MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

July 30, 2003

Action Item

Appeal of 2003 LIHTC Application Green Briar Village, 03104.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

This Application originally filed an appeal for this issue on June 22, 2003 to Edwina Carrington appealing the determination by the Real Estate Analysis Division that the development, as proposed, was not financially feasible. The appeal was denied by the Executive Director on July 7, 2003. On July 23, 2003 they submitted a subsequent appeal to the Board.

Application Information:

Applicant:	SWHP Wichita Falls, L.P.
General Partner:	Southwest Housing Providers, LLC SWHP Developers, LLC
Principals/Interested Parties:	Randy Stevenson
Syndicator:	Lend Lease Real Estate Investments
Lender:	N/A
City/County:	Wichita Falls / Wichita Falls
Set-Aside:	General
Region:	2
Type of Development:	New Construction
Units:	120
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.
Impact on Recommendation Status:	If the appeal is reinstated and the development is determined to be financially feasible, staff would not recommend the development for an award. This development was the lowest scoring non-USDA application in the region. The three developments already recommended in the region would still precede Green Briar on the list, with a shortfall in the region’s allocation of only $127,559. However, if this development were to be added, the region would go over its allocation by $746,747, which would be a substantially larger overage than any other region. If, however, the Board does opt to grant credits to this development, staff suggests that the development be recommended consistent with the underwriting report that reflects a credit allocation of $874,306; furthermore, all conditions of the report would be conditions on the development.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 15, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03104

DEVELOPMENT NAME

Green Briar Village

APPLICANT

Name:	SWHP Wichita Falls, L.P.			**Type:**	For Profit		
Address:	2400 A Roosevelt			**City:**	Arlington	**State:**	Texas
Zip:	76016	**Contact:**	Randy Stevenson	**Phone:**	(817) 261-5088	**Fax:**	(817) 261-5095

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Southwest Housing Providers, LLC	**(%):**	1.00	**Title:**	Managing General Partner
Name:	Randy Stevenson	**(%):**	99.00	**Title:**	Initial Limited Partner
Name:	Ann Stevenson	**(%):**	N/A	**Title:**	100% owner of G.P.
Name:	SWHP Developer, LLC	**(%):**	N/A	**Title:**	Developer

PROPERTY LOCATION

Location:	601 Airport Drive		☒ **QCT**	☐ **DDA**	
City:	Wichita Falls	**County:**	Wichita	**Zip:**	75306

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$876,440	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING:

- ∉ THE DEVELOPMENT IS NOT FEASIBLE IN THE LONG TERM AS IT FAILS TO MEET ITS DEBT SERVICE PAYMENT BY YEAR 25.
- ∉ SHOULD THE BOARD WAIVE THE LONG TERM FEASIBILITY REQUIREMENT AN ALLOCATION OF TAX CREDITS SHOULD BE LIMITED TO NOT MORE THAN $874,306 SUBJECT TO THE FOLLOWING CONDITIONS:

CONDITIONS

1. Receipt, review and acceptance of financial statements for the Applicant and/or General Partner;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 120 **# Rental Buildings** 8 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 117,900 **Av Un SF:** 983 **Common Area SF:** 3,900 **Gross Bldg SF:** 121,800

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 3,900 square foot community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center and central mailroom; swimming pool and equipped children's play area are located at the entrance of the property.

Uncovered Parking: 263 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Green Briar Village is a moderately dense 10 units per acres new construction development of 120 units of affordable housing located in north Wichita Falls. The development is comprised of eight evenly distributed medium garden style residential buildings as follows:

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

Architectural Review: The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units with covered patios and exterior storage. The units are garden style walk-up with mixed brick veneer and Hardiboard siding exterior finish and pitched roofs.

Supportive Services: Soleus Healthcare Service, Inc. will be contracted to provide healthcare services. The letter provided indicated that Soleus will charge $15 per injection as compensation.

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

SITE ISSUES

SITE DESCRIPTION

Size: 12.0 acres 522,720 square feet **Zoning/ Permitted Uses:** General Commercial

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Wichita Falls is located in northern region of the state, approximately 120 miles northwest of Dallas in Wichita County. The site is an irregularly-shaped parcel located approximately 2.5 miles from the central business district. The site is situated on the south side of Airport Drive.

Adjacent Land Uses: To the north, east and south is undeveloped land. To the west is a machine shop and the City of Wichita Falls fire and police training facility.

Site Access: The development is to have two main entries, one from the north or south from Airport Drive and one from the east or west from Burkburnett Road. Access to Interstate Highway 44 is less than one mile west, which provides connections to all other major roads serving the Wichita Falls area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 1.5 miles of a Super Wal-Mart. A Walgreen's and an Eckerd's are located 4.5 and 5.0 mile respectively. Winn Dixie Grocery Store is located 5.0 miles southwest. An elementary school and a middle school are located within 2.6 miles and Wichita Falls High School is located 6.0 miles. United Regional Healthcare is located 4.5 miles away. Parks are located within one mile of the site.

Site Inspection Findings: TDHCA staff performed a site inspection on May 7, 2003 and found the location to be poor for the proposed development due to the following conditions:

1) The development is in the flight path, with the airport being less than one mile.
2) Industrial surrounding the property with the observation of semi-trucks traveling at unsafe speeds.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February, 2003 was prepared by Risk Management Specialties and contained the following findings and recommendations:

Findings and Recommendations: The engineer indicated that the site has no recognized environmental conditions that warrant further investigations.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units will be reserved for low-income tenants. Four of the units (3%) will be reserved for households earning 30% or less of AMGI, nine of the units (8%) will be reserved for households earning 40% or less of AMGI, three of the units (3%) will be reserved for households earning 50% or less of AMGI, and 104 units (87%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$19,320	$22,080	$24,840	$27,600	$29,820	$32,040

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by Mark C. Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Green Briar Village Apartments is considered to be Wichita County" (p. II-1) This is a large area containing 632 square miles and roughly equivalent to the area of a circle with a 14 mile radius, but is consistent with the developments in moderately sized communities. Moreover, approximately 80% of the area's population resides with the City of Wichita Falls.

Population: The estimated 2002 population of Wichita County was 132,691 and is expected to increase by 2% to approximately 135,234 by 2007. Within the primary market area there were estimated to be 50,556 households in 2007.

Total Local/Submarket Demand for Rental Units: "Between 2003 and 2007 it is projected there will be a total demand of 1,514 household units in the Wichita Falls Market Area." (p. IV-2)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	70	2%	28	1%
Resident Turnover	3,758	98%	3,064	99%
TOTAL ANNUAL DEMAND	**3,828**	**100%**	**3,632**	**100%**

Ref: p. IV-4

Inclusive Capture Rate: The Market Analyst reported a capture rate of 8.4% based on a supply of 120 units and an income targeted renter demand of 3,828 units. (p. IV-4) The Underwriter calculated a capture rate of 12% based upon a supply of unstabilized comparable affordable units of 426 divided by a revised demand of 3,636.

Local Housing Authority Waiting List Information: "Verification with the Wichita Falls Housing Authority indicates there is a lengthy waiting list for family and senior units" (p. IV-5)

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,728 units in the market area. (p. III-3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (40%)	$217	$217	$0	$548	-$331
1-Bedroom (60%)	$370	$370	$0	$548	-$178
2-Bedroom (30%)	$162	$162	$0	$635	-$473
2-Bedroom (40%)	$254	$254	$0	$635	-$381
2-Bedroom (50%)	$346	$346	$0	$635	-$289
2-Bedroom (60%)	$438	$438	$0	$635	-$197
3-Bedroom (30%)	$177	$177	$0	$754	-$577
3-Bedroom (40%)	$284	$284	$0	$754	-$470
3-Bedroom (50%)	$390	$390	$0	$754	-$364
3-Bedroom (60%)	$497	$497	$0	$754	-$257

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

Submarket Vacancy Rates: "The occupancy of the market area is presently 94.6 percent" (p. III-1)

Absorption Projections: "…present absorption trends of apartment projects located in the Wichita Falls Market Area range from 10 to 15 units per month." (p. IV-7)

Known Planned Development: "There is currently one apartment project under construction in the Wichita Falls Market Area. The Woodview Apartments…104 unit LIHTC family project" (p. III-30)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, reflecting the state of the Applicant's desire to maintain the affordability of the units. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,616 per unit compares favorably with and is within 5% of a TDHCA database-derived estimate of $3,644 per unit for comparably-sized developments. Also, the Applicant's line item estimates are within the TDHCA tolerance.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate, and the Applicant's NOI is within 5% of the TDHCA derived estimate, therefore the Applicant's estimate should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates, there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30. However, based on a proforma with income increasing 3% annually and expenses increasing 4% annually, the development will attain below 1.10 DCR by year 25, thus not being able to service the debt over the standard 30-year period. The Applicant claims that the permanent loan will mature in year 18 and at that time the Applicant will refinance the remaining debt over an additional 30 year period, resulting in a lower debt service, however the Underwriter calculated that debt service to be $88K per year which is still more than the anticipated NOI in year 30. The Applicant has apparently utilized an expense multiplier of less than 4% or roughly 3.9% annually in the last proforma presented. In order to maintain a 1.10 DRC in the final year of the 30 year proforma the Underwriter would have to use a 3.79% growth rate for expenses. While this may be possible to establish in a controlled environment of budget based rents, such as a USDA or HUD development, it is a significant risk in a less regulated program such as LIHTC. The most significant reason for this long term infeasibility is the 73% expense to income ratio (i.e. the Applicant has attempted to go too far in deep rent skewing). Moreover, the Department's enabling legislation at 2306.1711 requires that the Department adopt policies and procedures to ensure that a recipient of funding maintains the affordability for a 30-year period. The Department has addressed this through the Underwriting Rules at 10TAC 1.32(d)(7) where it is required that "the DCR should remain above a 1.10 and a continued positive cash flow should be projected for the initial 30-year period in order for the development to be characterized as feasible for the long term." Therefore, this development is characterized as not feasible and is not recommended for funding.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 12.0 acres	$121,776	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Wichita County Appraisal District
Total Assessed Value:	$121,776	**Tax Rate:**	2.57979

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial Contact		
Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$125,000	**Other Terms/Conditions:**	
Seller:	Estate of J. Walker Friberg	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

<u>Acquisition Value</u>: The site cost of $125,000 ($0.24/SF or $10,417/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

<u>Sitework Cost</u>: The Applicant's claimed sitework costs of $7,292 per unit are within the maximum guideline without requiring additional documentation.

<u>Direct Construction Cost</u>: The Applicant's costs are less than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are reasonable as submitted.

<u>Fees</u>: The Applicant's contractor and developer fees are within the Department's guidelines.

<u>Conclusion</u>: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of $8,064,066 is used to determine a credit allocation of $874,306 from this method.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Texas Bank **Contact:** Stan Gray

Principal Amount: $2,000,000 **Interest Rate:** Prime + 1%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: Lend Lease Mortgage Capital, LP **Contact:**

Principal Amount: $1,617,000 **Interest Rate:** 6.44

Additional Information: Subject to Fannie Mae DUS underwriting

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

Annual Payment: $ **Lien Priority:** 1st **Commitment Date** 2/ 26/ 2003

LIHTC SYNDICATION

Source: Lend Lease **Contact:** Marle Keutmann

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

State: MA **Zip:** 02110 **Phone:** (202) 508-8410 **Fax:** (202) 508-7924

Net Proceeds: $6,748,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 24/ 2003

Additional Information: Based on requested credits

APPLICANT EQUITY

Amount: $15,977 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Financing: The Applicant intends obtain a bridge loan from Texas Bank for $2,000,000 to begin construction. The bridge loan will be repaid through the first installment of equity. The Applicant will obtain a permanent loan from Lend Lease for $1,617,000 at an interest rate underwritten at 6.44% amortized over 30 years with a term of 18 years. The Applicant intends to pay off the loan in 18 years by obtaining a new loan with a 30-year term. As discussed above the Underwriter must characterize this financing structure as not feasible. The debt service on the second 30-year amortization loan is estimated by both the Applicant and the Underwriter at approximately $87K, however, NOI in year 30 is projected to be only $60K by the Underwriter and $87K by the Applicant, and in both cases the development fails to maintain the 1.10 DCR requirement.

CDBG Funds: The Applicant indicated that a $10,000 application was made to the City of Wichita Falls Department of Community Development. The documentation provided however does not identify the type of financing or the purpose of the funds. Any below market federal funds would be required to be deducted from eligible basis, with few exceptions. One exception is CDBG funds provided as a grant for infrastructure development. It is unknown if the CDBG funds requested will meet this requirement, but it is also uncertain if the Applicant will be successfully awarded these funds, however, the development can source these funds from deferral of developer fees if they do not materialize.

LIHTC Syndication: Lend Lease has provided a letter of intent with the following pay in schedule:

- 30% upon admission to Partnership
- 20% upon 25% completion of construction.
- 20% upon 50% completion of construction.
- 10% upon 100% completion of construction.
- 10% upon final closing of permanent loan
- 10% upon receipt of 8609’s.

Financing Conclusions: Based on the Applicant’s estimate of eligible basis, the LIHTC allocation should not exceed $874,306 annually for ten years, resulting in syndication proceeds of approximately $6,731,483. The permanent financing estimate provided by the Applicant of $1,617,000 meets the DCR guidelines but is not feasible in the long run based on the Department's Underwriting rules.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer and Property Manager are under common ownership but this is a typical relationship for LIHTC developments.

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

Financial Highlights:

- The Applicant and General Partner did not submit financial statements, therefore, receipt, review and acceptance of financial statements for the Applicant and/or General Partner is a condition of this report.
- Randy Stevenson and Ann Stevenson, submitted joint unaudited financial statements as of February 19, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Randy Stevenson has developed three LIHTC properties totaling 316 units since 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The development will not have adequate cash flow to service the debt beyond year 15.

Underwriter:	*Mark Fugina*	**Date:**	June 15, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 15, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Green Briar Village, Wichita Falls, LIHTC #03104

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
TC40%	1	1	1	750	$306	$217	$217	$0.29	$89.00	$33.00
TC60%	13	1	1	750	459	370	4,810	0.49	89.00	33.00
TC30%	1	2	1	900	276	162	162	0.18	114.00	39.00
TC40%	2	2	1	900	368	254	508	0.28	114.00	39.00
TC50%	1	2	1	900	460	346	346	0.38	114.00	39.00
TC60%	42	2	1	900	552	438	18,396	0.49	114.00	39.00
TC30%	3	3	2	1,100	318	177	531	0.16	141.00	45.00
TC40%	6	3	2	1,100	425	284	1,704	0.26	141.00	45.00
TC50%	2	3	2	1,100	531	390	780	0.35	141.00	45.00
TC60%	49	3	2	1,100	638	497	24,353	0.45	141.00	45.00
TOTAL:	120		AVERAGE:	983	$556	$432	$51,807	$0.44	$124.58	$41.30

INCOME	Total Net Rentable Sq Ft:	117,900	TDHCA	APPLICANT		USS Region	2
POTENTIAL GROSS RENT			$621,684	$621,684		IREM Region	
Secondary Income	Per Unit Per Month:	$13.00	18,720	18,720	$13.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$640,404	$640,404			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(48,030)	(48,036)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0				
EFFECTIVE GROSS INCOME			$592,374	$592,368			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.64%	$377	0.38	$45,234	$44,100	$0.37	$368	7.44%
Management		5.00%	247	0.25	29,619	$23,695	0.20	197	4.00%
Payroll & Payroll Tax		17.41%	860	0.87	103,153	$97,000	0.82	808	16.37%
Repairs & Maintenance		7.60%	375	0.38	45,000	$50,920	0.43	424	8.60%
Utilities		6.29%	311	0.32	37,264	$31,200	0.26	260	5.27%
Water, Sewer, & Trash		5.52%	273	0.28	32,727	$34,000	0.29	283	5.74%
Property Insurance		5.37%	265	0.27	31,833	$40,000	0.34	333	6.75%
Property Tax	2.57979	13.07%	645	0.66	77,394	$78,000	0.66	650	13.17%
Reserve for Replacements		4.05%	200	0.20	24,000	$24,000	0.20	200	4.05%
Other Expenses:Compliance, Secu		1.86%	92	0.09	11,000	$11,000	0.09	92	1.86%
TOTAL EXPENSES		73.81%	$3,644	$3.71	$437,224	$433,915	$3.68	$3,616	73.25%
NET OPERATING INC		26.19%	$1,293	$1.32	$155,150	$158,453	$1.34	$1,320	26.75%
DEBT SERVICE									
First Lien Mortgage		20.58%	$1,016	$1.03	$121,882	$136,923	$1.16	$1,141	23.11%
CBDG Grant		0.00%	$0	$0.00	0		$0.00	$0	0.00%
CBDG Grant		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		5.62%	$277	$0.28	$33,268	$21,530	$0.18	$179	3.63%
AGGREGATE DEBT COVERAGE RATIO					1.27	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.30			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.46%	$1,042	$1.06	$125,000	$125,000	$1.06	$1,042	1.49%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		10.25%	7,292	7.42	875,000	875,000	7.42	7,292	10.43%
Direct Construction		57.71%	41,045	41.78	4,925,349	4,846,568	41.11	40,388	57.75%
Contingency	3.33%	2.26%	1,609	1.64	193,113	193,113	1.64	1,609	2.30%
General Req'ts	5.84%	3.97%	2,823	2.87	338,794	338,794	2.87	2,823	4.04%
Contractor's G & A	1.95%	1.32%	941	0.96	112,931	112,931	0.96	941	1.35%
Contractor's Profit	5.84%	3.97%	2,823	2.87	338,794	338,794	2.87	2,823	4.04%
Indirect Construction		2.13%	1,513	1.54	181,556	181,556	1.54	1,513	2.16%
Ineligible Costs		1.56%	1,107	1.13	132,842	132,842	1.13	1,107	1.58%
Developer's G & A	1.83%	1.53%	1,085	1.10	130,177	0	0.00	0	0.00%
Developer's Profit	13.00%	10.81%	7,691	7.83	922,962	1,053,139	8.93	8,776	12.55%
Interim Financing		1.57%	1,118	1.14	134,171	134,171	1.14	1,118	1.60%
Reserves		1.45%	1,030	1.05	123,622	60,000	0.51	500	0.71%
TOTAL COST		100.00%	$71,119	$72.39	$8,534,310	$8,391,908	$71.18	$69,933	100.00%
Recap-Hard Construction Costs		*79.49%*	***$56,533***	***$57.54***	***$6,783,981***	***$6,705,200***	***$56.87***	***$55,877***	*79.90%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	18.95%	$13,475	$13.72	$1,617,000	$1,617,000	$1,617,000	Developer Fee Available
CBDG Grant	0.12%	$83	$0.08	10,000	10,000	10,000	$1,053,139
LIHTC Syndication Proceeds	79.07%	$56,233	$57.23	6,748,000	6,748,000	6,731,483	% of Dev. Fee Deferred
Deferred Developer Fees	0.20%	$141	$0.14	16,908	16,908	33,425	3%
Additional (excess) Funds Required	1.67%	$1,187	$1.21	142,402	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,534,310	$8,391,908	$8,391,908	$534,607.25

Green Briar Village, Wichita Falls, LIHTC #03104

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 41.98	$4,948,947
Adjustments				
Exterior Wall Finish	6.25%		$2.62	$309,309
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(119,079)
Floor Cover			1.92	226,368
Porches/Balconies	$18.19	10,926	1.69	198,689
Plumbing	$615	180	0.94	110,700
Built-In Appliances	$1,625	120	1.65	195,000
Stairs	$1,625	28	0.39	45,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	173,313
Exterior Halls	$41.98	6,588	2.35	276,537
Comm &/or Aux Bldgs	$57.91	3,900	1.92	225,839
Other:			0.00	0
SUBTOTAL			55.90	6,591,123
Current Cost Multiplier	1.03		1.68	197,734
Local Multiplier	0.89		(6.15)	(725,024)
TOTAL DIRECT CONSTRUCTION COSTS			$51.43	$6,063,833
Plans, specs, survy, bld prm	3.90%		($2.01)	($236,489)
Interim Construction Interest	3.38%		(1.74)	(204,654)
Contractor's OH & Profit	11.50%		(5.91)	(697,341)
NET DIRECT CONSTRUCTION COSTS			$41.78	$4,925,349

PAYMENT COMPUTATION

Primary	$1,617,000	Term	360
Int Rate	6.44%	DCR	1.27

Secondary	$10,000	Term	
Int Rate		Subtotal DCR	1.27

Additional		Term	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$121,882
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$36,571

Primary	$1,617,000	Term	360
Int Rate	6.44%	DCR	1.30

Secondary	$10,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

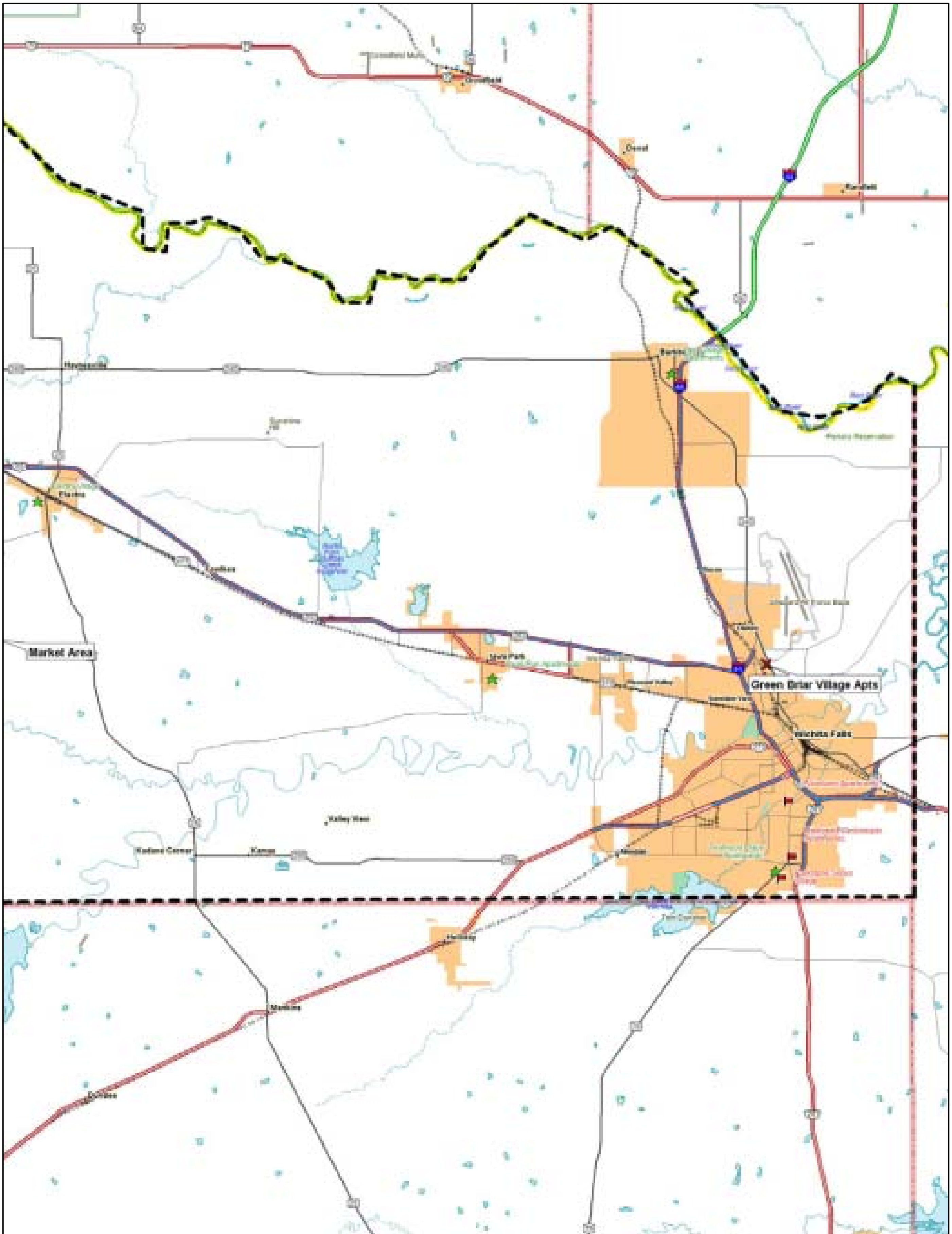
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$621,684	$640,335	$659,545	$679,331	$699,711	$811,157	$940,353	$1,090,127	$1,465,039
Secondary Income	18,720	19,282	19,860	20,456	21,070	24,425	28,316	32,826	44,115
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	640,404	659,616	679,405	699,787	720,780	835,582	968,669	1,122,952	1,509,154
Vacancy & Collection Loss	(48,036)	(49,471)	(50,955)	(52,484)	(54,059)	(62,669)	(72,650)	(84,221)	(113,187)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$592,368	$610,145	$628,449	$647,303	$666,722	$772,913	$896,018	$1,038,731	$1,395,967
EXPENSES at 4.00%									
General & Administrative	$44,100	$45,864	$47,699	$49,607	$51,591	$62,768	$76,367	$92,912	$137,533
Management	23,695	24,406	25,138	25,892	26,669	30,917	35,841	41,550	55,839
Payroll & Payroll Tax	97,000	100,880	104,915	109,112	113,476	138,061	167,973	204,364	302,509
Repairs & Maintenance	50,920	52,957	55,075	57,278	59,569	72,475	88,177	107,281	158,802
Utilities	31,200	32,448	33,746	35,096	36,500	44,407	54,028	65,734	97,302
Water, Sewer & Trash	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Insurance	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Property Tax	78,000	81,120	84,365	87,739	91,249	111,018	135,071	164,334	243,255
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	11,000	11,440	11,898	12,374	12,868	15,656	19,048	23,175	34,305
TOTAL EXPENSES	$433,915	$451,035	$468,832	$487,334	$506,569	$614,788	$746,209	$905,821	$1,335,173
NET OPERATING INCOME	$158,453	$159,110	$159,617	$159,969	$160,153	$158,125	$149,809	$132,909	$60,795
DEBT SERVICE									
First Lien Financing	$121,882	$121,882	$121,882	$121,882	$121,882	$121,882	$121,882	$121,882	$121,882
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$36,571	$37,228	$37,735	$38,087	$38,271	$36,244	$27,927	$11,028	($61,087)
DEBT COVERAGE RATIO	1.30	1.31	1.31	1.31	1.31	1.30	1.23	1.09	0.50

LIHTC Allocation Calculation - Green Briar Village, Wichita Falls, LIHTC #03104

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$125,000	$125,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$875,000	$875,000	$875,000	$875,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,846,568	$4,925,349	$4,846,568	$4,925,349
(4) Contractor Fees & General Requirements				
Contractor overhead	$112,931	$112,931	$112,931	$112,931
Contractor profit	$338,794	$338,794	$338,794	$338,794
General requirements	$338,794	$338,794	$338,794	$338,794
(5) Contingencies	$193,113	$193,113	$193,113	$193,113
(6) Eligible Indirect Fees	$181,556	$181,556	$181,556	$181,556
(7) Eligible Financing Fees	$134,171	$134,171	$134,171	$134,171
(8) All Ineligible Costs	$132,842	$132,842		
(9) Developer Fees				
Developer overhead		$130,177		$130,177
Developer fee	$1,053,139	$922,962	$1,053,139	$922,962
(10) Development Reserves	$60,000	$123,622		
TOTAL DEVELOPMENT COSTS	$8,391,908	$8,534,310	$8,074,066	$8,152,847

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		$10,000	$10,000
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$8,064,066	$8,142,847
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$10,483,286	$10,585,701
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$10,483,286	$10,585,701
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$874,306	$882,847
Syndication Proceeds	**0.7699**	**$6,731,483**	**$6,797,245**
Total Credits (Eligible Basis Method)		**$874,306**	**$882,847**
Syndication Proceeds		**$6,731,483**	**$6,797,245**
Requested Credits		**$876,440**	
Syndication Proceeds		**$6,747,913**	
Gap of Syndication Proceeds Needed		**$6,764,908**	
Credit Amount		**$878,647**	



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HANCE SCARBOROUGH WRIGHT WOODWARD & WEISBART

A Registered Limited Liability Partnership
ATTORNEYS AND COUNSELORS AT LAW

JAY B. STEWART
E-MAIL: jstewart@hswgb.com

111 CONGRESS AVENUE
SUITE 500
AUSTIN, TEXAS 78701
(512) 479-8888
(512) 482-6891 (FACSIMILE)

OTHER LOCATIONS:
DALLAS (NORTH),
DALLAS (DOWNTOWN)
WASHINGTON, D.C.

July 23, 2003

via hand delivery

Honorable Members of the Board
Texas Department of Housing and Community Affairs
507 Sabine Street
Austin, TX 78701

RE: Board Appeal of Executive Director's Decision
Green Briar Village, TDHCA Project No. 03104.

Dear Honorable Members of the Board of the Texas Department of Housing and Community Affairs:

Please note that our firm has been retained to represent the above referenced applicant in regards to its TDHCA Project No. 03104. On June 15, 2003, the Department's Underwriting staff recommended against this project due to a concern of debt service coverage in year 25 of the project. The applicant's appeal to the Executive Director regarding Underwriting staff's recommendation was denied on July 7, 2003 on grounds that the Applicant's expenses estimates did not increase at the required 4% per annum over the full 30 year term. In accordance with Section 49.18(b)(4) of the 2003 Qualified Allocation Plan and Rules, please accept this correspondence as a formal appeal to the Board of Underwriting staff's recommendation and of the Executive Director's July 7, 2003 denial letter.

This appeal comes down to one decision by the Board: "Did Underwriting properly assess the estimated overall expenses for the project?"

Underwriting's conclusion on the amount of estimated expenses results in the Debt Coverage Ratio ("DCR") for this project falling below the required 1.10 minimum in year 25. However, if the Board was to use its own database-derived estimate for expenses, as required by 10 TAC §1.32(d)(5), the project's DCR <u>never</u> falls below 1.10, and the sole issue of contention is resolved. The project can therefore be funded.

Underwriting raises no issue with the Applicant's Net Operating Income ("NOI") estimates. (See pg. 4 of the June 15, 2003 Underwriting Analysis (hereinafter referred to as "Analysis"). The sole reason stated for denial of this application is that "*The development is not feasible in the long term as it fails to meet its debt service payment by year 25.*" (Analysis Pg. 1).

Underwriting's Analysis uses an overall expense estimate for Year One of $433,915. The DCR is therefore calculated as follows:

Underwriting's Estimate	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
TOTAL ANNUAL EXPENSES	$433,915	$451,035	$468,832	$487,334	$508,569	$614,788	$746,200	$905,821	$1,335,173
NET OPERATING INCOME	$158,453	$159,110	$159,017	$158,809	$160,153	$168,125	$149,808	$132,808	$80,795
DEBT COVERAGE RATIO	1.30	1.31	1.31	1.31	1.31	1.30	1.23	1.09	0.50

However, using the Regional Operating Expense Database numbers for Region 2 (attached), Total Annual Expense is calculated as $3,264 per unit multiplied by the proposed 120 units, or $391,680 for Year One.[1] Based upon the Department's own database-derived estimate for expenses, the project's DCR does not dip below the Department's minimum of 1.10.

TDHCA Database-derived Est.	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30
TOTAL ANNUAL EXPENSES	$393,120	$408,845	$425,199	$442,207	$459,895	$559,532	$680,757	$828,245	$1,007,686	$1,226,004
NET OPERATING INCOME	$199,254	$201,300	$203,251	$205,096	$206,827	$213,381	$215,262	$210,486	$196,488	$169,963
DEBT COVERAGE RATIO	1.62	1.64	1.65	1.67	1.68	1.73	1.75	1.71	1.60	1.38

Underwriting is, of course, not bound to use the database-derived estimate for its sole calculation of estimated expenses for a project. However, 10 TAC §1.32(d)(5) requires that for a new development such as this project, the Department's database "provides the most heavily relied upon data points." The rule does allow for other sources of information, such as market analysis and the application's estimates to be considered permissively, but only after consideration of the Department's database.

And most notable, Underwriting's overall expense estimate is over 10% higher than the TDHCA database-derived estimate.[2] Underwriting's Conclusion on page 4 of the Analysis that the higher expense estimate is "*within 5% of the database-derived estimate*" is not accurate. Use of

---

[1] The Total Annual Expenses in Chart 2 above is $1,440 more than the Department's database due to the Applicant's lender-required additional expenses for Reserves for Replacements.

[2] The difference between the expense estimates is $40,795, or 10.4% greater than the TDHCA database-derived estimate.

Underwriting's much higher expense estimate fails the 5% test for reasonableness of 10 TAC §1.32(d)(5).

The Underwriting's Analysis does recognize an alternative recommendation to that of denial. The Analysis on page 1 states "*Should the Board waive the long term feasibility requirement an allocation of tax credits should be limited to not more than $874,306.*" This small reduction is acceptable to the Applicant. The Applicant's desire remains to provide affordable housing to the citizens of Wichita Falls, and hopes that the Board will allow it to do so.

This project has been recommended for denial based on a predicted event occurring in Year 25 of the project. This remote event, however, has been predicted to occur based on a highly subjective estimate of overall expenses that is clearly higher than the Department's "most heavily relied upon data points." Using the Department's own database, this project's long term feasibility is sound.

The project is needed in Wichita Falls. Please find enclosed copies of two further recent letters of support reiterating Wichita Falls continued commitment to this project. Both the Wichita Falls Department of Community Development and Wichita Falls Board of Commerce & Industry reassert that their community has a dire need for the housing that the Green Briar Village will provide the citizens of Wichita Falls.

Considering the foregoing discussion, the applicant respectfully requests that Project No. 03104 be reinstated and considered favorably for a grant of 2003 tax credits.

Thank you for your attention to this matter. Please feel free to contact me with any questions or comments.

Sincerely,

Jay B. Stewart

enclosure

cc: Edwina Carrington, Executive Director, TDHCA
Client

Region 2 More Than 76 Units
(7 developments 1198 units)

OPERATING EXP	PER UNIT	PER Sq. Ft.	AVERAGE(annual)		RANGE PER UNIT		RANGE PER FOOT	
			171.14 Units	150547 Sq. Ft.	HIGH	LOW	HIGH	LOW
General & Administrative	$350	$0.41	$59,835	$61,947	$ 641	$ 164	$ 0.67	$ 0.19
Management	206	0.25	$35,286	$37,414	$ 293	$ 87	$ 0.39	$ 0.09
Payroll & Payroll Tax	796	0.94	$136,266	$141,431	$ 1,223	$ 279	$ 1.77	$ 0.46
Repairs & Maintenance	447	0.55	$76,551	$83,502	$ 694	$ 283	$ 1.13	$ 0.35
Utilities	311	0.42	$53,145	$62,925	$ 1,247	$ 83	$ 1.81	$ 0.10
Water, Sewer & Trash	253	0.30	$43,254	$44,853	$ 373	$ 127	$ 0.44	$ 0.16
Insurance	154	0.19	$26,308	$28,624	$ 239	$ 96	$ 0.28	$ 0.10
Property Tax	559	0.64	$95,724	$96,483	$ 788	$ 282	$ 0.82	$ 0.41
Reserve for Replacement	188	0.24	$32,197	$35,408	$ 355	$ 2	$ 0.51	$ 0.00
	$ 3,264	$ 3.94	$ 558,566	$ 592,587	$ 4,539	$ 2,467	$ 6.58	$ 3.14

Region 3 Less Than 16 Units
(9 developments 77 units)

OPERATING EXP	PER UNIT	PER Sq. Ft.	AVERAGE(annual)		RANGE PER UNIT		RANGE PER FOOT	
			8.56 Units	8160 Sq. Ft.	HIGH	LOW	HIGH	LOW
General & Administrative	$119	$0.14	$1,018	$1,177	$ 486	$ 8	$ 0.54	$ 0.01
Management	606	0.57	$5,182	$4,668	$ 1,471	$ 204	$ 1.29	$ 0.19
Payroll & Payroll Tax	884	0.76	$7,562	$6,225	$ 1,731	$ 160	$ 1.52	$ 0.22
Repairs & Maintenance	963	1.06	$8,235	$8,675	$ 2,600	$ 270	$ 2.89	$ 0.19
Utilities	235	0.42	$2,012	$3,395	$ 1,271	$ 15	$ 2.54	$ 0.01
Water, Sewer & Trash	206	0.27	$1,766	$2,222	$ 564	$ 16	$ 0.72	$ 0.02
Insurance	367	0.38	$3,140	$3,120	$ 594	$ 221	$ 0.51	$ 0.31
Property Tax	589	0.76	$5,040	$6,205	$ 850	$ 374	$ 0.94	$ 0.65
Reserve for Replacement	129	0.14	$1,105	$1,149	$ 313	$ 25	$ 0.35	$ 0.02
	$ 4,098	$ 4.51	$ 35,060	$ 36,837	$ 4,492	$ 1,859	$ 5.26	$ 1.71

Region 3 16 to 76 Units
(66 developments 2582 units)

OPERATING EXPENSE	PER UNIT	PER Sq. Ft.	AVERAGE(annual)		RANGE PER UNIT		RANGE PER FOOT	
			39.12 Units	30982 Sq. Ft.	HIGH	LOW	HIGH	LOW
General & Administrative	$215	$0.27	$8,399	$8,490	$ 604	$ 13	$ 0.79	$ 0.01
Management	331	0.43	$12,955	$13,465	$ 622	$ 77	$ 1.06	$ 0.13
Payroll & Payroll Tax	595	0.76	$23,283	$23,650	$ 1,443	$ 18	$ 1.68	$ 0.02
Repairs & Maintenance	623	0.78	$24,369	$24,234	$ 1,767	$ 19	$ 1.92	$ 0.03
Utilities	223	0.29	$8,723	$9,015	$ 1,143	$ 10	$ 1.34	$ 0.01
Water, Sewer & Trash	438	0.58	$17,121	$17,944	$ 1,693	$ 18	$ 2.75	$ 0.02
Insurance	186	0.24	$7,275	$7,570	$ 389	$ 10	$ 0.62	$ 0.02
Property Tax	408	0.53	$15,950	$16,308	$ 1,026	$ 133	$ 1.16	$ 0.20
Reserve for Replacement	217	0.28	$8,484	$8,742	$ 611	$ 5	$ 0.80	$ 0.01
	$ 3,235	$ 4.18	$ 126,560	$ 129,418	$ 4,951	$ 1,154	$ 6.29	$ 1.97

Calculated Based on TDHCA Regional Operating Expense Database for Region 2

EXHIBIT 3. ACTIVITY OVERVIEW

Part G. 30 Year Rental Housing Operating Proforma

For rental developments, a proforma matching the term of the low income restriction the development will be subject to is required. The proforma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses) and include principal and interest debt service after net operating income is determined. The proforma can be shown in five year increments after the first five years. The Department currently considers annual growth rate to be 3% for income and 4% for expenses to be a reasonably conservative estimate for future growth rates. Written explanation for any deviations from this growth rate or for assumptions other than straight-line growth made during the proforma period should be attatcehd to the proforma.

INCOME	RENT-UP PER. # OF Mos 10	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30
POTENTIAL GROSS ANNUAL RENTAL INCOME	$450,000	$621,684	$640,335	$659,545	$679,331	$699,711	$811,157	$940,353	$1,090,127	$1,263,756	$1,465,039
Secondary Income		18,720	19,282	19,860	20,456	21,070	$24,425	28,316	32,826	38,054	44,115
POTENTIAL GROSS ANNUAL INCOME	$450,000	$640,404	$659,616	$679,405	$699,787	$720,780	$835,582	$968,669	$1,122,952	$1,301,809	$1,509,154
Provision for Vacancy & Collection Loss(7.5%)		(48,030)	(49,471)	(50,955)	(52,484)	(54,059)	(62,669)	(72,650)	(84,221)	(97,636)	(113,187)
Rental Conessions											
EFFECTIVE GROSS ANNUAL INCOME	$450,000	$592,374	$610,145	$628,449	$647,303	$666,722	$772,913	$896,018	$1,038,731	$1,204,174	$1,395,967
EXPENSES											
General & Administrative Expenses	$20,000	$ 42,000	$43,680	$45,427	$47,244	$49,134	$59,779	$72,730	$88,488	$107,659	$130,983
Management Fee	20,000	24,720	$25,709	$26,737	$27,807	$28,919	$35,184	$42,807	$52,081	$63,365	$77,093
Payroll, Payroll Tax & Employee Benefits	50,000	95,520	$99,341	$103,314	$107,447	$111,745	$135,955	$165,410	$201,246	$244,847	$297,894
Repairs & Maintenance	25,000	53,640	$55,786	$58,017	$60,338	$62,751	$76,346	$92,887	$113,011	$137,496	$167,284
Electric & Gas Utilities	25,000	37,320	$38,813	$40,365	$41,980	$43,659	$53,118	$64,626	$78,628	$95,663	$116,388
Water, Sewer & Trash Utilities	30,000	30,360	$31,574	$32,837	$34,151	$35,517	$43,212	$52,574	$63,964	$77,822	$94,682
Annual Property Insurance Premiums	30,000	18,480	$19,219	$19,988	$20,787	$21,619	$26,303	$32,001	$38,935	$47,370	$57,633
Property Tax	12,000	67,080	$69,763	$72,554	$75,456	$78,474	$95,476	$116,161	$141,327	$171,946	$209,199
Reserve for Replacements		24,000	$24,960	$25,958	$26,997	$28,077	$34,159	$41,560	$50,564	$61,519	$74,848
Other Expenses:											
TOTAL ANNUAL EXPENSES	$212,000	$393,120	$408,845	$425,199	$442,207	$459,895	$559,532	$680,757	$828,245	$1,007,686	$1,226,004
NET OPERATING INCOME	$238,000	$199,254	$201,300	$203,251	$205,096	$206,827	$213,381	$215,262	$210,486	$196,488	$169,963
DEBT SERVICING											
First Deed of Trust Annual Loan Payment	$75,000	$123,056	$123,056	$123,056	$123,056	$123,056	$123,056	$123,056	$123,056	$123,056	$123,056
Second Deed of Trust Annual Loan Payment											
Third Deed of Trust Annual Loan Payment											
Other Annual Required Payment:											
NET CASH FLOW	$163,000	$76,198	$78,244	$80,195	$82,040	$83,771	$90,325	$92,206	$87,430	$73,432	$46,907
Debt Coverage Ratio	3.17	1.62	1.64	1.65	1.67	1.68	1.73	1.75	1.71	1.60	1.38

Wichita Falls TEXAS

Department of Community Development
(940) 761-7451

July 15, 2003

Mr. Randy Stevenson
Southwest Housing Providers, L.L.C.
2400 A Roosevelt Dr.
Arlington, TX 76016

Dear Mr. Stevenson:

We would like to confirm recent comments made from officials at Sheppard Air Force Base regarding the need for nearby housing. Some of these comments were repeated at an economic forum breakfast sponsored by the Board of Commerce and Industry as documented in an article in the Times Record News on July 14, 2003. This information is being offered in support of the proposed Green Briar apartments in Wichita Falls that is an applicant for low income housing tax credits (LIHTC).

Base officials have explained that with an increasing work force, a pending reduction of housing on base, and employee benefit circumstances, nearby housing is very needed. On base housing for "permanent party" (3 to four year stays) will be reduced, due to reconstruction plans and physical limitations. The length of time for assignment to a particular base is being slightly reduced, but it may affect the economics of buying a house in the local community. It was further explained that the base exchange, commissary, recreational opportunities, etc., and whatever reduced costs and services come with those are part of the overall military pay system. Therefore, living on or near the base is of increased benefit. The proposed site for the Green Briar apartments is a half mile from the Base and less than a mile from the main gate (approximately two minutes).

All of these combine to add to the importance of the further development of affordable housing in Wichita Falls, particularly near the Base. We support the LIHTC application for Green Briar and hope that TDHCA will provide a positive review.

Sincerely,

David A. Clark
Director

WICHITA FALLS
BOARD OF COMMERCE & INDUSTRY

July 14, 2003

Mr. Randy Stevenson
Southwest Housing Providers. L.L.C.
2400 A Roosevelt Dr.
Arlington, TX 76016

Dear Mr. Stevenson:

This letter is being offered in support of the proposed Green Briar apartments project in Wichita Falls that is an applicant for low-income housing tax credits. The Wichita Falls Board of Commerce and Industry (BCI) is the Chamber of Commerce and Economic Development organization for the City of Wichita Falls.

In recent years the BCI, in concert with the City of Wichita Falls and many other organizations, has helped to create over 6,000 new primary and secondary jobs. These new jobs are a result of existing and new manufacturing, service, and retail companies that have either completed recent expansions or are nearing completion. With these new jobs comes the opportunity for our community to grow its population. Population growth will be greatly enhanced by the addition of housing designed to meet the needs of the growing workforce.

Additionally, we believe the potential exists over the next several years for Sheppard Air Force Base to reduce the number of housing units on base thereby increasing demand for private sector housing in Wichita Falls and the surrounding communities.

For these reasons, we support the proposed Green Briar apartment project. And believe it will be a welcome addition to the affordable housing facilities already located in Wichita Falls.

Sincerely,

Tim Chase

Tim Chase
President/CEO

Cc: Dave Clark, Community Dev. Dir. City of Wichita Falls
Tommy McCulloch, BCI Chairman

900 8th Street, Suite 218 PO Box 1860 Wichita Falls, Texas 76307-1860 (940) 723-2741 Fax (940) 723-8773 www.wichitafallscommerce.com

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry
GOVERNOR

Edwina P. Carrington
EXECUTIVE DIRECTOR

July 7, 2003

Mr. Randy Stevenson
SWHP Whichita Falls, L.P.
2400-A Roosevelt
Arlington, TX 76016
Telephone: (817) 261-5088
Fax: (817) 261-5095

Re: Response to appeal received June 23, 2003
Green Briar Village TDHCA Project No. 03104

Dear Mr. Stevenson:

Consistent with §49.18(b) of the 2003 Qualified Allocation Plan and Rules (QAP), I am writing in response to the appeal that we received on June 23, 2003 on the above-referenced development. I have carefully reviewed the application you submitted, as well as your appeal.

Appeal Review

Your appeal contests the increase rate on the replacement for reserves. Unfortunately, there is no provision in the Department's rules to allow the reserve for replacements expense to increase at less than 4%. The underwriting rules that speak to this issue only allow for the underwriter to accept a higher replacement reserve if mandated by the lender. The Excel worksheet provided by the Department to Applicants completing the application includes a predetermined formula to increase all expenses, including the reserve for replacements, at four percent per annum as prescribed in 10TAC§1.32(d)(7). In this case $200 was used as the initial amount since that is what was indicated in the operating expenses identified in your application. Using the lender's anticipated higher $250 per unit initially would only further exacerbate the lack of available NOI to service the anticipated debt and worsen the long term infeasibility of this transaction.

Your appeal also indicates that the reserves should be fully funded by year 30 and should not need $623 per unit in expense set aside for reserves. It is typical of aging multifamily developments, however, to need some level of significant rehabilitation every ten years and therefore it is quite likely that the reserve balance will be significantly depleted (possibly several times) by the anticipated date of restructure of the primary debt, much less the end of the minimum 30 year affordability period. In addition, increasing the reserves as proposed in the Department's rules, and as done in the underwriting, would cumulatively provide only $11,217 per unit after 30 years if none has been withdrawn for repairs before the end of the 30 years. Therefore, the estimated expense for reserves per unit in year 30 is quite reasonable.

Appeal Determination

The Underwriter's conclusion that the projected net operating income is insufficient to service the anticipated debt even if it were to be successfully restructured at the end of 18 years at today's interest rates is warranted. Therefore, the appeal is denied. The Application will not be reinstated.

Please note that the other errors reflected in your letter indicated that the site was erroneously labeled as being located in the flight path of Sheppard Air Force Base. That finding included that the airport was less than one mile from the site, which appears to be confirmed by the map provided in your appeal letter. The map shows clearly that the site is within an elevated noise contour, though not as high as the runway and taxi ways. This concern, while significant, was not addressed in the underwriter's comments regarding the Phase I ESA and was not raised to the level of an unresolved condition of the report and therefore no further action regarding it is recommended at this time.

Section 49.18(b)(4) of the 2003 QAP states that if you are not satisfied with this response to your appeal, you may appeal directly in writing to the Board of the Texas Department of Housing and Community Affairs. Please note that an appeal filed with the Board must be received by the Board before the seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made. To have an appeal considered by the Board at the July 30 Board meeting, the appeal must be received by Delores Groneck, Board Secretary, no later than July 23, although it is strongly suggested that you submit it by July 16, 2003.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Edwina Carrington

Edwina Carrington
Executive Director

SW HOUSING PROVIDERS LLC
2400 A Roosevelt
Arlington, Texas 76016
(817) 261-5088
fax (817) 261-5095

May 31, 2003

Ms Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine, Suite 300
Austin, Texas 78701

Via Federal Express - number 8409 9653 2197

Re: Green Briar Village
TDHCA number 03104

Dear Ms. Boston:

We have reviewed the staff recommendations for tax credit commitments in 2003 and find that the Green Briar Village Apartments in Wichita Falls was not recommended by the Real Estate Analysis Division based on poor financial feasibility. This project is in Region 2, an undersubscribed region by $688,559. This project requested $877,490 in credits. We received the Multifamily Underwriting Analysis yesterday and have reviewed it. **We must appeal the staff's analysis of the financial feasibility of this project and ask that the project be awarded either a commitment for tax credits in 2003 or a forward commitment of credits in 2004.**

The underwriting analysis states:

"Not Recommended Due to the Following:

- ✔ *The Development is not feasible in the long term as it fails to meet its debt service payment by year 25*
- ✔ *Should the board waive the long term feasibility requirement an allocation of tax credits should be limited to not more than $874,306 subject to the following conditions: ... "*

In the "Operating Proforma Analysis" section of the report, the underwriter states:

"However, based on a proforma with income increasing 3% annually and expenses increasing 4% annually, the development will attain below 1.10 DCR by year 24, thus not being able to service the debt over the standard 30-year period. The Applicant claims that the permanent loan will mature in year 18 and at that time the Applicant will refinance the remaining debt over an additional 30 year period, resulting in a lower debt service, however the Underwriter calculated that debt service to be $88K per year which

is still more than the anticipated NOI in year 30. The Applicant has apparently utilized an expense multiplier of less than 4% or roughly 3.9% annually in the last proforma presented."

During review of this project by the underwriting staff, we responded to some questions with a revised 30 year projection of the income and expenses for the project. The 30 Year Rental Housing Operating Proforma was prepared using the Excel form provided by the TDHCA. Checking the formulas in the spreadsheet, we find the expenses were increased 4% per year. The replacement reserve was not increased 4% per year because that is not a requirement of the loan commitment. Replacement reserves were set at $250 per unit per year for the refinancing however.

The terms of the loan commitment from Lend Lease dated February 26, 2003 were used to determine the debt service. The terms in this commitment letter are a $1,617,000 loan at 6.44%, 30 years amortization and 18 year term. The payments would be $123,056 annually on these terms, and the principal balance at the end of 18 years would be $1,007,248. Refinancing the project in 2023 (18 years from the expected date of permanent loan closing) was assumed to be at the principal balance and at 7%, amortized over a 30 year period. These payments would be $81,170 annually.

The Underwriter's NOI in Year 30 is $60,795. It is based on a replacement reserve of $74,848, or $623 per unit. This isn't a reasonable set aside for reserves for a project that should have fully funded reserve accounts by that time. If a more reasonable assumption is used for replacement reserves, like $300 per unit, the limit suggested in HB 2546 for existing properties to receive relief from ad valorem taxes, then the Total Expenses become $1,296,325 and the NOI $100,642. This is a debt service coverage of 1.24 in year 30.

This project is feasible in year thirty using the underwriter's assumptions with the exception of the 4% annual increase in replacement reserves. It is interesting that the underwriter recommends a reduction in tax credits at this time, indicating that there is an excess of sources of funds initially, while, at the same time indicating the project is not feasibility based on assumptions 30 years hence. .

There are other errors in the underwriting report. The site is said to be in the flight path of Sheppard Air Force Base. That is not correct. Care was taken in selecting a site that was not in the flight path and had a lower decibel level. Attached is a current noise contour map showing the site location.

The Wing Commander at Sheppard has indicated that they have a 200 person waiting list for affordable rental units in the area and are demolishing 300 units of base housing. Current conditions dictate that base personnel live near the base in case of an emergency. They need this housing.

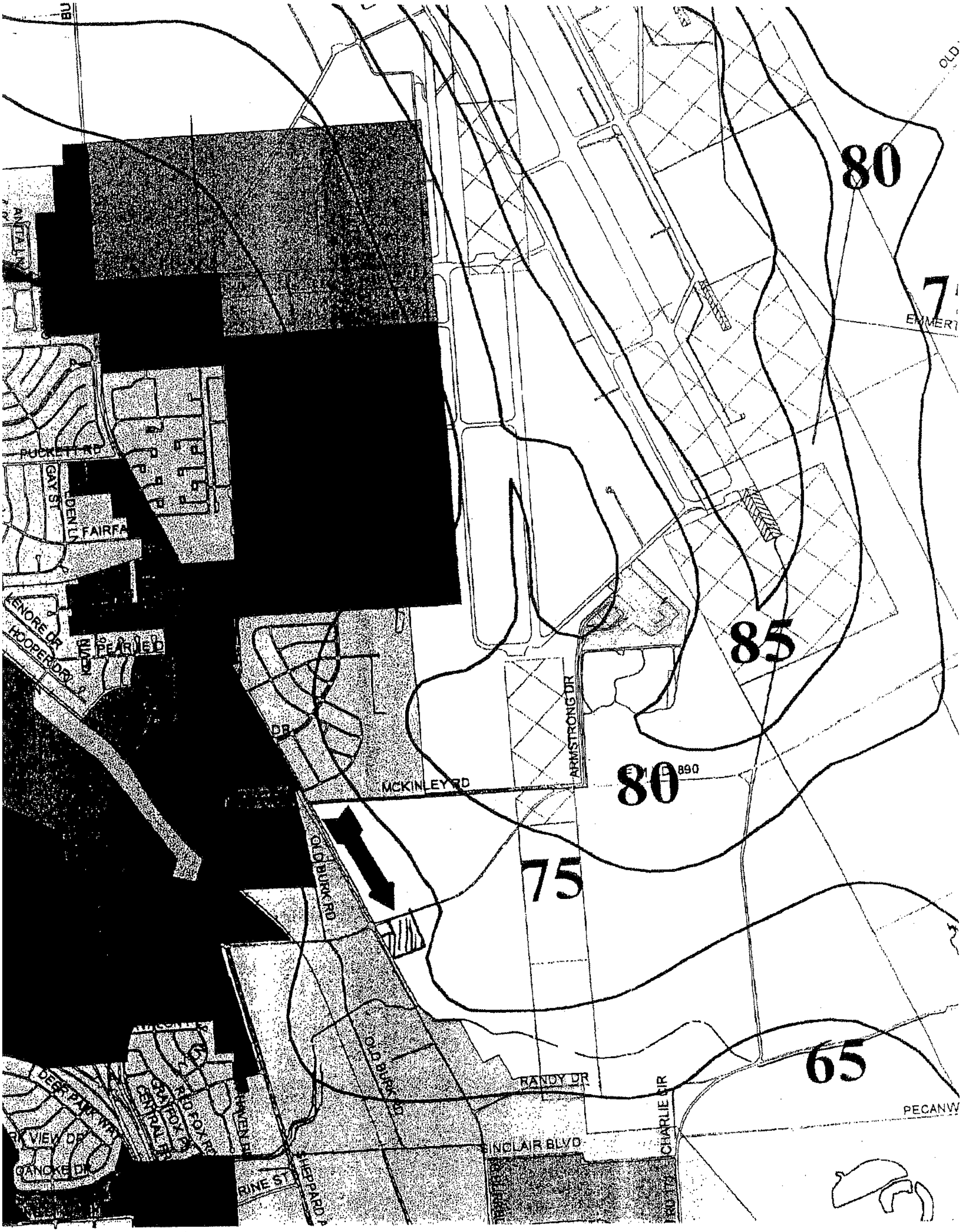
Green Briar Village should receive an allocation of tax credits this year because:

- It is financially feasible to build, and at the end of 30 years of operation,
- The housing is needed by the community at large and Sheppard Air Force Base in particular,
- Region 2 is seriously undersubscribed

If you have further questions, please contact us.

Sincerely,

Randy Stevenson, member
SW Housing Providers, LLC



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