,348,393	\$3,156,044
Secondary Income	24,960	25,709	26,480	27,274	28,093	32,567	37,754	43,768	58,820
Other Support Income:	0	0	0	0	0	0	0	0	0
<b>POTENTIAL GROSS INCOME</b>	<b>1,364,216</b>	<b>1,405,142</b>	<b>1,447,297</b>	<b>1,490,716</b>	<b>1,535,437</b>	<b>1,779,992</b>	<b>2,063,499</b>	<b>2,392,161</b>	<b>3,214,864</b>
Vacancy & Collection Loss	(102,316)	(105,386)	(108,547)	(111,804)	(115,158)	(133,499)	(154,762)	(179,412)	(241,115)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
<b>EFFECTIVE GROSS INCOME</b>	<b>\$1,261,900</b>	<b>\$1,299,757</b>	<b>\$1,338,749</b>	<b>\$1,378,912</b>	<b>\$1,420,279</b>	<b>\$1,646,493</b>	<b>\$1,908,737</b>	<b>\$2,212,749</b>	<b>\$2,973,749</b>
<b>EXPENSES at 4.00%</b>									
General & Administrative	\$67,272	\$69,963	\$72,762	\$75,672	\$78,699	\$95,750	\$116,494	\$141,733	\$209,799
Management	56,785	58,489	60,244	62,051	63,913	74,092	85,893	99,574	133,819
Payroll & Payroll Tax	197,156	205,043	213,244	221,774	230,645	280,615	341,411	415,379	614,862
Repairs & Maintenance	92,461	96,159	100,006	104,006	108,166	131,601	160,112	194,801	288,353
Utilities	49,082	51,045	53,087	55,211	57,419	69,859	84,994	103,409	153,070
Water, Sewer & Trash	56,943	59,221	61,589	64,053	66,615	81,047	98,607	119,970	177,585
Insurance	51,584	53,647	55,793	58,025	60,346	73,420	89,327	108,680	160,873
Property Tax	149,921	155,917	162,154	168,640	175,386	213,384	259,614	315,860	467,550
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	20,200	21,008	21,848	22,722	23,631	28,751	34,980	42,558	62,997
<b>TOTAL EXPENSES</b>	<b>\$783,005</b>	<b>\$813,757</b>	<b>\$845,722</b>	<b>\$878,949</b>	<b>\$913,486</b>	<b>\$1,107,729</b>	<b>\$1,343,470</b>	<b>\$1,629,608</b>	<b>\$2,398,644</b>
<b>NET OPERATING INCOME</b>	<b>\$478,895</b>	<b>\$486,000</b>	<b>\$493,027</b>	<b>\$499,963</b>	<b>\$506,793</b>	<b>\$538,764</b>	<b>\$565,267</b>	<b>\$583,141</b>	<b>\$575,106</b>
<b>DEBT SERVICE</b>									
First Lien Financing	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185	\$422,185
Second Lien	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125
Other Financing	0	0	0	0	0	0	0	0	0
<b>NET CASH FLOW</b>	<b>\$43,585</b>	<b>\$50,689</b>	<b>\$57,717</b>	<b>\$64,653</b>	<b>\$71,483</b>	<b>\$103,454</b>	<b>\$129,956</b>	<b>\$147,830</b>	<b>\$139,796</b>
<b>DEBT COVERAGE RATIO</b>	<b>1.10</b>	<b>1.12</b>	<b>1.13</b>	<b>1.15</b>	<b>1.16</b>	<b>1.24</b>	<b>1.30</b>	<b>1.34</b>	<b>1.32</b>

LIHTC Allocation Calculation - Bentley Place Apartments, San Antonio, 9% LIHTC #0319

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	\$610,000	\$610,000		
Purchase of buildings				
<b>(2) Rehabilitation/New Construction Cost</b>				
On-site work	\$1,400,449	\$1,400,449	\$1,400,449	\$1,400,449
Off-site improvements				
<b>(3) Construction Hard Costs</b>				
New structures/rehabilitation ha	\$8,348,265	\$8,090,519	\$8,348,265	\$8,090,519
<b>(4) Contractor Fees &amp; General Requirements</b>				
Contractor overhead	\$197,921	\$189,819	\$194,974	\$189,819
Contractor profit	\$561,915	\$561,915	\$561,915	\$561,915
General requirements	\$593,764	\$569,458	\$584,923	\$569,458
<b>(5) Contingencies</b>	\$400,017	\$400,017	\$400,017	\$400,017
<b>(6) Eligible Indirect Fees</b>	\$638,000	\$638,000	\$638,000	\$638,000
<b>(7) Eligible Financing Fees</b>	\$1,046,803	\$1,046,803	\$1,046,803	\$1,046,803
<b>(8) All Ineligible Costs</b>	\$266,170	\$266,170		
<b>(9) Developer Fees</b>			\$1,976,302	
Developer overhead	\$293,600	\$257,940		\$257,940
Developer fee	\$1,684,400	\$1,676,608		\$1,676,608
<b>(10) Development Reserves</b>				
	\$336,000	\$336,000		
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$16,377,304</b>	<b>\$16,043,698</b>	<b>\$15,151,648</b>	<b>\$14,831,528</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		\$400,000	\$400,000
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>		\$14,751,648	\$14,431,528
High Cost Area Adjustment		100%	100%
<b>TOTAL ADJUSTED BASIS</b>		\$14,751,648	\$14,431,528
Applicable Fraction		79.78%	79.78%
<b>TOTAL QUALIFIED BASIS</b>		\$11,768,197	\$11,512,820
Applicable Percentage		8.34%	8.34%
<b>TOTAL AMOUNT OF TAX CREDITS</b>		<b>\$981,468</b>	<b>\$960,169</b>

Syndication Proceeds	0.7934	\$7,787,062	\$7,618,078
<b>Total Credits (Eligible Basis Method)</b>		<b>\$981,468</b>	<b>\$960,169</b>
Syndication Proceeds		\$7,787,062	\$7,618,078
Requested Credits		\$1,006,759	
Syndication Proceeds		\$7,987,727	
<b>Gap of Syndication Proceeds Needed</b>		<b>\$10,021,243</b>	
Credit Amount		\$1,263,060	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001  
 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000  
 1" = 1.58 mi

