05-02-02

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF MAY 9, 2002

Michael Jones, Chair
C. Kent Conine, Vice-Chair

Beth Anderson, Member	Shadrick Bogany, Member
Vidal Gonzalez, Member	Norberto Salinas, Member

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Hilton Austin North, 6000 Middle Fiskville Road, Austin, Texas 78752
May 9, 2002 9:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL Michael Jones
CERTIFICATION OF QUORUM Chair of Board

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 11, 2002 — Michael Jones

Item 2 Presentation, Discussion and Possible Approval of Financial Items: — C. Kent Conine
- a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For Stonebrook Villas, McKinney, Texas in an Amount not to Exceed $12,200,000
- b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Veteran's Memorial (a.k.a. Parkway Pointe), Houston, Texas in an Amount not to Exceed $14,700,000 and Other Related Matters
- c) Approval of Request for Proposals for Trustee Services for the Departments Single Family Mortgage Revenue Bond Indentures and Other Related Matters
- d) Approval of Resolution Approving Documents Relating to the Issuance of Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C, and 2002 Series D and Other Related Matters
- e) Approval of Underwriting Team for the Issuance of Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C, 2002 Series D and Other Related Matters

Item 3 Presentation, Discussion and Possible Approval of Programmatic Items: — Shadrick Bogany
- a) Approval of Section 8 Program Public Housing Authority Plan for the Year 2002 and Other Related Matters
- b) Approval of the Proposed Rules Relating to the Housing Sponsor Tenant and Management Selection
- c) Approval of the HOME Program Awards for Disaster Relief:

Applicant	Act.	Score	Region	Units	Rec. Amount
City of Kenedy	OCC	251	8A	6	$312,000
City of Stockdale	OCC	241	8A	7	$364,000
Jim Wells County	OCC	267	8B	9	$520,000
Rural Eco. Asst. League	OCC	257	8B	9	$520,000
Inst. For Rural Dev.	OCC	257	8B	9	$520,000
City of Freer	OCC	246	8B	9	$520,000
City of Alice	OCC	256	8B	10	$520,000
City of Paducah	OCC	226	8B	25	$520,000
Paducah Friends of Lib.	OCC	220	02	9	$520,000
Cottle County	OCC	220	02	9	$520,000

City of Hondo	OCC	247	02	10	$520,000
Medina County	OCC	257	02	9	$520,000

Item 4 Presentation, Discussion and Possible Approval of Report from Audit Committee: — Vidal Gonzalez

a) Approval of Amended Fiscal Year 2002 Audit Plan

External Audit Reports:

Deloitte & Touche: Report to Management Year Ended 08-31-01;
KPMG / State Auditors Office: Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control over Compliance in Accordance with OMB Circular A-133;

Internal Audit Reports:

Status of Prior Audit Issues
Summary Status of Internal/External Audits
Central Database Project Status Report

Item 5 Presentation, Discussion and Possible Approval of Four Percent (4%) Low Income Housing Tax Credit Items: — Michael Jones

a) Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Projects with TDHCA as Issuer:

01465	Stonebrook Villas	McKinney, Texas
02404	Veterans Memorial	Houston, Texas

b) Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Projects with Local Bond Issuers:

01482	North Arlington Srs.	Arlington, Texas
02403	Matthew Ridge Apts.	Houston, Texas

Item 6 Presentation, Discussion and Possible Approval of Proposed Rules Relating To the Process for Certifying Community Housing Development Organizations — Michael Jones

Item 7 Presentation, Discussion and Possible Approval of Adoption of Multifamily Bond Program Property Tax Exemption Policy — Michael Jones

REPORT ITEMS

Executive Directors Report — Edwina Carrington

Taxable Junior Lien Mortgage Revenue Bonds, Series 2002A Pricing and Closing
Single Family Mortgage Revenue Bond Indenture Economics
Collateralized Home Mortgage Revenue Bonds, Series 1991A, GNMA Sale, Closing and Bond Redemption
Urban Affairs Meeting of 05-08-02

EXECUTIVE SESSION — Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION — Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN

Michael Jones
Chair of Board

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

MAY 9, 2002

ROLL CALL

	Present	Absent
Michael Jones, Chair	___________	___________
Anderson, Beth, Member	___________	___________
Bogany, Shadrick, Member	___________	___________
Conine, C. Kent, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Salinas, Norberto, Member	___________	___________

Number Present ___________

Number Absent ___________

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 11, 2002

ACTION ITEM

Approval of the Minutes of the Board Meeting of April 11, 2002.

BACKGROUND

The Board shall approve minutes of each meeting. These minutes shall be approved as written or with revisions, changes, etc.

RECOMMENDATIONS

The Board Secretary is requesting approval of the minutes of the meeting of April 11, 2002.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
City Council Chambers, 901 Bagby, Second Floor, Houston, Texas
April 11, 2002 12:00 Noon

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of April 11, 2002 was called to order by Board Chair Michael Jones at 12:45 p.m. It was held at the City Council Chambers, Second Floor, 901 Bagby, Houston, Texas. Roll call certified a quorum was present. Vidal Gonzalez and C. Kent Conine were absent.

Members present:
Michael Jones -- Chair
Shadrick Bogany -- Member
Norberto Salinas -- Member
Beth Anderson -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

Mr. Michael Jones thanked the City of Houston for the use of the City Council Chambers for this meeting.

PUBLIC COMMENT

The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

Mr. Jones called for public comment and the following gave comments at this time.

David Turkel, Director of Harris County Office of Economic Development, Houston, Texas

Mr. Turkel stated there is an issue creating a problem in Harris County which revolves around Section 11.1-2 Texas Property Tax Code. The problem occurs when bonds are approved that are used to acquire properties that will be owned or operated by CHDOs. This results in the properties receiving a 100% ad valorem tax exemption. In the past 4 years, Harris County has had over $2,000,000 removed from the tax rolls without the tax units losing the revenues having any say in the matter.

He stated this is bad public policy to promote this program at the expense of others. He asked the Board to adopt a policy of requiring as a prerequisite to approval of bonds, for the applicant to either have to enter into an agreement for the payment in lieu of taxes - PILOT Program - with the taxing units that are affected or to go to each of those taxing units and secure a letter of non opposition.

John Palmer, City of Houston, Office of Council Member at Large Position 3, Shelley Sekula-Rodriguez' Office, Houston, Texas

Mr. Palmer read a letter into the record from Houston Council Member at Large Position 3, Shelley Sekula-Rodriguez which stated:

"It is my request that the TDHCA adopt a formal policy that requires developer/owners of properties in Harris County in the City of Houston, who would qualify for Section 11.182 ad valorem tax exemption, (CHDOs exemptions) to provide one of the following as a prerequisite to bond issuance approval. (1) A PILOT program (payment in lieu of taxes) agreement with Harris County, the City of Houston, and local school districts, which include all affected taxing units as third party beneficiaries are, a letter of non opposition from each affected taxing unit. This will allow each jurisdiction to negotiate the terms for its own PILOT agreement. By having the ability to negotiate a PILOT agreement in these situations, we, Harris County and the City of Houston and affected school districts, will recover a portion of the lost taxing revenue." Respectfully submitted, Shelley Sekula-Rodriguez, Council Member at Large Position 3, City of Houston.

Ray Ocanas, Austin, Texas
Mr. Ocanas requested to speak when Items 2(c) and 7 were presented.

Don Currie, Brownsville CDC, Brownsville, Texas
Mr. Currie requested to speak with Item 2(c) was presented.

George Hammerlin, Office of Tax Assessor/Collector Paul Bettencourt's Office, Houston, Texas
Mr. Hammerlin stated they receive hundreds of calls each day from senior citizens who are being taxed out of their homes. As more financial institutions come on board, more taxes are shifted to the homeowners due to CHDOs being certified by the state. He encouraged the Board to adopt the proposal of the PILOT Program.

Robert Kelly, Hutton Building Corporation, El Paso, Texas
Mr. Kelly requested to speak when Item 4 was presented.

John Henneberger, Co-Director, Texas Low Income Housing Service, Austin, Texas
Mr. Henneberger shared materials with the Board that he developed for the Urban Affairs Committee Meeting on sub prime lending. He stated TDHCAs Sunset legislation directs TDHCA to prepare a market analyses on the unmet economic and geographic home mortgage credit needs in the state. He stated TDHCA staff is making good progress on this project and asked that the department not become a predatory or exploitive lender which would be a serious mistake. TDHCA should be careful and evaluate its lending assets and determine how to target those assets so as to offset the bad practices of those who have abused the market in the past. They should not put people who should be getting a decent home into a situation of paying high credit rates.

Dora Brown, SCAN, Austin, Texas
Ms. Brown spoke on Kingfisher Creek which is a tax credit project in Austin, Texas. She stated the neighborhood group was against this project as environmental factors have been ignored and the project is overly dense. There are plans to have 3 story buildings and this will not fit in with the neighborhood plan. There is only one entrance and exit out of the proposed property and it opens into a narrow, winding, heavily traveled street with no shoulders and steep ditches on the sides. The traffic moves very fast in this area and there is no bus stop. There are no neighborhood amenities and there are only a few amenities which plan to be offered for this project.

Lee Sloan, SCAN, Austin, Texas
Mr. Sloan stated he is a member of the Kensington Park Neighborhood Association, Austin, Texas and Kingfisher Creek, TDHCA Project No. 0062, has a deadline of April 15, 2002 for commencement of substantial construction on the project. Kingfisher has been granted one extension on the project but they have no subdivision planned. There have no site plan and no building permit for the project.

Barry Palmer, Copperwood Ranch, Houston, Texas
Mr. Palmer requested to speak when agenda Items 4(b) and 7 were presented.

Michael Bobinchuck, Georgetown, Texas
Mr. Bobinchuck requested to speak when agenda Item No. 4(b) was presented.

Rosie Jones
Ms. Jones requested to speak when the agenda item was presented.

This was the final witness affirmation form received by Chair Michael Jones and he then closed public comments but would re-open it when an item was presented that the public requested to speak.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of February 21, 2002

Motion made by Shadrick Bogany and seconded by Beth Anderson to approve the minutes of the Board Meeting of February 21, 2002.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of Financial Items:

a) Acceptance of Second Quarter Investment Report

Mr. Bill Dally, CFO, asked the Board to accept the second quarter investment report for the period ending 02-28-02. The portfolio increased by $38,000,000 with a total of $1.29 billion in the portfolio as a whole. The portfolio is composed of: 60% mortgage backed securities; 30% guaranteed investment contracts and investment agreements; 8% repurchase agreements; and 2% others.

Mr. Dally also stated that Mr. Conine asked at the February Board Meeting that Mr. Dally comment on an editorial that appeared in the Wall Street Journal on Fannie Mae. Mr. Dally has done that by the means of a letter which will be mailed to the Board on Friday, April 12th.

Motion made by Beth Anderson and seconded by Shadrick Bogany to accept the investment report as presented.
Passed Unanimously

b) Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Park Meadows Apartments, Boerne, Texas, in an Amount not to Exceed $4,700,000 and Other Related Matters

Mr. Robert Onion stated the proposal is the Park Meadows Apartments in Boerne, Texas and is a senior project. It has 100 units and the principals are J. Steve Ford and G.G. McDonald. Their compliance history is outstanding.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the issuance of multifamily mortgage revenue bonds for the Park Meadows Apartments, Boerne, Texas in an amount not to exceed $4,700,000.
Passed Unanimously

Mr. Donald Currie, Executive Director, CDC, Brownsville, Texas

Mr. Currie stated his CDC participates in the TDHCA programs and is one of the only non-profit lenders that is an actual participant in originating loans under the MRB program and is the largest originator by the number of loans originated under this program. The average family income of families served is $21,647. He stated the Board should take pride in the fact that the Board supported this program for organizations to serve people in this income bracket.

Their average home loan is $56,600 and the average closing costs are about $4,500. He stated they were not contracted on this proposed change to give any input to the item. They were not asked how it might affect the flow of clients who they are originate loans for. He asked the Board to not approve this item and not change the guidelines for this program. He suggested TDHCA assemble the lenders who work in rural markets to discuss what are the constraints and problems by loaning in the rural markets.

c) Approval of Recommendation to Amend the Guidelines Regarding the Amount of Assistance Available to Borrowers under the Single Family MRB Down Payment Assistance Program

Motion made by Beth Anderson and seconded by Shadrick Bogany to not take any action on this item and to post this on the agenda for a subsequent board meeting for staff to bring a new recommendation to the meeting.
Passed Unanimously

d) Approval of the Senior Managing and Co-Senior Managing Underwriting Firms for Detailed Research and Preliminary Structuring of Revenue Bonds for Affordable Housing Preservation and Modernization and Other Related Matters

Mr. Byron Johnson stated a discussion was held with one of the approved investment bankers on preservation ideas and he requested permission to move forward with two firms to do detailed analysis, document research, and cash flow analysis and report back to the board at a later time to provide more details on a preservation proposal.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the recommendation of staff for detailed research and preliminary structuring of revenue bonds for affordable housing preservation and modernization.
Passed Unanimously

e) Approval of Recommendations Relating to the Prospective Issuance of Tax-Exempt Mortgage Revenue Bonds for Single Family Mortgage Loans and Other Related Matters

Mr. Johnson stated staff is recommending a long-term approach to planning the use of volume cap and also who TDHCA appoints as investment bankers to execute the transaction. He asked the Board to approve the listed investment bankers.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the senior managing and co-senior managing underwriting firms of Solomon Smith Barney for the May-June 2002 issue of $100,000,000; the firm of Bear Stearns for the November-December 2002 issue of $100,000,000; and the firms of UBS/PaineWebber or US Bancorp/PiperJaffray for the August and December 2003 issues of $100,000,000 (which will be done in two issues); and one firm to be determined for a December 2003 issue of $50,000.
Passed Unanimously

f) Approval of an Application to the Texas Bond Review Board for Reservation of Private Activity Bond Authority

Mr. Johnson stated the Department is requesting approval to reserve the Private Activity Bond Authority with the Texas Bond Review Board with the amended amount of $38,750,000.

Motion made by Beth Anderson and seconded by Shadrick Bogany to approve the application to the Texas Bond Review Board for reservation of the private activity bond authority of $38,750,000 with the approval of Resolution No. 02-025.
Passed Unanimously

g) Approval of Extension of Origination Period for Program 54

Mr. Johnson stated there are funds remaining in the mortgage loan fund due to timing differences between mortgage loan closings and mortgage-backed securities poolings.

Motion made by Beth Anderson and seconded by Shadrick Bogany to ratify the extension request for the origination period for Program 54 to April 1, 2002 with the approval of Resolution No. 02-026/
Passed Unanimously

Mr. Bogany handled the programmatic items for the Board.

(3) Presentation, Discussion and Possible Approval of Programmatic Items:

a) Approval of Section 8 Program Public Housing Authority Plan for the Year 2002 and Other Related Matters

Mr. Bogany announced that this item was being deferred to the next meeting.

b) Approval of Proposed Housing Sponsor Report Rules

Ms. Anne Paddock, Acting General Counsel, stated the SB322 required staff to public rules in the Texas Register to solicit public comments on the Housing Sponsor Report.

Motion made by Norberto Salinas and seconded by Michael Jones to approve the proposed rule for publication in the Texas Register.
Passed Unanimously

c) **Approval of Proposed Rule 10 TAC1.13 Applicant Compliance with State and Federal Laws Prohibiting Discrimination**

Ms. Sara Newsome, Compliance Manager, stated SB322 expanded TDHCA's legislation regarding demographic information on TDHCA's housing programs. The Department now is required to collect data on rents on 1-2-3 bedroom units; how many low income families live in these units, etc. The Department also has to have rules for this report and staff is requesting approval of the proposed rule 10 TAC1.13.

Motion made by Michael Jones and seconded by Beth Anderson to approve the proposed rule 10 TAC1.13 for publication in the Texas Register to receive public comments.
Passed Unanimously

d) **Approval of 2002 Proposed Bond Eligible Tenant Limits**

Ms. Newsome stated the TDHCA bond properties are required, in order to keep the tax exempt status, to reserve a proportion of the units and lease those to low income citizens. Staff requested approval of the income eligibility limits for those properties.

Motion made by Norberto Salinas and seconded by Michael Jones to approve the 2002 proposed bond eligible tenant limits.
Passed Unanimously

e) **Approval of HOME Program Previously Disqualified Applications Who Are Now Eligible for Awards and Additional CHDO Award Recommendations**

App. No.	Applicant	Location	Activity	Region	Score	Amount
20020223	City of Bartlett	Bartlett	HBA	07	198.50	$100,000
20010144	City of Merkel	Merkel	OCC	02	242.00	$220,000
20010113	City of China	China	OCC	05	226.00	$495,000
20010139	EAC of Gulf Coast	Bay City	OCC	06	239.00	$495,000
20010101	City of La Coste	LaCoste	OCC	8A	241.00	$246,720
20010185	Community Srv.	Encinal	RHD	8B	189.00	$725,607
20010245	Statewide Cons.	Beaumont	RHD	05	180.00	$636,841

Ms. Morris stated the Board approved the HOME awards in October of 2001. There was criticism on the disqualification process that staff used. Staff has reviewed the process and allowed the disqualified applicants 14 days to submit audit certification forms. There were misunderstandings in the way some of the communities interpreted the rules. Staff is now requesting approval of several of the projects that were originally disqualified.

Motion made by Shadrick Bogany and seconded by Beth Anderson to approve the awards to the previously disqualified applications that are now eligible for awards for:

20020223	City of Bartlett	Bartlett	$100,000
20010144	City of Merkel	Merkel	$220,000
20010113	City of China	China	$495,000
20010139	EAC of Gulf Coast	Bay City	$495,000
20010101	City of La Coste	LaCoste	$246,720
20010185	Community Srv.	Encinal	$725,607
20010245	Statewide Cons.	Beaumont	$636,841

Passed Unanimously

Rosie Jones, Executive Director, Statewide Consolidated CDC, Beaumont, Texas

Ms. Jones stated they value the relationship as a non profit with TDHCA and they appreciated the expertise and knowledge of staff and the vision and mission of the Board.

Mr. Jones then handled the rest of the agenda items.

(4) Presentation, Discussion and Possible Approval of Four Percent (4%) Low Income Housing Tax Credit Items:

c) Approval and Possible Issuance of a Determination Notice to a Tax-Exempt Bond Project with TDHCA as Issuer:

01461 Park Meadows Apartments Boerne, Texas

Mr. David Burrell, Director of Housing Programs, stated staff is requesting approval of credits for the construction of an elderly project in Boerne, Texas. The amount of credits being recommended is $226,166.

Motion made by Beth Anderson and seconded by Shadrick Bogany to issue the determination notice to 01461, Park Meadows Apartments in Boerne, Texas for $226,166.
Passed Unanimously

d) Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Projects with Local Bond Issuers:

01463 Grand Reserve Srs. Comm. McKinney, Texas

Mr. Burrell stated this was an elderly project and will have over 180 units. The syndicator is Sun America and staff is recommending $516,835 in credits.

Motion made by Shadrick Bogany and seconded by Beth Anderson to approve Grand Reserve Srs. Comm. in McKinney, Texas, for a determination notice in the amount of $516,835 subject to the conditions listed on the underwriting report.
Passed Unanimously

<u>Robert Kelley, Hutton Building Corporation, El Paso, Texas</u>

Mr. Kelly stated the Sierra Vista is a 106 unit project with a 100% HAP subsidy. He has had a chance to review the TDHCA underwriting report on the project and he wanted to clarify some information. He stated the operating expenses were stated as being too low to TDHCA staff but the actual operating expenses are $3,200. Staff recommended using $300 per unit for replacement reserves but he felt the project could stand $250 per year. He stated staff did not use the appraiser's valuation on the property and this hurt the project. He asked that staff include the developers fee on this project.

01481 Sierra Vista El Paso, Texas

Mr. Burrell stated staff is recommending $130,373 in credits for this project which is in El Paso Texas and the total cost of the project is $5,497,712.

Motion made by Shadrick Bogany and seconded by Norberto Salinas to accept staff recommendations.

This motion and second was withdrawn and an alternative motion was made to have this notice issued subject to documentation being submitted.

Motion made by Beth Anderson and seconded by Shadrick Bogany to approve an alternative motion for the project not to exceed $244,147 annually including staff's condition on the subsidized appraised value and all the underwriting conditions being met.
Passed Unanimously

<u>Barry Palmer, Copperwood Ranch, Houston, Texas</u>

Mr. Palmer requested that the underwriting condition on the debt service requirements be changed to "not exceeding $977,985 per year".

01466 Copperwood Ranch Houston, Texas

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the recommendation of staff with the concurrence to use th debt service not exceeding $977,985.
Passed Unanimously

01471	**Gateway Georgetown**	**Georgetown, Tex**

Mr. Gouris stated this project is not being recommended by staff for approval with one of the reasons being slow lease up of the units.

Michael Bobinchuck, Georgetown, Texas
Mr. Bobinchuck stated staff was not recommending this project but asked the board to review the underwriting reports and to approve the project for a determination notice.

Motion made by Norberto Salinas and seconded by Beth Anderson to accept staffs recommendations and not approve 01471, Gateway Georgetown.
Passed Unanimously

01464	**Arbor Bend Villas**	**Ft. Worth, Texas**
01467	**Wintergreen Sr. Apartments**	**DeSoto, Texas**
01468	**Overton Park**	**Ft. Worth, Texas**
01483	**Woodland Ridge**	**San Antonio, Texas**
01485	**Clearwood Villas**	**Houston, Texas**

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve determination notices for Arbor Bend Villas, Wintergreen Sr. Apartments, Overton Park, Woodland Ridge, and Clearwood Villas in the amounts recommended by staff.
Passed Unanimously

(5) Presentation, Discussion and Possible Approval of Request to 2001 Nine Percent (9%) Low Income Housing Tax Credit Transaction For Request on Carryover Deadline for Project #02010, Champion Forest Apartments, Houston, Texas
Mr. Burrell stated staff is requesting an extension for carryover deadline for Champion Forest Apartments to April 29, 2002.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the extension for Champion Forest to 04-29-02.
Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Waiver of Exhibit 108 Of the 2000 Qualified Allocation Plan for an Extension of the Submission Deadline for Appraisals on Developments with Funding from Rural Development
Ms. Carrington requested that the Board waive a provision in the QAP for rural development transactions.

Motion made by Shadrick Bogany and seconded by Beth Anderson to approve the waiver and to grant the extension until 05-10-02.
Passed Unanimously

Rey Ocanas, Exec. Director, Texas Association of CDCs, Austin, Texas
Mr. Ocanas requested the Board to initiate the public process to change the current certification process and policies at TDHCA with regards to the CHDOs. He asked the Board to not take any action on this item at this meeting but to receive public comments and make a decision at a later meeting.

(7) Presentation, Discussion and Possible Approval of Change(s) in the Process for Certifying Community Housing Development Organizations

Motion made by Beth Anderson and seconded by Shadrick Bogany to have staff conduct public hearings to receive public comment on this item and for staff to report back to the Board on the hearings. A decision will then be make at the next meeting on this item.
Passed Unanimously

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
The Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated there would be no Executive Session held for this meeting.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report
The executive directors' report was not presented.

ADJOURN

Motion made by Beth Anderson and seconded by Norberto Salinas to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 3:40 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminapr11/dg

Item 2 Presentation, Discussion and Possible Approval of Financial Items:

a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For Stonebrook Villas, McKinney, Texas in an Amount not to Exceed $12,200,000

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2002 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

STONEBROOK VILLAS
$12,200,000 (*) Tax Exempt – Series 2002

TABLE OF EXHIBITS

(*) Preliminary - subject to change

507 Sabine, Suite #800
Austin, Texas 78701
(512) 475-2213/(512) 475-3362 [Fax]
Attn: Director of Multifamily Finance

FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM

May 9, 2002

PROJECT: Stonebrook Villas Apartments, McKinney, Collin County, Texas

PROGRAM: Texas Department of Housing And Community Affairs
2002 Multifamily Housing Revenue Bonds
(Reservation received 01/30/2002)

ACTION REQUESTED: Approve the issuance of multifamily housing revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Stonebrook Villas Housing, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a new, 224-unit multifamily residential rental project located at the northeast corner of the intersection of Peregrine Drive and Virginia Parkway (the "Project"). The Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.

BOND AMOUNT: $12,200,000 Series 2002, Tax Exempt Bonds (*)

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on January 30, 2002 pursuant to the Texas Bond Review Board's 2002 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 30, 2002, the anticipated closing date is May 29, 2002.

BORROWER: Stonebrook Villas Housing, L.P., a Texas limited partnership, the general partner of which is Stonebrook Villas Development, L.L.C., a Texas limited liability company, the manager of which is Brian Potashnik.

COMPLIANCE HISTORY: The Compliance Report reveals that the principal of the general partner above has a total of eleven properties monitored by the Department. Of the eleven properties being monitored by the Department, seven have received a compliance score. Two of these seven properties received a score of zero (no compliance issues), one received a score of

1, two received a score of 3, and two received a score of 10. All of these scores are well below the material non-compliance threshold score of 30.

ISSUANCE TEAM & ADVISORS:

Charter Municipal Mortgage Acceptance Company ("Bond Purchaser")
Wells Fargo Bank Texas, N.A., ("Trustee")
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)
First Union National Bank ("Letter of Credit Provider")

BOND PURCHASER:

The tax-exempt bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

PROJECT DESCRIPTION:

The proposed project is a 224-unit multifamily residential rental development to be constructed on approximately 10.43 acres of land located at the northeast corner of the intersection of Peregrine Drive and Virginia Parkway in Collin County, Texas 75070. The site density will be 21.48 dwelling units per acre. The Project will include a total of ten (10) two and three-story, wood-framed apartment buildings containing 229,400 net rentable square feet and having an average unit size of 1,024 square feet. The exteriors will be approximately 78% cultured stone masonry and 22% stucco with composition roof shingles. The project will include a community building containing approximately 3,383 square feet that will have office and leasing space as well as provide for community and educational meetings, hot lunch programs, social activities, fitness activities, health checks and the arrangement of transportation services. The community building will contain the following spaces: manager and leasing offices with a work room and closet, social service office, business center/community services room, great room/parlor with television and fireplace, residential kitchen/refreshment center, activity/fitness center, entry foyer, restrooms, telephone and vending area, mail room, laundry room, mechanical room, and maintenance shop. On-site amenities will include a swimming pool and children's play area with playground equipment. There will be a total of 286 open parking spaces and 224 covered parking spaces.

Units	Unit Type	Square Feet
124	2-Bedrooms/2-Baths	950
92	3-Bedrooms/2-Baths	1,100
8	4-Bedrooms/2-Baths	1,300
224		

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS: For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income.

TENANT SERVICES: Borrower has provided an executed Supportive Services Agreement with a qualified service provider for acceptable supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the Regulatory and Land Use Restriction Agreement.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$61,000 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

$12,200 Bond Administration (0.10% of first year bond amount)
$5,600 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $5,600 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately $631,583 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $5,178,465 of equity for the transaction.

BOND STRUCTURE: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Project.

During the Construction Phase, the Letter of Credit Provider will provide a Letter of Credit to the benefit of the Bond Purchaser to secure the Borrower's reimbursement obligations during the construction phase. The Borrower's reimbursement obligations to the Letter of Credit Provider will be secured by a second lien mortgage on the property and certain related obligations to the Trustee on behalf of the Bond Purchaser. Upon satisfaction of certain conversion requirements, the mortgage loan will convert from the construction phase to the permanent phase. The Bond Purchaser will return the Letter of Credit to the Letter of Credit Provider upon completion of construction.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the project financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 7.00%.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of $100,000 and any integral multiple of $1.00 in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the project to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

(a) Under certain circumstances, the Bonds are subject to mandatory redemption in whole or in part, in the event that: (1) the project has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Project achieves Completion or (B) the Completion Date; (2) the project has not achieved Earnout within thirty-six (36) months after the earlier of (A) the date the Project achieves Completion or (B) the Completion Date; or, (3) damage to or destruction or condemnation of the Project to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Revenue Fund and are not to be used to repair or restore the Project.

(b) A portion of the Bonds are subject to mandatory redemption from proceeds remaining in the Construction Fund that are not needed to complete the project which are not qualified project costs.

(c) The Bonds are subject to a mandatory redemption in part according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule.

(d) The Bonds are subject to redemption, in whole or in part, following the occurrence and continuance of an Event of Default under the Facility Agreement.

(e) The Bonds are subject to mandatory redemption upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption, on any date selected by such owner, specified in a notice in writing delivered to the Borrower and the Issuer at least thirty (30) days prior to such date.

(f) The Bonds are subject to mandatory redemption, in whole, if the owner of all of the Bonds, on any interest payment date on or after April 1, 2019, if the owners of all Bonds elect redemption and provide a 180 day written notice to the Issuer, Trustee and Borrower.

Optional Redemption:

(a) The Bonds are subject to redemption, in whole, at the option of the Borrower, at any time on or after April 1, 2019, from the proceeds of an optional prepayment of the Loan by the Borrower.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to five (5) accounts with the following general purposes:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which consists of five (5) subaccounts as follows:

   (a) Loan Account– represents a portion of the proceeds of the sale of the Bonds. Bond proceeds in this subaccount are used to pay for Qualified Project Costs;

   (b) Costs of Issuance Account – represents a portion of the initial equity contribution of the Borrower of which amounts for the payments of the costs of issuance are deposited and disbursed;

   (c) Equity Account – represents a portion of the proceeds of the Bonds plus the balance of the initial equity contribution of the Borrower;

   (d) Capitalized Interest Account – represents a portion of the proceeds of the Bonds plus a portion of the initial equity contribution of the Borrower from which amounts may be transferred to the Revenue Fund in order to pay interest on the Bonds until the Completion Date of the Project; and,

   (e) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Project pursuant to the Loan Documents.

2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the project.

3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.

4. Revenue Fund – Revenues from the Project are deposited to the

Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Wells Fargo Bank Texas, N.A. (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a

request for proposals process in 1998.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

Stonebrook Villas
EXHIBIT 3

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Series 2002 Bonds (Tax-Exempt)	$ 12,200,000
LIHTC Equity	5,387,000
Interest Income	95,576
Soft Financing	-
Deferred Developer's Fee	1,852,840
Total Sources	$ 19,535,416

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 15,513,991
Capitalized Interest	1,103,187
Marketing	-
Developer's Overhead & Fee	2,235,750
Costs of Issuance	
Direct Bond Related	226,850
Bond Purchaser Costs	169,500
Other Transaction Costs	136,138
Real Estate Closing Costs	150,000
Total Uses	$ 19,535,416

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 61,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	5,600
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	35,000
Placement Agent	-
Trustee's Fees (Note 1)	7,500
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses	3,750
Total Direct Bond Related	$ 226,850

Bond Purchase Costs	
Loan Origination Fee (Charter Mac @1%)	122,000
Due Diligence Cost (Charter Mac)	12,500
Bond Counsel & Expenses (Charter Mac)	35,000
Total	$ 169,500

Stonebrook Villas
EXHIBIT 3

Other Transaction Costs		
Letter of Credit Origination Fee (0.75% of Issuance)		91,500
Letter of Credit Legal Fees		15,000
Tax Credit Determination Fee (4% annual tax cr.)		26,278
Tax Credit Applicantion Fee ($15/u)		3,360
Total	$	136,138

Real Estate Closing Costs		
Title & Recording (Const.& Perm.)		100,000
Property Taxes		50,000
Total Real Estate Costs	$	150,000
Estimated Total Costs of Issuance	$	682,488

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

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

DATE: April 29, 2001 **PROGRAM:** MFB 4% LIHTC **FILE NUMBER:** 2002-056 01465

DEVELOPMENT NAME

Stonebrook Villas

APPLICANT

Name: Stonebrook Villas Housing, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PRINCIPALS of the APPLICANT

Name: Stonebrook Villas Development LLC **(%):** .01 **Title:** Managing General Partner

Name: Related Capital Company **(%):** 99.99 **Title:** Initial Limited Partner

Name: Brian Potashnik (Southwest Housing Development, Inc.) **(%):** **Title:** Owner of G.P.

GENERAL PARTNER

Name: Stonebrook Vilas Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PROPERTY LOCATION

Location: Peregrine Drive at Virginia Parkway ☐ **QCT** ☐ **DDA**

City: McKinney **County:** Collin **Zip:** 75070

REQUEST

Amount	Interest Rate	Amortization	Term
¬ $12,200,000	7%	40 yrs	40 yrs
- $654,271*	N/A	N/A	N/A

Other Requested Terms: ¬ Tax-exempt private activity mortgage revenue bonds per revised project cost schedule, Since application this has been amended to $12,200,000
- Annual ten-year allocation of low-income housing tax credits *This figure has not been modified in the application after reduced project costs were provided

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 10.43 acres 454,330 square feet **Zoning/ Permitted Uses:** RG-18, multifamily permitted

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 224 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
124	2	2	950
92	3	2	1,100
8	4	2	1,300

Net Rentable SF: 229,400 **Av Un SF:** 1,024 **Common Area SF:** 5,000 **Gross Bldng SF** 234,400

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 25% stucco/ 75% cultured stone (per revised building plans) exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, centralized water heat

ON-SITE AMENITIES

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, perimeter fencing with limited access gate, monitored security

Uncovered Parking: 285 spaces **Carports:** 224 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM-TO-PERMANENT FINANCING

Source: Charter/Mac Municipal Mortgage **Contact:** Jim Spound

Principal Amount: $12,200,000 **Interest Rate:** 7%

Additional Information: Based on tax-exempt bond proceeds payment amount appears to be based upon a larger original debt amount of $14.5M, revised commitment did not correct 250-unit assumption

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $976,518 **Lien Priority:** 1st **Commitment Date** 3/ 22/ 2002

LETTER OF CREDIT

Source: First Union **Contact:** Kari Ferguson

Principal Amount: $12,200,000 **Interest Rate:** Unknown

Additional Information: Commitment not provided

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: $5,387,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 82¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 4/ 19/ 2002

Additional Information: Commitment letter reflects proceeds based on credits of $657,018

APPLICANT EQUITY

Amount: $1,852,840 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$833,280 for 13.88 acres	**Assessment for the Year of:**	2001
Building:		**Valuation by:**	Collin County Appraisal District
Total Assessed Value:	$626,161 prorata		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase agreement and assignment agreement

Contract Expiration Date: 6/ 10/ 2002 **Anticipated Closing Date:** 5/ 10/ 2002

Acquisition Cost: $ 1,375,000 **Other Terms/Conditions:** $70,000 earnest money and extension fees

Seller: Custer/Virginia Joint Venture ($1,250,000 sales price) **Related to Development Team Member:** No

Assignor: Provident Realty Advisors, Inc. ($125,000 assignment price) **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Stonebrook Villas is a proposed new construction project of 224 units of affordable housing located in far western McKinney. The project is comprised of 10 residential buildings as follows:

- One Building A with 24 two-bedroom units;
- Seven Building B with 12 two-bedroom units, 12 three-bedroom units;
- One Building C with 8 two-bedroom units, 8 three-bedroom units; and
- One Building D with 8 two-bedroom units, 8 four-bedroom units.

Based on the site plan the apartment buildings are evenly distributed throughout the site, with the two-story buildings primarily along Virginia Parkway. The community building, mailboxes, and swimming pool located near the entrance to the site on Virginia Parkway. The site plan reflect a wood fence with brick columns at the front of the property on Virginia and a six-foot-high masonry fence along the eastern boundary and shows two gated ingress/egress points. One of the ingress points appears to be from a private street which is not yet developed.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: after school and adult education, health screenings and immunizations, family counseling and domestic crisis intervention, computer training, emergency assistance and relief, community outreach, vocational guidance, and social and recreational activities. These services will be provided at no cost to tenants. The Applicant has agreed to pay $2,333 per month ($28K/year) for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed and placed in service in July of 2003, and to be substantially leased-up in January of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This allows for prospective tenants to be qualified at the 60% of AMGI or less income level

Special Needs Set-Asides: Thirteen units (5.2%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A revised market feasibility study dated March 5, 2002 was prepared by Butler Burgher, LLC and highlighted the following findings:

Definition of Market/Submarket: "We have determined the primary market area to be a ten-mile radius of the subject property, as this encompasses an adequate population to study with representative demographics." (p. 73)

The TDHCA market study guidelines and concentration policy adopted by the Board provide that:

> "The primary market or submarket will be defined on a case-by-case basis by the market analyst engaged by the Applicant to provide a market study for the Development. The market study should contain a map defining the market and submarket and a narrative of the salient features that helped the analyst make such a determination. As a general guide for the market analyst, the Department encourages the use of natural political/geographical boundaries whenever possible. Furthermore, the primary or submarket for a project chosen by the market analyst will generally be most informative if it contains between 50,000 and 250,000 persons, though a sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so."

A five-mile radius provided a current total population of less than 40K persons. While this size radius is generally a more than sufficient radius for a metropolitan area, in this case it would provide a population base lower than the Department's guidelines would suggest. The ten-mile radius chosen by the Market Analyst contains slightly over 200K persons and is within the Department's guideline. The market analyst could have alternatively chosen the City of McKinney as the natural geographic/political boundary for the project's primary market, which is said to contain approximately 54K persons. The site, however, is located on the very western edge of this political boundary, and using only the City's boundary would have unreasonably characterized this project as drawing from only the City. In fact it will most likely draw residents from the neighboring communities of Frisco and Prosper. For example, a school teacher or municipal worker in Frisco or Prosper could easily have a shorter commute to their school or municipal office in those communities than they would if they worked in McKinney. The schools in Frisco and Prosper appear to be closer than approximately half of the schools in the McKinney Independent School District. The center of Frisco and Proper both appear to be closer to the site than the central business district of McKinney. Therefore, the market area defined in the market study can be considered reasonable for this project .

Total Local/Submarket Demand for Rental Units: "Based on demographics, the area surrounding the subject shows an average, pent-up demand figure of 2,581 units from income qualified, renter households and population within a ten-mile radius. Approximately 1,161 LIHTC units have been added in a ten-mile radius in the past 10 years. These demand calculations demonstrate adequate demand for the subject's 224 units, with demand coming completely from pent up growth/demand" (p. 76) In addition the Analyst indicated that based upon annual anticipated population growth "...calculations result in an average forecast demand of 230 units/year through 2005." The Underwriter finds that the three years of anticipated growth along with the ten years to be a potentially very aggressive methodology to calculate demand. The Underwriter has recalculated a current demand for the proposed units based on one year's growth and natural turnover of existing income-qualified households. While this method results in a heavy reliance on demand from turnover and for that reason could also be considered aggressive, it is a methodology for calculating demand that has been accepted with other developments since the concentration policy has gone into effect. The table below summarizes these two methodologies.

INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	% of Total Demand	% of Total Demand
Household Growth	689*	21%	230	6%
Resident Turnover	0	0%	3,455	94%
Other Sources: 10 yrs pent-up demand	2,581	79%	0	0%
TOTAL ANNUAL DEMAND	**3,270**	**100%**	**3,684**	**100%**

*based on three years of annual growth Ref: p. 77

Capture Rate: The Market Analyst projected 552 additional units of comparable affordable rental housing to be approved for funding but not yet stabilized in the 10-mile radius, which when combined with the proposed 224 units and divided by their forecast demand results in a forecast capture rate of 23.73% (p. 78) Based upon the Underwriter's recalculated demand the capture rate actually improves to 21.06%
Market Rent Comparables: The market analyst surveyed 10 comparable apartment projects totaling 2,352 units in the market area. (p.85)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (50%)	$667	$667	$0	$753	-$86
3-Bedroom (50%)	$771	$771	$0	$1,065	-$294
4-Bedroom (50%)	$859	$859	$0	$1,263	-$377

(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)
Ref: p. 93

Submarket Vacancy Rates: "The rental market is currently at an average occupancy of 93.3% in the Allen/McKinney submarket…" (p. 68)
Absorption Projections: "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in an 8- to 9-month absorption period to obtain 93% physical occupancy." (p. 78)
Known Planned Development: "Aside from the subject 224 units, there are three complexes under construction with affordable rents. Creek Point Apartments [200 units] (under construction and planned for 10/2002 completion) is located within the 10-mile radius from the subject and was included. Skyway Villas with 223 units will be completed within the next 2 years, as site work has just begun. Chaparral Townhomes with 120 units will be complete in 2003 and is located on E. Highway 5 in the City of Allen and is also within the 10-mile radius of the subject." (p. 77)
Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation. The Market Analyst's revised market study includes of all the new LIHTC-funded projects in this market. The Market Analyst used a demand calculation that includes a potentially aggressive 10-mile radius around the site, ten years of pent-up demand, and three years of future annual demand. The Underwriter believes the three years of future demand is the most speculative. This is because the Department has historically stayed away from using growth or development costs or operating expenses based on future projections much less cumulative effect of future projections. Using either one year or two years of growth provides for an excessive concentration capture estimate based upon the Market Analyst's calculations. While the Department's market study guidelines and concentration policy allow for a fair amount of discretion for the calculation of demand by the market study analyst, it also provides that the Department may substitute its own analysis and underwriting conclusions for those submitted by the report provider. In this case, while the Underwriter believes that the methodology used to calculate demand may be aggressive, the Underwriter's acceptable alternative calculation provides a lower 21% concentration capture rate. Based upon this finding the concentration capture rate is within the level allowed under the Department's policy.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: McKinney is located in north central Texas, approximately 30 miles north of Dallas in Collin County. The site is a rectangularly-shaped parcel located in the far western area of McKinney, approximately six miles from the central business district. The site is situated approximately 1,100 feet east of the northeast corner of the intersection of Virginia Parkway and Custer Road.
Population: The estimated 2001 population of the primary market area was 203,326 and is expected to increase by 18% to approximately 239,665 by 2006. Within the primary market area there were estimated to be 70,529 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly

agricultural, with scattered single-family residential and commercial uses. Adjacent land uses include:

- **North:** Primarily undeveloped except for one church
- **South:** Virginia Parkway with single-family residential beyond
- **East:** Undeveloped land
- **West:** A proposed private road and undeveloped land then Custer Road with undeveloped land beyond

Site Access: Access to the property is from the east or west along Virginia Parkway. The project is to have one main entry at the southeast from Virginia Parkway and a secondary exit at the southwest from an unnamed access road to Virginia. Access to Interstate Highway 75 is five miles east, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: Public transportation to the area is not available in McKinney.

Shopping & Services: The site is in a relatively undeveloped area; shopping and services are located five miles east in McKinney.

Site Inspection Findings: A TDHCA staff member performed a site inspection on march 14, 2002 and found the location to be an excellent location for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 20, 2001 was prepared by Butler Burgher, Inc. and contained the following findings: "In the professional opinion of Butler Burgher…no evidence or indication of recognized environmental conditions have been revealed. No further investigation/assessment is warranted at this time pertaining to the Phase I ESA." (p. 12)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly higher than the maximum rents allowed under LIHTC guidelines, reflecting the trended rents for the 2003 to 2004 time period in which the project will be in lease-up. The Applicant estimated higher secondary income of $25 per unit and utilized a lower vacancy and collection loss rate of 7% that when combined with the trended rents contributed to the gross income estimate being $63K (3%) higher than the Underwriter's estimate. The Applicant also indicated that the property would provide hot water through a centralized boiler system, thereby further reducing the tenant-paid utilities and increasing the potential gross rent.

Expenses: The Applicant's total expense estimate of $3,252 per unit or $3.18 per foot is significantly (9.4%) below the Underwriter's TDHCA database-derived estimate of $3,596 per unit or $3.51 per foot based upon comparably-sized projects and the particular attributes of the subject. The Applicant's budget shows several individual line item estimates that deviate significantly when compared to the database averages, particularly: payroll ($28K higher), utilities ($41K lower), water, sewer, and trash ($32K lower), and property tax ($34K lower). The Underwriter believes the majority of the difference in expenses is due to the utility cost associated with the central boilers not being included in the Applicant's budget. In addition, the Applicant's property tax expense infers an anticipated assessed value of $18,343 per unit while the market analyst reflected an assessment of $30,000 per unit as being reasonable, based upon comparisons to other LIHTC properties. The Market Analyst further explains the Applicant's lower tax assumption is based upon a partial abatement of taxes, though no documentation of such abatement has been provided and none is assumed in this analysis.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. The Applicant's original debt service amount reflected a much larger debt amount and a revision of the Applicant's debt service assumptions has not been provided. The Underwriter's proforma allows supportive services and compliance fees to be projected "below-the-line" in order to reflect a more true bonds-only minimum debt coverage ratio (DCR) of 1.10. This suggests, however, that unless the required supportive services expenses, trustee fee, compliance fees, asset oversight fees, and TDHCA administrative fees are waived or allowed to be funded out of cash flow only, the aggregate DCR is an unacceptably low 1.04. Therefore, up to two years of the TDHCA administrative fees may need to be deferred in order to maintain a 1.10 DCR.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The original site cost of $1,500,000 is more than double the current tax assessed value however, the acquisition price is generally assumed to be reasonable since the acquisition is, by all accounts, an arm's-length transaction. Southwest Housing Development, Inc., the principal of the General Partner, has an assignment agreement with Provident Realty Advisors to acquire the property from the current owner, Custer/Virginia Joint Venture. The purchase price between Provident and Custer is $1,250,000, as reduced in a third amendment to the purchase and sale agreement. The assignment fee identified in the assignment agreement between Southwest and Provident is $125,000, which results in a total purchase price of $1,375,000. In addition, Southwest has entered into a tri-party agreement for the development of the off-site structures as discussed below. This agreement calls for Southwest or its assigns to pay for two off-site tracts of land (but not own them) that comprise the access lane and the drainage facilities. The access lane land will cost $1.25 per square foot and account for an estimated 8,392 square feet. The drainage facilities land will cost $2.50 per square foot and account for approximately 34,794 square feet. This raises the total land cost to $1,472,475 or $27,525 less than the Applicant's proposed land cost.

Off-site Cost: The Applicant included no off-site costs in any of the budgets presented to date. Significant costs should be attributed to the development as a result of the improvements required to be made to a currently unimproved private access lane and a detention field that will serve the development site as well as the adjoining site. Both of these off-site improvements have been contemplated in the site plan of the project and have been formalized in a tri-party development agreement between Southwest Housing Development, Inc., Custer/Virginia Joint Venture (the current owner), and Cencor (the proposed buyer for the remainder of the adjacent land that Custer/Virginia Joint Venture currently owns). This agreement calls for Southwest to pay for but not own the land on which the improvements will be developed, as well as 50% of the cost of the access way development cost and a prorata share of the drainage facilities cost. The prorata amount will be based upon an engineering study to determine the benefits the drainage facilities will provide to both properties. In addition, the agreement calls for a proration of the ongoing burden of insurance and property taxes for these offsite locations. Receipt, review, and acceptance of a revised construction cost breakdown that includes an estimate for these off-sites is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are precisely at the maximum guideline for such costs and therefore are considered reasonable for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $215K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant's costs were derived from a sources and uses of funds statement dated 4/19/02 and the Underwriter was required to make assumptions regarding the eligible nature of some of the costs projected. An earlier version of the required project cost schedule concluded with a total amount that was $600K higher and included several line items that were significantly more out of line with the more current sources and uses. Receipt, review, and acceptance of a revised cost schedule consistent with the sources and uses and eligible basis assumptions in this analysis is a condition of this report.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees, however, exceed 15% of the Applicant's eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $91,051.

Conclusion: The Applicant's total project 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, determine the LIHTC allocation, and the project's overall need for funds. As a result an eligible basis of $17,209,355 is used to determine a credit allocation of $631,583 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan securing tax-exempt private activity bonds, a standby letter of credit, syndicated LIHTC equity, and deferred developer's fees.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and purchased by Charter/Mac. As of the date of the underwriting analysis, there will be $12,200,000 in tax-exempt Series A bonds. The Underwriter used the interest rate quoted in the commitment letter of 7%. A one percent origination fee will be charged for the facility. The bonds will be amortized over 40 years at a fixed interest rate. The bond will be interest-only until the conversion date not more than 24 months after the issuance. The commitment letter anticipates a construction period of not more than 14 months and requires a letter of credit by an approved financial institution for the full amount of the bonds during the construction and lease-up period. The original commitment letter anticipated a project of 250 units and has had several revisions due to resizing of the project and a re-evaluation of the debt amount. The most recent revision dated March 22, 2002 amends the bond amount to $12,875,000 and does not revise the number of units anticipated to be in the project, though it makes it clear that the bond amount proposed is subject to the receipt and review of final plans which would include the amended number of units. Receipt, review, and acceptance of a revised financing commitment to reflect the revised bond amount and corrected number of units is a condition of this report.

Letter of Credit: The Applicant anticipates obtaining a letter of credit (LOC) from First Union, however, a commitment evidencing this arrangement was not provided. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds is a condition of this report. The commitment to purchase the bonds lays out the anticipated terms of the LOC, including an origination fee of not more than 0.75%, quarterly interest of not more than 0.75% per annum on the full amount of the letter of credit, and guarantees of Brian Potashnik and Southwest Housing Development Company during construction and lease-up.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits, however, the latest commitment letter dated April 19, 2002 was not signed by the Applicant. The commitment letter shows net proceeds are anticipated to be $5,387,000 based on total allocated credits of $657,018 reflecting syndication factor of 82%. The commitment provides for the acquisition of 99.99% of the credits made available. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 10% upon completion of 50% of construction;
3. 30% upon completion of 75% of construction;
4. 20% upon completion of construction;
5. 20% upon attainment of rental achievement status.

Deferred Developer's Fees: The Applicant's most recent sources and uses as of April 19, 2002 proposed deferred developer's fees of $1,852,840 which amounts to 79% of the total fees.

Financing Conclusions: Based on the Applicant's sources and uses statement derived estimate of eligible basis, the LIHTC allocation should not exceed $631,583 annually for ten years, resulting in syndication proceeds of approximately $5,178,465. This credit amount is $6,465 higher than the amount reflect in the revised most updated sources and uses statement and a new cost breakdown has not yet been provided. The original project costs schedule reflected an applicable percentage of 3.68% rather than the current underwriting rate of 3.67%. The Applicant's total costs most likely do not account for the additional off-site costs attributed to the access way and the drainage facilities and an additional source of funds for these costs have not been identified. Should the Applicant's final construction cost exceed the cost estimate used to determine credits in this analysis, significant additional deferred developer's fee may not be available to fund the additional gap. As projected by the Underwriter, the deferred fees amount to just under 80% of the developer's fees and while they do not appear to be repayable within ten years, it can be projected that they are repayable out of estimated cash flow at zero percent interest in approximately 11 years.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive, with mixed stucco/masonry veneer/siding exterior finish and pitched roofs. The units are in two- and three-story walk-up structures with exterior stairways and interior breezeways. Each unit has a semi-private exterior entry that is shared with other units off an interior breezeway. All units are of average size for market rate and LIHTC units, and have covered patios or balconies, outdoor storage closets, and hookups for washers and dryers.

Unit Floorplans:

1. Entry to the 2-BR/2-BA unit is directly into the living area, with the designated dining area to the right and the galley kitchen adjoining the dining area. A hallway off the living area leads to the bedrooms and

bathrooms, one of which is accessible from the living area. The patio is accessed from the living room. The master bedroom has a walk-in closet and the secondary bedroom has a conventional closet.

2. The 3-BR/2-BA unit is arranged similarly to the 2-BR unit, with a larger kitchen with island, an entry coat closet, and the third bedroom off the central hallway.
3. Entry into the 4-BR/2-BA unit is through an entry foyer into the dining area, and the galley kitchen is separated from the dining area by a breakfast bar. The living area adjoins the dining space, and again a central hallway off the living area provides access to all bedrooms and bathrooms. The master bedroom has a walk-in closet and the other three bedrooms feature conventional closets. Both bathrooms will have two vanities.

IDENTITIES of INTEREST

Brian Potashnik, the owner of the General Partner, is also a principal of the Developer, General Contractor, and Property Manager. These are typical relationships.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Southwest Housing Development Company, Inc., submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $6.76M and consisting of $2M in cash, $3.9M in receivables, $817K in work in progress, and $5K in other assets. Liabilities totaled $3.2M, resulting in net equity of $3.57M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the owner of the General Partner and president of the Developer and General Contractor, listed participation as president of the general partner on 11 previous affordable and conventional housing projects totaling 2,353 units since 1994.

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.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X RECOMMEND LIHTC ALLOCATION OF NOT MORE THAN $631,583 PER YEAR FOR TEN YEARS AND TDHCA TAX-EXEMPT BOND ISSUANCE IN AN AMOUNT NOT MORE THAN $12,200,000, TO BE AMORTIZED OVER 40 YEARS AT AN INTEREST RATE OF 7% WITH THE POTENTIAL DEFERRAL OF UP TO TWO YEARS OF SUPPORTIVE SERVICES AND TDHCA FEES SHOULD THE PROJECT NOT ACHIEVE ITS STABILIZED NOI AS PROJECTED, CONDITIONED UPON THE FOLLOWING:

CONDITIONS

1. Receipt, review, and acceptance of a revised cost schedule to include off-site costs and to be consistent with the sources and uses of funds statement and eligible basis assumptions in this analysis;
2. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds; and,
3. Receipt, review, and acceptance of revised bond/permanent loan financing commitment reflecting the current project size and current debt amount.

Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	April 29, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Stonebrook Villas, MFB #2002-056/4% LIHTC #01465

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	124	2	2	950	$748	$667	$82,708	$0.70	$81.00	$41.00
TC (50%)	92	3	2	1,100	864	$771	70,932	0.70	93.00	53.00
TC (50%)	8	4	2	1,300	963	$859	6,872	0.66	104.00	63.00
TOTAL:	224			1,024	$803	$717	$160,512	$0.70	$86.75	$46.71

INCOME	Total Net Rentable Sq Ft:	229,400			**TDHCA**	**APPLICANT**			
POTENTIAL GROSS RENT					$1,926,144	$1,942,932			
Secondary Income		Per Unit Per Month:		$10.00	26,880	67,200	$25.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$1,953,024	$2,010,132			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(146,477)	(140,712)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$1,806,547	$1,869,420			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.04%	$326	$0.32	$73,063	$63,900	$0.28	$285	3.42%
Management		4.00%	323	0.32	72,262	80,405	0.35	359	4.30%
Payroll & Payroll Tax		8.22%	663	0.65	148,512	176,300	0.77	787	9.43%
Repairs & Maintenance		5.26%	424	0.41	94,979	101,700	0.44	454	5.44%
Utilities		4.70%	379	0.37	84,950	43,700	0.19	195	2.34%
Water, Sewer, & Trash		5.77%	466	0.45	104,328	72,400	0.32	323	3.87%
Property Insurance		2.03%	164	0.16	36,704	33,150	0.14	148	1.77%
Property Tax	2.725843	8.08%	651	0.64	145,918	112,000	0.49	500	5.99%
Reserve for Replacements		2.48%	200	0.20	44,800	44,800	0.20	200	2.40%
Other:		0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES		44.59%	$3,596	$3.51	$805,516	$728,355	$3.18	$3,252	38.96%
NET OPERATING INC		55.41%	$4,469	$4.36	$1,001,031	$1,141,065	$4.97	$5,094	61.04%
DEBT SERVICE									
1st Lien Mortgage		50.36%	$4,061	$3.97	$909,775	$976,518	$4.26	$4,359	52.24%
Trustee Fee		0.19%	$16	$0.02	$3,500		$0.00	$0	0.00%
Supportive Services		1.55%	$125	$0.12	28,000	28,000	$0.12	$125	1.50%
TDHCA Admin. Fees		0.68%	$54	$0.05	12,200	28,580	$0.12	$128	1.53%
Asset Oversight & Compliance Fee		0.62%	$50	$0.05	11,200	11,250	$0.05	$50	0.60%
NET CASH FLOW		3.56%	$287	$0.28	$64,356	$124,717	$0.54	$557	6.67%
AGGREGATE DEBT COVERAGE RATIO					1.04	1.09			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.10				
BONDS-ONLY 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 bldng)		7.50%	$6,574	$6.42	$1,472,475	$1,500,000	$6.54	$6,696	7.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.42%	6,500	6.35	1,455,999	1,455,999	6.35	6,500	7.57%
Direct Construction		49.13%	43,042	42.03	9,641,441	9,426,000	41.09	42,080	49.03%
Contingency	4.90%	2.77%	2,429	2.37	544,100	544,100	2.37	2,429	2.83%
General Requirem	5.88%	3.33%	2,915	2.85	652,920	652,920	2.85	2,915	3.40%
Contractor's G &	1.96%	1.11%	972	0.95	217,640	217,640	0.95	972	1.13%
Contractor's Pro	5.88%	3.33%	2,915	2.85	652,920	652,920	2.85	2,915	3.40%
Indirect Construction		4.67%	4,089	3.99	915,967	915,967	3.99	4,089	4.76%
Ineligible Expenses		2.16%	1,895	1.85	424,431	424,431	1.85	1,895	2.21%
Developer's G & A	2.00%	1.55%	1,355	1.32	303,602	0	0.00	0	0.00%
Developer's Profit	13.00%	10.06%	8,810	8.60	1,973,413	2,335,750	10.18	10,427	12.15%
Interim Financing		5.60%	4,907	4.79	1,099,111	1,099,111	4.79	4,907	5.72%
Reserves		1.37%	1,202	1.17	269,191	0	0.00	0	0.00%
TOTAL COST		100.00%	$87,604	$85.54	$19,623,209	$19,224,838	$83.80	$85,825	100.00%
Recap-Hard Construction Costs		*67.09%*	***$58,772***	***$57.39***	***$13,165,020***	***$12,949,579***	***$56.45***	***$57,811***	*67.36%*

SOURCES OF FUNDS	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
1st Lien Mortgage	62.17%	$54,464	$53.18	$12,200,000	$12,200,000	$12,200,000
LIHTC Syndication Proceeds	26.36%	$23,089	$22.55	5,172,000	5,172,000	5,178,465
Additional Financing	0.00%	$0	$0.00	0	0	
Deferred Developer's Fee	9.44%	$8,272	$8.08	1,852,840	1,852,840	1,846,373
Additional (excess) Funds Required	2.03%	$1,778	$1.74	398,369	(2)	0
TOTAL SOURCES				$19,623,209	$19,224,838	$19,224,838

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.78	$9,125,802
Adjustments				
Exterior Wall Fini	1.00%		$0.40	$91,258
9' ceilings	3%		1.19	273,774
Roofing			0.00	0
Subfloor			(0.89)	(204,375)
Floor Cover			1.82	417,508
Porches/Balconies	$24.13	40,870	4.30	986,346
Plumbing	$585	680	1.73	397,800
Built-In Appliance	$1,550	224	1.51	347,200
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	323,454
Carports	$7.53	44,800	1.47	337,344
Comm &/or Aux bldn	$53.70	5,000	1.17	268,515
Other:			0.00	0
SUBTOTAL			53.90	12,364,626
Current Cost Multiplie	1.04		2.16	494,585
Local Multiplier	0.92		(4.31)	(989,170)
TOTAL DIRECT CONSTRUCTION COSTS			$51.74	$11,870,041
Plans, specs, survy, b	3.90%		($2.02)	($462,932)
Interim Construction I	3.38%		(1.75)	(400,614)
Contractor's OH & Prof	11.50%		(5.95)	(1,365,055)
NET DIRECT CONSTRUCTION COSTS			$42.03	$9,641,441

PAYMENT COMPUTATION

Primary	$12,200,000	Term	480
Int Rate	7.00%	DCR	1.10
Secondary		Term	
Int Rate		Subtotal DCR	1.09
Additional		Term	
Int Rate		Aggregate DCR	1.04

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$909,775
Trustee Fee	3,500
TDHCA Fees	51,400
NET CASH FLOW	$36,356

Primary	$12,200,000	Term	480
Int Rate	7.00%	DCR	1.10
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.04

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	$1,926,144	$1,983,928	$2,043,446	$2,104,750	$2,167,892	$2,513,181	$2,913,466	$3,377,505	$4,539,085
Secondary Income	26,880	27,686	28,517	29,373	30,254	35,072	40,658	47,134	63,344
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,953,024	2,011,615	2,071,963	2,134,122	2,198,146	2,548,253	2,954,124	3,424,639	4,602,429
Vacancy & Collection Loss	(146,477)	(150,871)	(155,397)	(160,059)	(164,861)	(191,119)	(221,559)	(256,848)	(345,182)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,806,547	$1,860,744	$1,916,566	$1,974,063	$2,033,285	$2,357,134	$2,732,565	$3,167,791	$4,257,247
EXPENSES at 4.00%									
General & Administrative	$73,063	$75,986	$79,025	$82,186	$85,474	$103,992	$126,522	$153,933	$227,859
Management	72,262	74,430	76,663	78,963	81,331	94,285	109,303	126,712	170,290
Payroll & Payroll Tax	148,512	154,452	160,631	167,056	173,738	211,379	257,175	312,892	463,157
Repairs & Maintenance	94,979	98,778	102,729	106,838	111,112	135,185	164,473	200,106	296,206
Utilities	84,950	88,348	91,882	95,557	99,379	120,910	147,106	178,977	264,929
Water, Sewer & Trash	104,328	108,501	112,841	117,355	122,049	148,491	180,662	219,803	325,363
Insurance	36,704	38,172	39,699	41,287	42,938	52,241	63,559	77,330	114,467
Property Tax	145,918	151,755	157,825	164,138	170,704	207,687	252,683	307,428	455,068
Reserve for Replacements	44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$805,516	$837,014	$869,750	$903,774	$939,135	$1,137,935	$1,379,062	$1,671,568	$2,457,054
NET OPERATING INCOME	$1,001,031	$1,023,729	$1,046,815	$1,070,289	$1,094,150	$1,219,199	$1,353,503	$1,496,224	$1,800,192
DEBT SERVICE									
First Lien Financing	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	12,200	12,142	12,081	12,014	11,943	11,503	10,880	9,996	6,966
Asset Oversight & Complia	11,200	11,648	12,114	12,598	13,102	15,941	19,395	23,597	34,929
Cash Flow	64,356	86,664	109,346	132,401	155,828	278,480	409,953	549,356	845,022
AGGREGATE DCR	1.07	1.09	1.12	1.14	1.17	1.30	1.43	1.58	1.88

LIHTC Allocation Calculation - Stonebrook Villas, MFB #2002-056/4% LIHTC #01465

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	$1,500,000	$1,472,475		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,455,999	$1,455,999	$1,455,999	$1,455,999
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$9,426,000	$9,641,441	$9,426,000	$9,641,441
(4) Contractor Fees & General Requirements				
Contractor overhead	$217,640	$217,640	$217,640	$217,640
Contractor profit	$652,920	$652,920	$652,920	$652,920
General requirements	$652,920	$652,920	$652,920	$652,920
(5) Contingencies	$544,100	$544,100	$544,100	$544,100
(6) Eligible Indirect Fees	$915,967	$915,967	$915,967	$915,967
(7) Eligible Financing Fees	$1,099,111	$1,099,111	$1,099,111	$1,099,111
(8) All Ineligible Costs	$424,431	$424,431		
(9) Developer Fees			$2,244,699	
Developer overhead		$303,602		$303,602
Developer fee	$2,335,750	$1,973,413		$1,973,413
(10) Development Reserves		$269,191		
TOTAL DEVELOPMENT COSTS	$19,224,838	$19,623,209	$17,209,355	$17,457,113

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,209,355	$17,457,113
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,209,355	$17,457,113
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,209,355	$17,457,113
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$631,583	$640,676
Syndication Proceeds	**0.8199**	**$5,178,465**	**$5,253,018**

RENTAL RESTRICTIONS EXPLANATION

Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2002

MSA/County: Dallas **Area Median Family Income (Annual):** $66,500

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below 50%	60%	80%	Unit Type	At or Below 50%	60%	80%	(provided by the local PHA)	At or Below 50%	60%	80%
1	$ 23,300	$ 27,960	$ 37,250	Efficiency	$ 582	$ 699	$ 931	$ 63.00	$ 519	$ 636	$ 868
2	26,600	31,920	$ 42,550	1-Bedroom	623	748	997	70.00	553	678	927
3	**29,950**	**35,940**	**$ 47,900**	**2-Bedroom**	**748**	**898**	**1,197**	**81.00**	**667**	**817**	**1,116**
4	33,250	39,900	$ 53,200	3-Bedroom	864	1,037	1,383	93.00	771	944	1,290
5	35,900	43,080	$ 57,450								
6	38,550	46,260	$ 61,700	4-Bedroom	963	1,156	1,542	104.00	859	1,052	1,438
7	41,250	49,500	$ 65,950	5-Bedroom	1,064	1,277	1,701	124.00	960	1,173	1,597
8	43,900	52,680	$ 70,200								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $33,000 per year would fall in the 60% set-aside group. A family of three earning $28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning $29,950 could not pay more than $748 for rent and utilities under the affordable definition.

1) $29,950 divided by 12 = **$2,496** monthly income; then,

2) **$2,496** monthly income times 30% = **$748** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

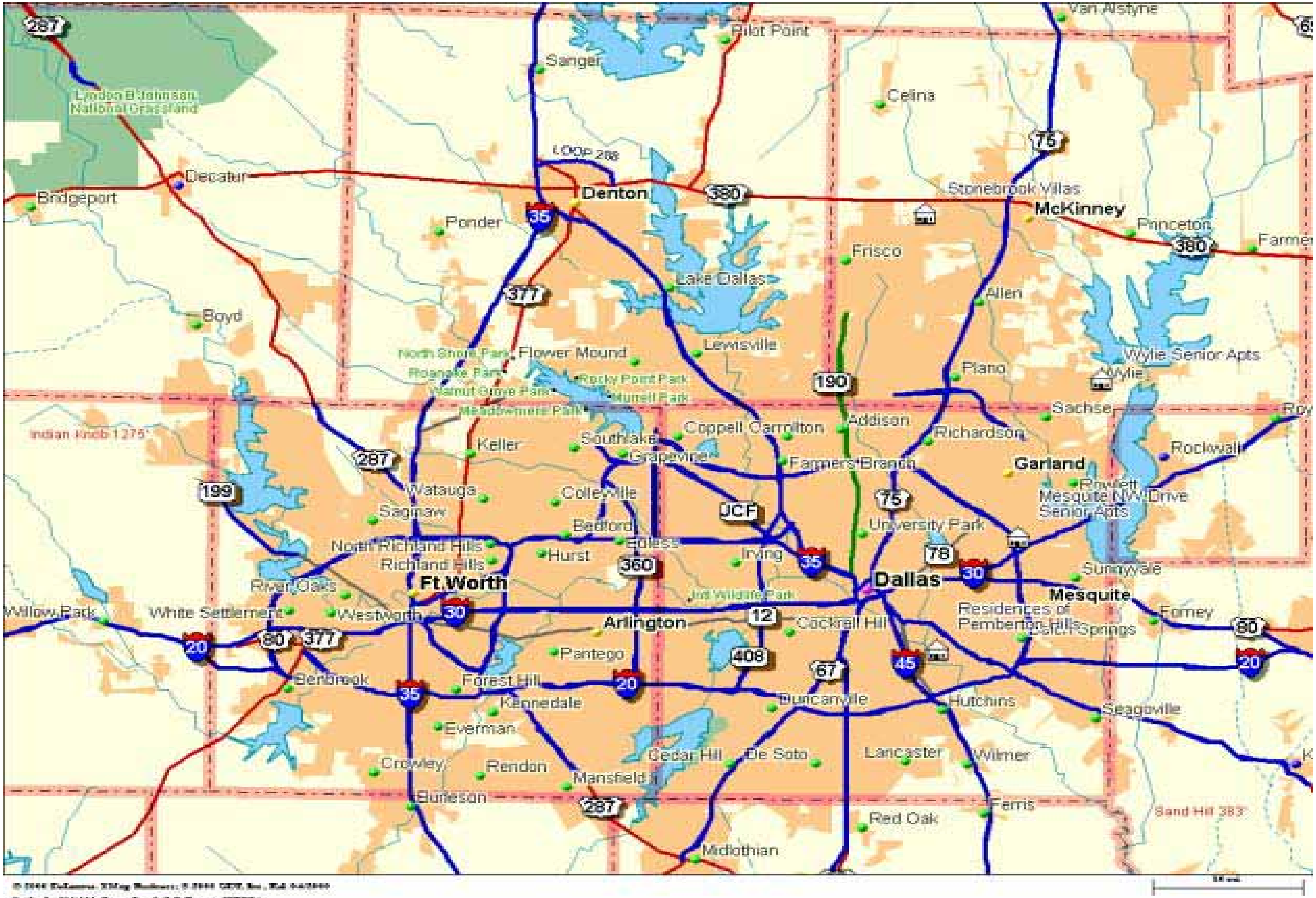
RESULTS & ANALYSIS:

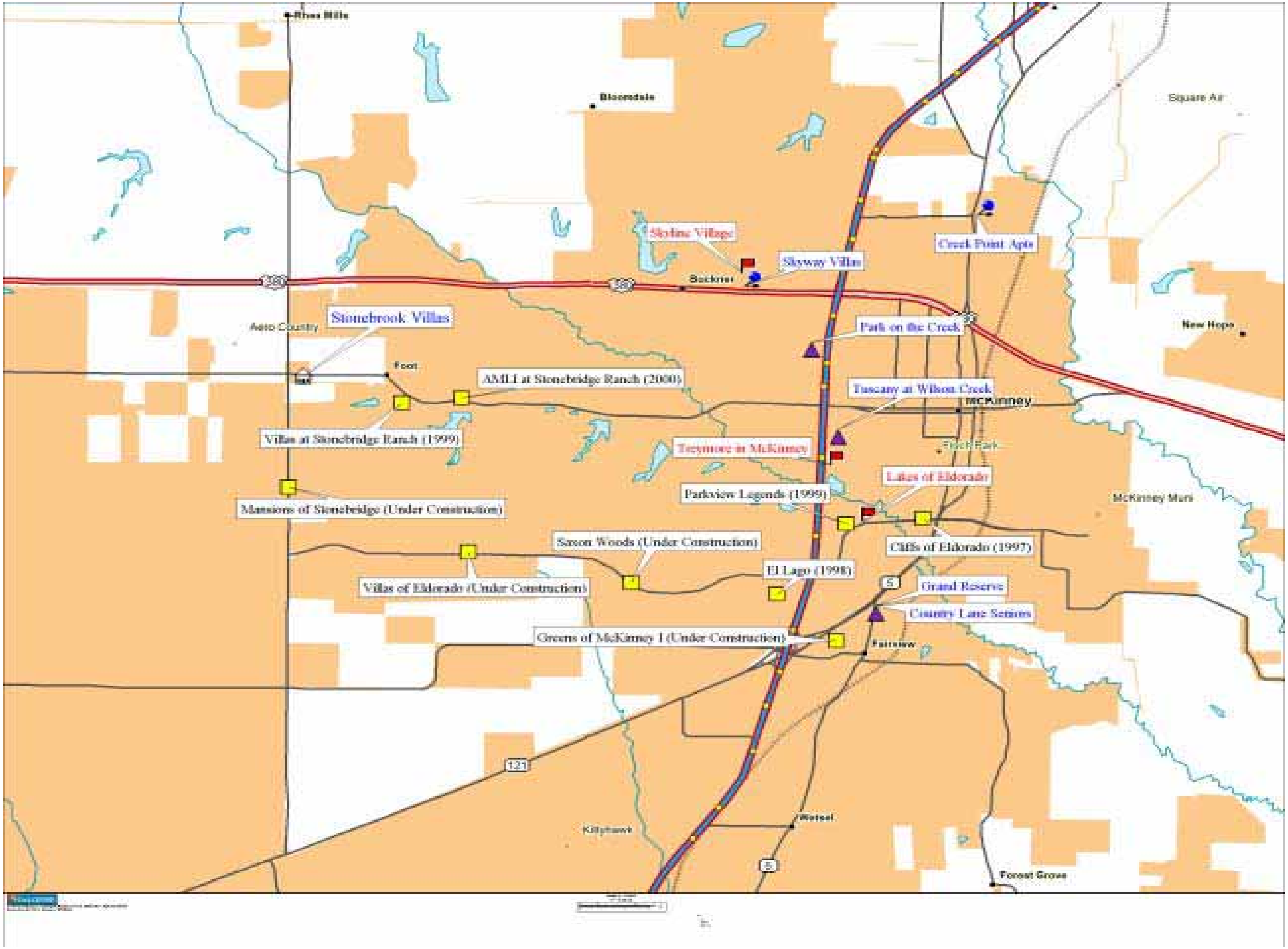
Tenants in the 60% AMFI bracket will **save $86 to $377** per month (leaving 2.9% to 9.8% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **11.4% to 30.5%**.

PROJECT INFORMATION				
	Unit Mix			
Unit Description	2-Bedroom	3-Bedroom	4-Bedroom	
Square Footage	950	1,100	1,300	
Rents if Offered at Market Rates	$753	$1,065	$1,236	
Rent per Square Foot	$0.79	$0.97	$0.95	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	$667	$771	$859	
Monthly Savings for Tenant	**$86**	**$294**	**$377**	
Rent per Square Foot	$0.70	$0.70	$0.66	
Maximum Monthly Income - 60% AMFI	$2,995	$3,590	$3,855	
Monthly Savings as % of Monthly Income	**2.9%**	**8.2%**	**9.8%**	
% DISCOUNT OFF MONTHLY RENT	**11.4%**	**27.6%**	**30.5%**	

Market information provided by: Butler, Burgher, LLC, 8150 North Central Expressway, Suite 801, Dallas, Texas 75206. Revised dated March 5, 2002


287
Lyndon B Johnson National Grassland
Decatur
Bridgeport
Boyd
Sanger
Pilot Point
Van Alstyne
Celina
LOOP 288
Denton
35
380
Ponder
377
Stonebrook Villas
McKinney
75
Princeton
Farmer
Frisco
Lake Dallas
Allen
Lewisville
North Shore Park
Flower Mound
Roanoke Park
Rocky Point Park
Walnut Grove Park
Murrell Park
Meadowmere Park
190
Plano
Wylie Senior Apts
Wylie
Sachse
Indian Knob 1275'
Keller
Southlake
Coppell
Carrollton
Addison
Richardson
Grapevine
Farmers Branch
Garland
Rockwall
199
Watauga
Colleyville
Rowlett
Mesquite NW Drive Senior Apts
Saginaw
JCF
University Park
North Richland Hills
Bedford
Euless
Hurst
Irving
78
Richland Hills
360
Dallas
30
Sunnyvale
River Oaks
Ft.Worth
Mesquite
Willow Park
White Settlement
Westworth
Arlington
12
Residences of Pemberton Hills
Forney
80
Cockrell Hill
Balch Springs
20
377
Pantego
408
67
45
Benbrook
Forest Hill
Kennedale
Duncanville
Hutchins
Seagoville
Everman
Cedar Hill
De Soto
Lancaster
Wilmer
Crowley
Rendon
Mansfield
Burleson
Ferris
Sand Hill 383'
Red Oak
Midlothian



Rhea Mills
Bloomdale
Square Air
Skyline Village
Skyway Villas
Creek Point Apts
Buckner
380
Stonebrook Villas
Aero Country
Park on the Creek
New Hope
Foot
AMLI at Stonebridge Ranch (2000)
Tuscany at Wilson Creek
McKinney
Villas at Stonebridge Ranch (1999)
Treymore in McKinney
Finch Park
Lakes of Eldorado
Parkview Legends (1999)
McKinney Muni
Mansions of Stonebridge (Under Construction)
Saxon Woods (Under Construction)
Cliffs of Eldorado (1997)
El Lago (1998)
Villas of Eldorado (Under Construction)
5
Grand Reserve
Country Lane Seniors
Greens of McKinney I (Under Construction)
Fairview
121
Wetsel
Kittyhawk
Forest Grove

Stonebrook Villas Map Legend

	Pin Point	Built	# Units	Issuer
Proposed Community				
Stonebrook Villas	White House	Proposed	224	
TDHCA Bond Transactions				
Skyway Villas	Blue Pin Point	2001	232	
Creek Point Apartments	Blue Pin Point	2000	200	
Local Bond Transactions				
Park on the Creek Apartments	Purple Triangle	1999	240	McKinney HFC
Tuscany at Wilson Creek	Purple Triangle	2000	215	Collin County HFC
Country Lane Senior Community	Purple Triangle	1999	230	Collin County HFC
Grand Reserve	Purple Triangle	Approved	239	Collin County HFC
Tax Credit Transactions				
Treymore at McKinney	Red Flag	1999	192	
The Lakes of El Dorado	Red Flag	1996	220	
Skyline Village	Red Flag	1987	168	
Market Communities				
Villas at Stonebridge Ranch	Yellow Square	1999	276	
AMLI at Stonebridge Ranch	Yellow Square	2000	274	
Parkview Legends	Yellow Square	1999	208	
El Lago	Yellow Square	1998	351	
Cliffs of El Dorado	Yellow Square	1997	208	
Saxon Woods I & II	Yellow Square	Under Construction	510	
Mansions of Stonebridge	Yellow Square	Under Construction	301	
Villas of Eldorado	Yellow Square	Under Construction	248	
Greens of McKinney	Yellow Square	Under Construction	288+	

Compliance Status Summary

ID#	01465	Type Funding	
Project Name	Stonebrook Villas	☐LIHTC	9%
Address		☒LIHTC	4%
City		☒BOND	
		☐HOME	
		☐HTF	
		☐HSG. INFRAS.	

Owner Name: Stonebrook Villas Development, L.L.C.
Contact: Bill Fisher

Development Team	Role
Stonebrook Villas Housing, L.P.	TX Limited Partner
Stonebrook Villas Development, L.L.C.	General Partner
Brian Potashnik	President
Bill Fisher	Vice President
Affordable Housing Contruction, Inc.	General Contractor

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes☐
☒	Projects monitored by other states (National Previous Participation and Background Certification(s) attached)	Issues of Compliance N/A ☒ No ☐ Yes☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes☐ - Single Audit not required.
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐ None

Completed by: (signatures required from each compliance area)		Date
CMCM	Sara Carr Newton	3-14-2002
CMAD	[signature]	3-19-2002
CMPM	[signature]	3/18/2002

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department
Application ID # 01465

ID#	Project Name	Score
70028/94032	Estrada Apartments	10
70037/94038	Melody Place Apartments	0
70039/95049	Melody Village Apartments	3
96014	Courtyards at Kirnwood	0
96015	The Birchwood Apartments	10
98002	The Village at Johnson Creek	3
98032	Villas at Redmond	1
99118	Hillsboro Gardens	N/A
00014T	The Oaks at Hampton	N/A
00027	Medical Center Village	N/A
00029T	Parks at Westmoreland (fka Rolling Hills)	N/A
MF048	Oak Hollow Apartments	N/A
MF049	Hillside Apartments	N/A

A score of material non-compliance (30 or above), reflected in the scoring column, was determined as of December 4, 2001. A ZERO (0) score signifies the compliance review resulted in zero compliance violations. N/A in the scoring column indicates that a compliance review has not been conducted or results are pending.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STONEBROOK VILLAS APARTMENTS

PUBLIC HEARING

City Hall
Council Chambers
222 Tennessee Street
McKinney, Texas

March 14, 2002
6:00 p.m.

BEFORE:

MARLIN WAYNE HARLESS, Multifamily Loan Officer

I N D E X

P R O C E E D I N G S

MR. HARLESS: Okay. Let's get started. I've got several sheets here to start with, and in the interest of time what I will do is I will call on those people who have signed yes that they want to speak, and then when I get to the end if anybody has changed their mind I'll give you an opportunity to do that, and then you can speak at that time too. So for now I'm just going to go to the people that said yes first, then we'll go back and check with everybody else.

Good evening. My name is Wayne Harless. I would like to proceed with the public hearing. Let the record show that it is 6:27 p.m. Thursday, March 14, 2002, and we at the city council chambers here at city hall in McKinney, Texas. I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which in this case is the attorney general. No decisions regarding the project will be made at this hearing. There are no department board members present. Department's board will meet to consider the transaction on April 11, 2002 upon recommendation by the TDHCA Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or the board at any of their meetings. The Department staff will also accept written comments from the public via facsimile at 512/475-3362 up to 5:00 p.m. on March 28, 2002. The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $15 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, also known as the issuer.

The proceeds of the bonds will belong to Stonebrook Villas Housing, LP, or related person or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 240 unit multifamily residential rental development to be constructed on approximately 11 acres of land located on Peregrine Drive on the northwest corner of the intersection of Peregrine Drive and Virginia Parkway in McKinney, Collin County, Texas, 75070.

The proposed multifamily rental housing

community will be initially owned and operated by Stonebrook Villas Housing, LP, or related person or entity thereof.

I would like now to open the floor to public comment. If you have signed up to speak I will call out your name. Please forgive me. I'm not able to read everything. I'll do my best, but at that time when I call your name I would like for you to please come forward to the podium here in front of you and in front of me where the microphone is and state your name for the record, and then you have two minutes to state your views on this issue.

Please speak into the microphone, and when all the comments have been made then I will ask if there are any final comments from anyone who has arrived late or who changes their mind and wishes to speak, but to do so please remember to sign in at the table on the outside of the room here. And then after all persons have made their comments we will adjourn the meeting. And again, I'd like to remind you that there's another meeting to be held on Wednesday evening, March 20 at 6:00 p.m. at the C.T. Eddings [phonetic] Elementary School.

So the first person on the list I have is Roger Davis. Now, as he begins, he has eight people who have yielded their two minutes to him, so he has 16 minutes.

MR. DAVIS: Thank you, sir.

(General applause.)

MR. DAVIS: I'd like to thank everybody for coming tonight, whether you're for or against this project, because this is how democracy works. I'm really thrilled to see everybody who came tonight. Our presentation tonight that we want to show you comes with a lot of data. The data comes from the 2000 census, the City of McKinney, the McKinney Independent School District, the Texas Low-Income Housing Information Service, and other published sources of data that we'll be happy to furnish to anybody at their request.

Some of the things we're going to say tonight will impact some folks pretty strongly emotionally. We ask that everybody keep it civil. This is a very classy, dignified community.

Also, if you're strongly moved by the things that you see one way or the other, I'd like you to remember one thing about the presentation we're giving tonight. We as a group, McKinney Citizens for Balanced Growth, are not saying that there is anything illegal going on here, unethical, dishonest, or untowards. What we are saying is we don't think the evidence supports this as being a smart decision for our community.

And so with that I'd like to start our slide show, and we'll run through it, and I hope that it's informational for all of you.

First of all, why are we opposed to Stonebrook Villas? Our research indicates to us that our need's already met in the city, that there is currently an oversupply of low-income tax credit housing in the city. McKinney has the highest concentration of tax credit housing of any of our neighbors in the north of Dallas area. The McKinney ISD is currently facing a school funding crisis, and high density apartments are the biggest drain on our tax resources.

So off the first base here, let's say we are not against low-income housing. What we are against is a use of public resources that may not be the wisest.

Should the state concentrate low-income housing for all of Collin County within McKinney? And we feel the answer to that is overwhelmingly no. Should McKinney build surplus low-income housing for residents from Frisco, Allen, and Plano? Clearly again we feel the answer is no.

The Texas Department of Housing and Community Affairs guidelines say that need decides where the tax credits are awarded. We feel there is no need in McKinney. The TDHCA says tax credit units should not be concentrated in an area. McKinney has a dramatic overconcentration already.

Now I'd like to show you some of our data. If you look at these communities, these are all communities that are north and northwest of Dallas and the populations of each, and what you see from this is that McKinney is the fourth smallest city within these ten cities. This sample represents over 970,000 residents, and even though McKinney is the fourth smallest city you can see we have the highest number already of existing low-income housing tax credit units of all these cities.

We have 1,512 units. We have 5 percent of the population of the area of the cities I just showed you, but we have 30 percent of the low-income tax credit units already. Among McKinney, Plano, Allen, and Frisco, McKinney has 15 percent of the population but 62 percent of the low-income housing tax credit units.

This was an interesting comment that was made. In the beginning of this process when we first started kind of coming to awareness of this, one of our members, even before we came together, called the developer just to ask him what it was they were going to build there, and they had a long conversation, and our member was told -- the gentleman who later became one of our members was told, Look. If you don't want it, we don't build it. Our message tonight is we don't want it because we have enough.

McKinney need analysis -- what the state will see when it receives -- has received the market study from the developer is the developer will procure this market study to demonstrate demand in the area where the complex is going to be built. This is a state requirement. We examined that methodology and applied the same data for within the City of McKinney, and this is what we came up with. Demand for units through the year 2003 is going to be 585. There are currently units in construction that have been approved or in planning that have reservations of 895 units. This makes an oversupply that we'll see in the next roughly two years of 310 units.

Now, you take that oversupply that we'll see by 2003, which is 310, in addition to the project we're talking about tonight there are approximately seven other projects I believe that are planned for this area that have been submitted for approval by the state for bond financing or tax credits or both. Those projects are all planned for McKinney and have 1,508 units. If you add those units to our current oversupply as we see it, there's an oversupply of 1,800 units that will carry through the year 2003 and beyond.

Now, if you take all the units that exist in McKinney currently and if you take the proposed units that developers have applied to the state for funding, tax credits, or both, the total you get is 3,483 units. If you look at the cities around us in the northern suburbs around Dallas right now today, if you take Plano, Lewisville, Frisco, Allen, Richardson, Garland, Denton, Carrollton, and Grapevine, all those cities currently have 3,487 units combined, so if you look out -- if all these units were built, given our existing supply plus what would be coming online, we would have the same number again as basically all the cities north of Dallas right now.

This is a graph that shows you what that would look like. It would show the comparison of what McKinney would look like with all these units compared with all the north of Dallas suburbs. The developer -- their own market study shows that the market area that they contemplate for this property includes Frisco, Allen, and the northern half of Plano. So in other words, what they're saying to you is that the residents they hope will come to live in this project will come from all these cities.

Now, one of the chief things that we looked at, something that's very important to us -- and I'm sure it's very important to all of you -- is the impact on the MISD, their budget and their finances. The cost to educate 112 additional children is going to be over 500,000 a year. It costs in city real estate tax dollars alone just for the MISD about $4,600 a child. That doesn't count the state money that's available out there and gets refunded back to the school.

The developer has proposed to pay taxes of approximately 130,000 a year. The net tax shortfall is about 381,000 per year as we view it. If you multiply that by a ten year carryover for this one project, you're looking at about $3.8 million as we see it.

The city budget for residents $378 per year for just real estate taxes. This project as we estimate it will have about 587 residents. In the 2000 census there were 2.62 residents per unit of rental housing in McKinney. That gives us a tax shortfall -- and this project, because it's proposed to be tax-exempt, because it's owned by a tax-exempt organization -- it's proposed to be. We'd then have a tax shortfall of about 222,000 a year. That's $2.2 million over ten years.

The impact to the schools and the city is significant if you add the two together over a ten year period we're talking about for just this one complex $6 million.

Now, we're not the only ones that feel this way, and what you'll find is over the next coming weeks I think that more and more of our public officials are going to come forward to voice opposition to this, one of which is Steve Bell, District 4, our representative, who has written a letter to the state in opposition for construction of this project and to the approval of its financing.

Our key message here is that this program is important. The LIHTC program is important for the state of Texas, but it is expensive for cities and school districts, even if you consider that they're not in an overconcentrated state as McKinney is. Therefore, the costs should be shared by all cities in an area. We consider it -- that it's not equitable that other cities should have their residents come here to live in low-income housing and we pay all the taxes for much of the support for those.

Our message to the TDHCA finally is deny the Stonebrook application. I thank you for your time.

(General applause.)

MR. HARLESS: Next on the list is Susan Ridde.

MS. RIDDE: Mr. Harless, my name is Susan Ridde, and I thank you for coming to McKinney on behalf of TDHCA.

Our community is growing at a rate which has far outpaced our ten year old city plan. Because of this growth our schools are overcrowded. We have an abundance of trailers serving as classrooms. We continue to build additions onto our existing schools. We continue to build new schools ahead of plan. Yet our school system remains in a critical state. It is heavily burdened with the task of reallocating limited resources to respond to its crisis, a crisis which can only escalate in the event that the construction of a multifamily housing facility goes forward without benefit of taxes.

Please consider the negative impact this project would have on our community, which is already in dire need of an increased tax base to support the needs of our fast growing population. Allowing this project to go forward with a tax-exempt or reduced tax status will cause our community to suffer at the hands of a developer who stands to gain substantially at the expense of our city's school system and the community that supports it.

Respectfully I ask that TDHCA deny Southwest Development's application for funding. Thank you.

(General applause.)

MR. HARLESS: Thank you. Next on the list is Steve Bell.

MR. BELL: My name is Steve Bell, McKinney City Council District 4.

What I'd like to do first is to read to you the letter that I wrote to Mr. Robert Onion of TDHCA in Austin, Texas, and also papered every elected official that our district votes for.

"Dear Mr. Onion, I'm writing to request that you deny approval of the application by Southwest Housing for the low-income housing tax credit program for the proposed property known as Stonebrook Villas at Peregrine and Virginia Parkway in McKinney, Texas. In reviewing this project I found a significant inequity in the supply of affordable housing across Collin County and a disproportionate amount of LIHTC properties being located in our city.

"I believe the vast majority of residents for this complex will come from outside our neighboring cities, yet the City of McKinney will be required to honor the tax abatement provided by the project's non-profit status. In fact, the map provided by the developer to show where the demand for this project is encompasses entire large neighboring cities.

"I would encourage you to investigate the LIHTC housing supply for our area, and I am sure you will conclude, as I did, that a more balanced distribution of housing resources would afford all cities a higher ability to serve all of their populations. In addition, the site location for this property is problematic, in that an area of under supply of child care, particularly affordable child care, as well as employers, transportation, employment centers, retail services, and social services to assist new residents.

"The children in the complex would be required to cross a main thoroughfare for their elementary school. While our citizens have always been very supportive of our affordable housing initiatives, there is a vigorous opposition by local residents who have expressed concerns about the city and school district's ability to financially underwrite the affordable housing needs outside our jurisdiction.

"The City of McKinney takes an active interest in affordable housing for our residents. However, I cannot at this time support a project for which there is currently no demand from the citizens who already reside in our city. Thank you for your consideration."

Now, a couple of issues too. One, it takes our school district a home of $300,000 to educate one kid for a year. That's an awful lot of money, and it's a very difficult situation that we have. When we look at multifamily apartments from a service standpoint from the city we lose money. It's below the line. It has a negative impact when we provide police, fire, water, sewage, and that type of thing, protection, a negative cash flow.

This community is already upside down economically. We have 22 percent commercial business, 78 percent residents. We've been able to maintain a flat tax for the past six years based upon property appreciation and value. If something happens to our economy, that's going to hit us very strong. We have no choice.

We need to work to begin bringing more commercial tax base and less residential people.

If you will come to the council meeting on Tuesday night I am going to ask for a two year moratorium on all apartment construction in the city --

(General applause.)

MR. BELL -- whose plans have not been approved, whose construction has not started, with the exception of senior family -- or senior citizen housing. So come to council Tuesday night and show your support. Thank you.

(General applause.)

MR. HARLESS: Thank you.

At this time I'd like to like Roger if he -- since he's had his time, if he would please turn the projector off.

MR. DAVIS: Certainly.

MR. HARLESS: Next on the list I have Oxala Masley.

MS. MASLEY: Good evening. My name is Oxala Masley, and I'm a resident of Falcon Creek here in Stonebridge Ranch. I'm here to tell a story about my life and when I moved from Florida.

I moved from Florida to Texas, and I went to leave the nicest apartment complex. It was called Player's Club in Carrollton in Dallas County, and it was the nicest place. They had -- can you imagine -- all kinds of things to do, athletics, tennis court and everything. I was attracted to it because there were a lot of young professional people and from everywhere.

I was there for three and a half years, and everything was fine until this apartment complex became a tax-exempt multifamily residence, and overnight you could see what was going on. I'm not just saying for me, but I can tell you for my neighbors. Every day there was a police activity in the neighborhood. We're talking about sexual assault, and the cars were vandalized everywhere. And people were stealing grills and bicycles from second floors, so it was pretty scary.

And I didn't come to Stonebridge Ranch just overnight. I worked real hard and I saved lots of money, and I promised myself that I will get out of such a situation, that I will try to avoid that. And I don't want to be pointed out as a snob, because I'm not. I'm a minority, as you notice --

(General laughter.)

MS. MASLEY: -- but I think that -- I mean, it is a problem. It will be a problem. It's written here if something happens, don't be afraid, because, you know, these people will be evicted from their apartment. But, you know what? That tells you everything right there. If it's written in this paper, it's like a warning to you guys, so that's my statement.

(General applause.)

MR. HARLESS: Next on the list, Bernard Weinstein and on deck, Janet Powell.

MR. WEINSTEIN: Good evening. I have a report that I'd like to submit for the record, and I'll just make a few comments related to this report.

My name is Bernard Weinstein, and I'm an economist with the University of North Texas. I and a colleague were retained by Southwest Housing Development to do some analysis of this proposed project in terms of demographics, economic and fiscal impact. My comments do not represent the university's in support or opposition to this project. I'm speaking on my own behalf, and I need to make that clear.

We've already heard that McKinney is growing very rapidly and that there's a sizeable and fast growing employment base in McKinney as well. This is one of the fastest growing cities, but right now there are more than 20,000 people living in McKinney, and the council of governments expects employment in this city to reach 44,000 some time between 2020 and 2025.

Contrary to popular perception, not everybody who lives in this city earns the average household income of $75,000, and this has been a very active single family housing market for the past five years, but many residents and workers cannot afford to purchase homes in the City of McKinney, so we conclude, contrary to some other comments, that there really is a need for more affordable housing in this city. There's a tremendous waiting list right now for the properties that are available.

We've heard some concerns expressed about the implications of this project to the public schools, but based on the experience of other affordable housing projects in the Metroplex, only about one half, 0.5 school age children per household are expected to reside at Stonebrook. Maybe a third of those kids are already living in McKinney, so the impact in terms of new students is likely to be as few as 80 to 100 new kids.

There will be some positive economic impacts from this project, both during the construction phase and once it is operating. People who live at Stonebrook will have incomes between 35 and $45,000 a year. They will spend money in the community, and that will generate sales taxes and property taxes. And also contrary to what we've heard, this project will be paying taxes to the McKinney School District on the order of $125,000 annually. We also estimate that property and sales and use taxes will add about $88,000 a year to the City of McKinney's revenues.

So it's our belief that this project is very much needed and that it will benefit the McKinney economy through the infusion of new spending, the generation of new tax receipts for the city, county, and school district, and most importantly, providing housing options for people who live and work here.

Thank you very much.

MR. HARLESS: Next on the list Janet Powell. On deck, Rob Karl.

MS. POWELL: Good evening. My name is Janet Powell. I live in McKinney and am a homeowner. My master's degree is in economics. I'm an economics person too. My speciality is urban planning and public policy. I teach American government at a local college, and I have been an active community volunteer as a tutor with the adult literacy program and a community member of Mayor Dozier's [phonetic] infrastructure advisory committee.

I'm here this evening to ask you to consider the human impact of the housing development project being proposed. From purely an economic standpoint the numbers are staggering. From a social, family and community perspective this proposal is unconscionable. In addition to the sizeable financial concerns about this project my comments tonight concern the wisdom of putting low-income housing in the middle of nowhere.

What are the plans for building walking distance grocery shopping, laundry, and affordable day care facilities? What are the plans for providing access to public transportation so residents can shop, can find and maintain employment, attend their children's after school functions or meetings with teachers? Without access to bus lines or other means of transportation what are the realistic expectations for perspective residents to find places of employment or for allowing resident families to live, to survive, and to prosper?

Much of McKinney's infrastructure is planned around the assumption of access to personal vehicles. Some of these families in the proposed facilities -- the facilities these are designed to serve will not have access to cars, motorized vehicles, or even self-propelled transportation. Many do not have extended families or others to call upon to transport them or to make deliveries to them.

Are we planning a project that will do more harm to the people who desperately need our help and often suffer in a collective silent voice? If we build it, people will certainly come. There's no argument about that point. But the question is, come where?

Think about this. If you were a single parent without access to clothing stores and a grocery store, without access to affordable day care, without access to necessity shopping, without access to the means to look for and secure and maintain employment, wouldn't living in a beautiful new apartment with a lovely view quickly become a cruel daily challenge?

May I suggest that any person who continues to believe that this plan is a good idea be willing to take their family out to this location and live there for 30 days and 30 nights? Take all the food and clothing you can carry in your hands and take all the money that you want, but go there without a car or access to any assistance for transportation. It has always been a part of my value system to never ask another person to do something that I was not willing to do myself. Are there any takers?

In conclusion, let's all work together for more jobs, planned growth, bringing environmentally sound business to McKinney and add to our tax base, not deplete from it. Most of all, let's not compound the daily struggles of the people we desire to serve by carelessly creating and causing more suffering and hardship in their lives.

Thanks for listening.

(General applause.)

MR. HARLESS: Next is Rob Karl. After Rob, Christine Bayer.

MR. KARL: Thank you. First I'd like to thank TDHCA for having this opportunity for our community to speak. I'd also like to thank all the home owners that came out tonight.

I am just a dad who lives in McKinney. I have two children in the schools. I'm very concerned about that future. I lived in Dallas for many years. That was my hometown. The schools were getting very crowded. Obviously the level of education was suffering. The elementary school where my son attended used to be what they would call a Blue Ribbon School. It is no longer that any more.

I'm also not a third party who has been hired by the developer to give his analysis who does not live here. I am just a dad. I have a concern --

(General applause.)

MR. KARL: -- I have a concern about this process. I have a concern about our neighborhood. I have a concern for all of McKinney, and that's what our little group, McKinney Citizens for Balanced Growth, is how we started. We started looking at the numbers when it first came out. I made a phone call to the developer, who is Brian Potashnik, and we spoke about it. He told me about what they were going to do and how great it was going to be, and he told me if the citizens didn't want it, I would build it somewhere else, so I hope they listen to that and I hope the board listens to our concerns tonight, and I appreciate everyone for coming out and supporting McKinney.

(General applause.)

MR. HARLESS: After Christine Bayer I have Nancie Poppema.

MS. BAYER: I'm Christine Bayer. I'm a concerned mother. I moved to McKinney about a year and a half ago with my four kids, three of them in the school system right now, and before we lived in Franklin, the fastest growing town in Massachusetts, so I can tell you a little bit about art in the cart, closets converted to classrooms, portable units, and a high school going on academic probation.

So that was very difficult for our town to absorb, and every time when new bonds and new taxes came up as an issue, there's one thing that most of you haven't talked about yet, is who is going to be impacted the most by the taxes? It's not going to be the people living in million dollar houses. It's not going to be the developers. It's going to be senior citizens on fixed incomes. It's going to be young couples in their first starter home who can't afford higher taxes.

This was an issue that came up. I saw people brought in vote against school bonds who were in wheelchairs, on respirators brought in by the family members who are desperate to have this taken care of because they could no longer afford more taxes. They could no longer afford to give up cable TV they gave up the last time the taxes were raised. They gave up dinners out and vacations the two times before that.
So consider who you are displacing before you're putting in people from surrounding communities. Thank you.

(General applause.)

MR. HARLESS: After Nancie Poppema, Ron Gosling.

MS. POPPEMA: I'm Nancie Poppema of 821 Creekline here in McKinney. I am also the president of the Stonebridge Area Action Committee, which comprises of 22 neighboring villages in that area. I have looked at all of the numbers on all sides. Those of you who know me know that I like to do research. I ask a whole lot of questions, and so I've asked all the questions and I've come to some conclusions.

I'd like to speak to a couple of items that the Southwest Housing economist -- I did not get the gentleman's name -- raised, and he said that there would probably be about 80 to 100 new kids that were brought in. I'm sorry, but if I'm looking at 240 units that are two, three, and four bedroom and they are family units, I can't see how he can get that. I'm getting at least 120, and I would guess much more than that considering what they're going for.

Also on the project will be paying school taxes, when he says $125,000, I had to laugh considering the amount of numbers that Steve Bell had given us too.

I'm going to say that there is no need in McKinney for this. We're already maxed out of our low-income housing units. We have taken care of our residents in McKinney, and I'm the first one to take care of our folks, and I am very proud of the fact that we have. What I am not so proud of and very concerned about is that we are now looking at drawing in from our neighboring communities who should be taking care of their own and although Roger Davis may not have said it, I will say that it is unethical.

I will also say that it's unfair and it is unfair to the McKinney residents and McKinney taxpayers to do that. The other communities need to take care of their own. We take care of ours. My concern is on the drain on the tax base. The money doesn't come in from these units. The property taxes aren't there, so there are services -- when you increase the number of people there are city services that need to be increased, and those of us who pay the taxes here who are here, we have to share that burden, and we've been shouldering that burden, and now look at the numbers that are coming in for the future, and we're going to shoulder it any more, and I say enough is enough. We can't handle any more.

There are a lot of city services that we have to pay for, and we're not at all saying that we resent paying for it. What we're saying is that we resent paying for it unnecessarily. These complexes displace our tax dollars to where we can no longer fund classrooms. We have portable classrooms that children are in. We can no longer fund for our infrastructure.

I can tell you on the east side of this city there are streets there that are so narrow or in such bad shape that an emergency vehicle can't even get down there to save lives. Our tax dollars need to go there.

We've got environmental areas that need cleanup in this area, particularly in our older sections of our town. That's where our tax dollars need to be going.

(General applause.)

MS. POPPEMA: We have enough low income for the City of McKinney. We request that the other communities around here have their low income. when you take this particular unit that we're talking about tonight right on the edge of the McKinney city boundaries and they have to go all the way out ten miles out in a radius to find enough people, that means we're drawing them in, and I respectfully request that the state deny this petition.

(General applause.)

MR. HARLESS: After Ron speaks, Cindy Evans is on deck.

MR. GOSLING: My name is Ron Gosling. That's my wife. I'm very proud of her.

(General applause.)

MR. GOSLING: Most of you know me as Nancie's husband or her administrative assistant.

(General laughter.)

MR. GOSLING: I just have a couple of things to day. When the good professor talked to us just a few moments ago for an economist who has performed this study, some of the statements weren't exactly exacting.

For example, he opined that a third -- about a third of those kids or those children are expected to come from the McKinney area, but he has no solid number. He did suggest that the statistics say that 0.5 children would come from each family in the project. The way I feel about that, because that has to be statistically an average or a mean -- is it would be like us trying to cross a pond that has an average depth of a half a foot, and we very quickly find out who can swim and who cannot.

If we look at reality these are two bedroom, three bedroom, four bedroom, and let's assume that grandma lives in one room sometimes, and let's assume that we're taking care of grandpa and he lives in a room sometimes, but that's not every unit. Reality tells me that the number has to be different in this instance.

The other thing the good professor did not tell us is whether or not this is an average of all affordable housing and thus includes housing for the elderly. I'm not suggesting it does, but he didn't tell us it didn't.

Regarding the market demand study, I understand the standard of practice is to go out with any five mile radius to determine demand, and as you've heard from others it's a ten mile radius, taking in Allen, Frisco, and other surrounding areas. We believe we are taking care of our own. We believe McKinney does believe in affordable housing. We can count the units for you.

Now, let's suppose that the expert that Roger Davis and Balanced Growth hired made some mistakes on the numbers. Let's suppose they're 10 percent wrong. Let's suppose they're 20 percent wrong. Even if they are that wrong we still are overachieving McKinney on affordable housing. Allen, Frisco, Plano, Celina, all the communities around us are underachieving.

Thank you.

(General applause.)

MR. HARLESS: After Cindy I have Doug Maddox on deck.

MS. EVANS: Hi. I'm Cindy Evans and I live in McKinney. I am also a member of the McKinney Citizens for Balanced Growth. There was one point in Roger's slide show that I wanted to make sure was really clear.

When we figured out what the impact was to the city in lost revenues for the city we tried to be very fair in everything that we have done in all of these numbers. We've truly tried not to slant things, to be alarmists. We factored in -- we took out the city taxes, but we factored in that these people would be paying some sales tax and other revenues that they would be providing to the city, so that was factored in in our slide show.

One of the other things that I know several people have heard is that the developer has said that he will pay full taxes on the assessed value of this property. In the market study that was commissioned by the developer he tells us that his property, which is going to cost somewhere between 15- and $20 million to build, is going to be assessed at $6.7 million. For some reason because it is a tax credit property it is assessed at a lower value.

So yes, he will be paying full taxes at an assessed value, but it will not be assessed like your house is, which is the real value. It would be like if you have a $300,000 house if you were paying full taxes on a $100,000 house.

One of the other things that has been debated is whether or not there is a need in McKinney, and there are many -- the developer is telling us that there clearly is a need. The developer has to go out and do this market study that proves whether or not there is a need, but he doesn't do his market study on the City of McKinney, which he could have done. The state requires that he do the market study on a community, which I feel like we are the community. He didn't do that. He did it on a ten mile radius, which includes all of the cities of Frisco and Allen.

This is a wonderful program that the state has, and I want to make sure everyone in this community knows that none of us are saying we don't agree with this program. But when the state brings in this kind of housing it is the city and the school district where it's located that are going to be the ones subsidizing it as far as taxes, and we would like to request that the state look at this and make sure that they're not putting all of them in the same municipality in the same school district, because we are the ones that are impacted by it.

(General applause.)

MR. HARLESS: Doug Maddox is next. After Doug it looks like Stacy Rauchwerger.

MR. MADDOX: My name is Doug Maddox, and I'm a resident of McKinney, also opposed to the proposed housing coming into the area.

About everything I was going to say tonight has been said. Roger did a great job and all of you -- I'm pretty proud to stand up here with everybody and reiterate everything you've said. It's -- all the concerns are so legitimate and so right that it would boggle my mind if the state could find any other conclusion than to deny the request.

Just the one thing the economist from UTD came up -- UT Denton came up and said about the 0.5 children in the apartments, in one of the papers I'm reading tonight one of the proponents for this project was to find housing for teachers, policemen, firemen, and in order for them to qualify it's a single parent with two children, so if it's going to be our teachers, our firemen, and our policemen, there's going to be at least two children in every apartment, so there's no way it's going to be 0.5.

So just -- they play with the numbers pretty well in the proposals they give to us, and we just hope you all can see through all that. Thank you.

(General applause.)

MR. HARLESS: Let me remind the person after Stacy is Jackie Bromley.

MS. RAUCHWERGER: I am a resident here in McKinney. I live in the Arbor Glen community of Stonebridge, and one thing that we haven't talked about too much is our schools and the taxes. We have talked about it a little bit, but right now we have schools all on the east side that are needing repairs very desperately, and money is getting taken away from that to build new schools because our population is growing so fast, so I just think that bringing in no new taxes and lots more children is a bad idea, and I'm totally against it.

(General applause.)

MR. HARLESS: After Jackie speaks I have Steve

Mitas.

Go ahead.

MS. BROMLEY: My name is Jackie Bromley, and I am a resident of Stonebridge. I live in the Regent's Park area. I moved here about a year ago, a little less, with my husband, who works here.

And when I was in Colorado I worked in the area of affordable housing for about 14 years. I worked for HUD for eight years, and then I worked with a group of faith-based developers called Mercy Housing, which was very similar to Southwest Housing Development, and we built projects with bonds and low-income housing tax credits all over Colorado and other states, and Southwest Housing also builds in Colorado and outpaced us on some of our developments because they're a wonderful builder.

I know from experience that when somebody comes up with a proposal to bring a new housing community into an area that you're not comfortable with there's all these questions like, Oh my gosh, what about my property values, or what's it going to look like? Who's going to live there? But I know from experience that once this is done it works and people get along just fine, and you'll find out that contrary to what I heard earlier, these people making 35- to 40,000 a year have cars. They're not going to be living in day care hell, stuck up there for 30 days and 30 nights.

Southwest Housing is a good developer. I've seen their properties here and I've talked to the people in Denver, and they've talked about the properties up there. I know they have properties in Colorado Springs. They manage those properties, they build them, and they are absolutely first class. And one of the things that makes them so is that the residents are offered opportunities for after school tutoring, preparedness for buying a home, mortgage classes. They are not public housing residents. There's been a significant amount of erroneous information.

I had a woman come up to me and say, Oh, my gosh. You live in Stonebridge. What do you think of public housing? This is not public housing. I worked as a public housing development representative for eight years. We served people making 30 percent or less, and it's usually zero when you take adjusted gross income. They are really down on their luck, bless their hearts, and I am so glad that McKinney has a terrific public housing authority to take care of them, but this is not public housing.

And these people are people that you interact with every day: beginning teachers with families to support, the paraprofessionals in the school district, clerical and administrative workers in the city and in public and private sector jobs, public safety professionals, dispatch operators, the folks who serve you in the restaurants and help you when you buy your clothes and assist you when you go to the gym to work out, medical and dental office staff who send you your bills and help you with your appointments; they cut your hair, manicure your nails.

How about the pastoral interns in your churches, the youth directors, the part-time pastors? Do you really consider this level of person unacceptable as your neighbor? Do you not want them to be around your children? That to me is just unbelievable. I think we really have a good opportunity here to have a really quality project, and I just hope that somebody else feels that we could do it. Thank you.

MR. HARLESS: Steve Mitas. After Steve I have Kim Mayer [phonetic].

MR. MITAS: Good evening. My name is Steve Mitas, and I'm the president of the McKinney Housing Finance Corporation, and the comments I make tonight are the opinion of the MHFC board.

We do feel there is a need for particularly high quality affordable multifamily housing. McKinney does have its fair share of affordable housing. We are interested in making sure the right quality of housing is available for those who need it. Because of that, the MHFC is behind this proposal, this development. We are definitely proponents that it gets built. One, because of the previous statement that I've made, but also because there are eight applications out there to being affordable housing to McKinney this year, and there will be potentially eight next year and eight the next.

This is the first developer that has come to the city to say, We want to work with you. We're not looking to just build in your community. We want to become your partner. They came to us. They came to the HFC and said, We want you to own it and we'll get to what that means in a little bit, so we found them to be very proactive in trying to be a good neighbor.

Also, as the previous speaker here mentioned, we have investigated them and find this is a very high quality developer, that this is a -- we expect to be a very different level of development than what we might have previously seen in this city or have the potential to see again.

Now, what they have offered the MHFC and therefore the City of Dallas, is 100 percent ownership of this development. They're not looking to build it and just rake the money in and do whatever they can to squeeze it down. They want to build it. They want to turn it over to us.

What that does is two things. From the beginning we own it so that we're going to be able to influence both the design and all the specifications around that, as well as the ongoing management. If the property's not being managed correctly we have the say to replace the management company and bring another one in.

But an equally important benefit is the economic benefit that we can actually derive. We do have say over how many taxes are going to be paid and have already been negotiating with them to continue to raise the amount of taxes that they will pay to the school district under this proposal. And secondly, it's the residual value of owning that property. Ten-15 years out when the information Roger showed us earlier said that we've got 3 million into it, we own a property as the City of McKinney that's worth 10- to $15 million in residual value to us. We can refinance it at that point in time and spend that money however we want. We can put it back in the schools. We can put it into other programs that we feel are important, but we come out highly on the upside of the economics because they are willing to let us completely own this property from day one.

The --

VOICE: We already have the highest tax base in this area.

MR. MITAS: The MHFC does have a mission statement, and it is to provide single family affordable housing and senior-only housing for this community, but we're also not naive enough to think multifamily developers won't come here and try and build more properties. Our role is to be proactive in that and be in control so that we don't have developers building properties here that nobody has any say about.

There's one thing that's being said tonight that's almost correct in my opinion, and that is that we have all the housing here that we should have. There are rules set by TDHCA on how much concentration of low-income affordable housing they will allow to go into an area, and they're right. We're almost to that point.

I do want to explain what that point is. It's when you are serving one fourth of the residents that need that kind of housing. It's not servicing all of them. It's not overshooting by 150 percent. It's when you are serving 25 percent of the needed population TDHCA is setting what they call the cap rate to say you have enough low-income affordable housing in your community. We will actually not necessarily approve any more housing for your community.

So of those seven other developments that everybody keeps talking about coming on line, there will not be seven other developments this year. Four of those are by the same developer as the one we're talking about. They will not be building those unless any of them are deemed to be elderly housing and the demand is there. So you can take four of those right off the list.

Of the remaining three, one of those is actually already in process and is being put in front of TDHCA to be looked at, and the other two are again with the same developer who will not be looking to build. They put in three or four applications to improve their odds of getting one. They don't really plan on building four or five of them because they put four or five applications in. There will not be eight developments coming in to McKinney this year. There will be one or two.

And with those one or two we will be at our cap rate, and then from words we've gotten from TDHCA, it will be several years possibly before there will be any market need for more affordable housing, so I think the panacea that we're going to keep building affordable housing -- we have to worry about it, but we wouldn't have had to control it ourselves. TDHCA has rules in place to help us control that we do not overbuild, and we will be there.

But they do say there are room for one or two more. We want to be in control of the one or two more and not just let somebody come build whatever they want.

VOICE: [inaudible].

MR. MITAS: If you'd like me to answer that, I think what you don't realize until -- if you don't want me to answer it that's fine, but if you would like to know the answer --

VOICE: Give us a straight answer.

MR. MITAS: The straight answer is until we hit what they call their cap rate, developers will keep proposing to build here, and we'll be back here every month.

We get capped at one or two developments and we're in control again.

VOICE: We're not looking at our community. You're looking at a cap rate that could include Mesquite, Dallas, the whole country --

MR. HARLESS: We've only got two more individuals who are signed up to speak. If that doesn't include you, then you have a last opportunity to sign in on the sign in sheet just outside the room on the table, and if there are any names on that list and everybody has signed, I would like to get that so I can read those names off and they have an opportunity to speak at this time.

Next on the list is Kim Mayor.

(Pause.)

MR. HARLESS: Is Kim not here?

(No response.)

MR. HARLESS: I might also mention that I guess there was a petition that went around for people's signature. That was not our sign in sheet, so if you signed the petition thinking you signed the sign in sheet then you have not indicated that you wanted to speak.

Is there anybody else that would like to speak at this time? Please raise your hand and I can make sure you're on the list. I have a blank sheet here. I have one blank sheet left out of about 30.

VOICE: I'll fill it.

(General laughter.)

MR. HARLESS: A lot of people signed it --

(General applause.)

MR. HARLESS: There were a lot of people tonight who indicated they did not want to speak, so things went fairly quickly. Again, is Kim Mayor here?

(No response.)

MR. HARLESS: After Kim then is C.T. Sutton.

MR. SUTTON: My name is C.T. Sutton. I've been a resident of McKinney for about eight years. Came here to watch this community grow, and I get the feeling that I'm -- from the comments of the prior speaker and the proponent of the project if we're that close to our cap rate then how close must these other communities be based on the statistics we saw -- and I have no reason to believe them inaccurate -- if we're so closed to our cap rate -- don't worry. There's only going to be one or two come in here and then we're going to be there.

Well, if we're that close to our cap rate and we represent such a high percentage of the low-income housing already, then how close is Plano, Frisco, Allen? How close are they? If we're really close, and we've already got a gigantic disproportionate level, then how close could they be? And the last I checked there's still some land around those areas.

(General applause.)

MR. SUTTON: I think we're a compassionate people and we definitely take care of our own. We've watched out school taxes rise dramatically as we've lived here, as I've lived here. I'm a mortgage broker, and I see someone's taxes -- if they put 20 percent down on their house I see their taxes and hazard insurance be 35 percent of their house payment if they walk in today and put down 20 percent on their mortgage, not that most people can do that.

So we've watched our taxes increase, and we can see the schools going up. We can see our kids and what they score on their TAAS tests. We can see our teachers and see them in the store and say thank you. We pay for that, and that's an expense of living here, and we're very proud of it, and as high as our taxes are, I don't hear the complaints. I hear the praise. And while I don't say that other people can't enjoy this school district, I happen to know that I and the people that I see every day pay for it. I'd like to see them pay for it as well.

Thank you.

(General applause.)

MR. HARLESS: Gerald Bushnell. After Gerald I have Glenn Hardin.

MR. BUSHNELL: My name is Gerald Bushnell. I'm a resident of McKinney, and I work for Coldwell Banker. I've been in the real estate business for about 22 years, 18 of it in property management, and I am familiar with the tax credit properties, and I can assure you it's not something that we want in our neighborhood.

Now, there's nothing we can do about having apartments there, because it's already zoned for that, but I was with a client yesterday and the best house that we saw she didn't want because it was next to apartments. Nothing we can do about that, but still the moratorium on construction is something that we definitely need, and we need to build the infrastructure of the city before we start overloading the schools and -- with these apartments.

That's it.

(General applause.)

MR. HARDIN: Good evening. My name is Glenn Hardin. I live in Stonebridge. I'm retired from GE Capital Mortgage Insurance Companies. I spent ten years as a member of the board of directors of the Texas Mortgage Bankers Association, worked with Mr. Clay Carson [phonetic] right there, who's the former president of the Texas Mortgage Bankers Association.

Part of my job for a number of years with GE Capital was to work with Fannie Mae and Freddie Mac in providing low to moderate family income housing. We spent millions of dollars to do that and were very successful in doing so.

One of the comments I want to make is that one of the things I learned for certain is that the developers are in it for the money.

(General applause.)

MR. HARDIN: Number two, the developers believe in the field of dreams theory, build it and they will come. So -- and I'm not opposed to single family. I'm not opposed to multifamily. I'm not opposed to low income, because I've been involved in it and I've spent a lot of my career in helping that issue, but I believe that we are overbuilt in this community. I believe that it's time for some of the other communities to share some of the load.

One comment, and that is when I lived in Dallas I lived at Coit and Campbell Road, and my wife was involved in neighborhood watch program. We had a crime problem down there. They built a project similar to this at Frankfort just east of Coit Road, and there were similar gatherings like this. The project got built anyway.

The young lady who spoke earlier about an increase in crime is exactly correct. My wife spent a lot of time with the neighborhood watch with the precincts there. Our crime rate went up and the police department would tell you that the percentage it went up was directly related to that housing project.

Now, I'm not -- I hear all the people say that this project is going to have teachers and firemen and police officers and all of that. That's what we did when we did low to moderate housing with Fannie Mae. That's exactly who we targeted, and we got a lot of that. But I will tell you that a lot of the low to moderate housing multifamily units, they have policemen living there at no cost to prevent crime.

Thank you.

(General applause.)

MR. HARLESS: Is there anyone in the audience who has not signed in who would like to sign in? I've run out of sign in sheets, but we'll get some paper for you to sign in if you'd like to. It's not necessary. It's not required. We do need you to sign in before you speak though.

Can I see a show of hands if we need to provide some paper?

(Pause.)

MR. HARLESS: Okay. We can start using the back of these sheets then if you'd like to -- make these available.

VOICE: Here's some empty sign in sheets.

MR. HARLESS: Here's some.

(Pause.)

MR. HARLESS: Actually, I have five more speakers now. Next on the list is David Springate.

MR. SPRINGATE: My name is David Springate. I live in McKinney. I'm a finance professor at the University of Texas at Dallas, but I'm here strictly in a private capacity, and I want to rebut one of the principal arguments of Professor Weinstein. He made the argument that Stonebrook Villas will bring economic activity to

McKinney. I believe the real question we should be asking is what can bring more economic activity to McKinney, and Stonebrook Villas is not the best answer to bring economic activity to McKinney.

I also want to mention the point made by Mr. Mitas that the city would inherit the residual value on the apartments. I think we can invest our land and our tax money with more economic value and economic development --

(General applause.)

MR. SPRINGATE: -- and I have a final point, since these will be tax-exempt properties. Although there will be some contribution towards the city taxes, this can only weaken the coverage for the City of McKinney's bonds and we can potentially weaken its bond rating.

Thank you.

(General applause.)

MR. HARLESS: Brian Potashnik. After Brian will be Robert Jacobs.

MR. POTASHNIK: Yes. Brian Potashnik. I'm representing Southwest Housing and would like to just point out a couple of things that I think everybody here should know about the proposed development.

One is that this property is currently zoned multifamily. Somebody will build apartments on this land.

The apartments that are being proposed for this development will exceed the quality of most developments currently built in this city. In addition to that, the screening criteria that our management company uses for residents is more strict than any screening criteria currently used on any development here in the city, and a couple of things to point out.

All residents must be employed. All kids on the property must show a 95 percent attendance record at school. In addition to that, the property will pay full 100 percent of the assessed school tax. Every development that Southwest Housing has built in the Metroplex has actually shown a reduction in crime in the area that it is built.

VOICE: Who are they?

MR. POTASHNIK: Well, all I can say is that our new mayor, Laura Miller, pointed out in the debates -- and I'm proud to say --

VOICE: [inaudible.]

MR. POTASHNIK: Okay. I'm sorry. I think everybody here has had an opportunity to speak, so I would just like to say my piece.

The biggest success story that she saw as a city council woman for the City of Dallas was Southwest Housing and its ability to build affordable housing. The only difference that we will have in our community as opposed to any community that is currently built or will be built under multifamily zoning is that instead of a thousand dollars a month for an apartment you'll be able to pay 6- or $700 a month, and that's it.

That in a nutshell is the only difference between us and any other builder in the state. Full taxes will be paid on the property to the schools.

VOICE: [inaudible].

MR. POTASHNIK: Well, I just want to in closing thank all of you for coming out tonight, and I certainly appreciate and take your comments into consideration, and I certainly appreciate everything that the McKinney Housing Finance Corp has done, all residents of McKinney, all great service, and I think everybody should give them a big hand for all the hard work that they've done in working with us on this.

Again, thank you all very much. Appreciate it.

MR. HARLESS: Excuse me. After Robert Jacobs is Richard Hall.

Okay, Robert. You've got it.

MR. JACOBS: Good evening, and thank you for the opportunity to speak before you. I'm used to speaking in front of classrooms, not in front of large crowds like this. I am one of those teachers. However, for the first time in my life last August I purchased a home in McKinney. I enjoy the home. I enjoy the experience there, but I also pay the property taxes. I don't know that I've ever been offered to opportunity to negotiate how much property tax I get to pay.

(General applause.)

MR. JACOBS: I'd like to have everybody involved in the -- actually all the proponents of this project offer a guarantee that all of these units will be filled by teachers --

(General laughter.)

MR. JACOBS: I can speak for the credibility of my profession. As far as the proponents of this project, please, do not insult our intelligence.

I would also like to point out that I live down the road from a much nicer development in Stonebridge where my parents currently reside. They moved in I guess in November. They retired to Florida. They came back because this is home. They enjoy the community as I do. They're sitting right here. My dad turned 75 last week. I would hate to think that he is going to be burdened by somebody else's problem financially.

Thank you.

(General applause.)

MR. HARLESS: Again, assuming Gerald Bushnell already spoke, I'll be passing him up and proceeding to the last looks like two people, Carrie Leonard/Steve Bell.

MS. LEONARD: I'm bequeathing my time to Mr. Bell.

MR. HARLESS: Okay.

Wait a minute. Steve Bell already spoke. Are you speaking on behalf of someone else?

MR. BELL: Evidently I'm speaking on her behalf.

MR. HARLESS: Okay. That's permitted.

MR. BELL: One of the problems our city has is multifamily apartments. At build out we're supposed to have 35 percent apartments to residences, to homes. That's way too many. You get people like Flower Mound that have none. Allen has 2 percent, and there has to be reasons that they capped it at 2 percent.

So we were fortunate enough to be able to work out and put a moratorium on all new zoning on apartments, and we held that for about nine months while we did an apartment study as to where they're to be located.

If you look at our apartments here in McKinney they're quite clustered. It causes congestion problems, and it also burdens the neighborhood schools where they are, so we had to look at a way to spread that out across the city. So what we were fortunate in being able to do -- and we got the council people to vote for it -- is to put a 10 percent cap on apartments to residential homes, single family housing, and the city is zoned for that.

Now, that applies to all new zoning. The existing zoning as Steve was talking about, is in place. If an apartment complex comes in and they meet all the city's standards, architectural standards and everything that they're supposed to do, they have every right by law to build the apartment house. There is nothing that I can do about it or any other city councilman because we're compelled by the State of Texas via law that we have to approve it if they meet it.

That's the situation that this complex is in now. The land was zoned for multifamily in 1987. There is every right to have that built, and so they do have that. Hopefully, what will happen is based upon this outcry this will never come to a vote at city council. I'm hoping that it never comes to a vote at city council.

But this is where we are in the situation, so I just want you to realize that, that if TDHCA does not turn this down or not grant the bonds it will go away, but by law if they meet everything they can build it.

Now, we're going to try our best to do some other things to try to eliminate this process and also to keep the apartment housing in line, but to do that we need your help. You need to come to the next meeting, which is also on the 20th at C.T. Eddings, and bring more people, because they need to be informed. They need to understand what is going on.

And just in closing is this: I'm for affordable housing. I worked very hard with Bud Ward over there with Habitat to build single family, and I've helped dedicate a number of houses, and it's heart-touching to be able to provide this type of housing for people that can't afford something. But I just have a multifamily problem here in our city, because we just have way too many compared to our other --

(General applause.)

MR. BELL: It's not an affordable housing issue. It's just there's just flat too many multifamily apartments, and we've got to stop it, and if getting a moratorium on construction is the way that we have to do it, then that's the way we'll have to do it.

(General applause.)

MR. HARLESS: After Karen Riding speaks on deck is Rick Kieffer.

MS. RIDING: I've got a little bit of a cold.

First of all, I would like to counter something that was said earlier by the lady talking in favor of the housing, and I'd like to say that I don't think any of us hate these people, that we just can't afford the project. And in agreement with that I believe we have a petition right now opposing Stonebrook Villas, and it was just started in the past few days.

Even with spring break right now we currently have 1,071 signatures, and we're continually getting in more each day. Next week at the meeting on the 20th we'll give you an update on that number, and we will hopefully have more at that time.

The other comment that I wanted to make was that there was mentioned I guess by Steve Mitas about us almost being at our count, and a quarter of LIHTC demand is in the ten-mile radius: Frisco, Allen, Plano, et cetera, and that is much more than is McKinney itself.

The last thing I'd like to say is we do have a petition outside, and anyone who is in here who is against the project please feel free to sign the petition, and if you are interested in finding out more about our group, MPBG, please get our e-mail address. It's mpbghome@yahoo.com. Thank you.

(General applause.)

MR. HARLESS: Rick Kieffer. After Rick Clayton Myhre.

MR. KIEFFER: I'm Rick Kieffer. Thank you for allowing me to speak tonight. I've lived in the Dallas Metroplex for 22 years. The majority of that time was in Plano and Addison. My wife and I just moved to Stonebridge Ranch last August.

To add what hasn't been brought out tonight is the media has reported recently that McKinney has the highest unemployment rate in Collin County. I believe the number is 11.2 percent versus Plano is about 5.2 percent et cetera, and the other neighboring cities. With the highest unemployment we can ill afford to take on additional tax burdens when we don't have people gainfully employed contributing tax dollars.

Also, when I lived in Plano McKinney was never thought of as a very desirable community to live in. Stonebridge has changed that perception in the Metroplex. I think if we have a preponderance of the low-income housing for all of Collin County concentrated in McKinney that cannot help our image, and obviously if we don't have the image we can't attract the industry. We can't attract the businesses, and our tax rate will get worse.

Thank you for letting me speak.

(General applause.)

MR. HARLESS: After Clayton, Toni Patterson is on deck.

MR. MYHRE: I'm Clayton Myhre. Much like Steve

Bell, I'm in favor of affordable housing, but I'd like it to just be in housing that people actually live in and own that we make them so they can pay taxes, because that contributes to the whole community.

Now, doing a little research study -- I'm going to give something that I think the developers have looked at beforehand. With a five mile radius for a market norm to do a project, that is equal to 78 square miles. He had to go out to a ten mile radius to come up with enough people to be able to fill this project. That ten mile radius is 314 square miles of territory, which is a 300 percent increase over the normal territory to fill one. We're getting people, like I say, from Plano, Frisco, Allen, north up to Prosper, just in looking at where these units are probably really needed at.

McKinney has 19,462 housing units. 1,500 of those are low-income units, which equates to 7.7 percent of the living units in McKinney are low-income. Plano has 220,000 per the 2000 census. They have 86,000 plus housing units, 606 low income, which is 0.7 percent of the homes in McKinney are low income.

VOICE: Plano.

MR. MYHRE: Plano. Excuse me. Yes.

In Frisco, based on theirs is 48,000. They have approximately 18,600. They have two housing units, 242 low income, which is 1.3 percent. Allen, 56,000 people, 17,400 housing units, 120 low income, which is 0.7 percent of their housing units. Do you see a trend here, people? We're way above the norm for what is low income in a community.

I'm not against them. Everyone has a right to live somewhere, but, people, we need to rely on our neighboring cites to bear their fair burden on this and not have it all basically dumped on us because I already know two people based on their taxes this year have already put their homes on the market and are going to be leaving because they can't afford to stay here any more. We can't afford that. That's where I'm at.

And I think this guy should have done this research before he came here.

(General applause.)

MR. HARLESS: Toni Patterson is the last individual I have signed up to speak. I'll give you a last chance. If anybody would like to speak please come forward and I'll let you sign this while she is speaking.

MS. PATTERSON: My name is Toni Patterson, and I didn't come prepared to speak, but sitting and listening to everything that's going on here I felt compelled just to come on record verbally to tell the Texas Department that I am opposed to this because we don't need it based on the statistics given. We're not against low income multifamily. We're not against any of the manicurists, the hair stylists, the teachers, the firemen and all that. We are those people --

(General applause.)

MS. PATTERSON: I encourage anyone else that's sitting there scared to death to speak to do so, because I do oppose it, and that's why.

(General applause.)

MR. HARLESS: Please state your name for the record.

MR. MASLEY: My name is Jeff Masley. I live in Stonebridge Ranch McKinney and we moved here last July.

I think I'll just say to my wife, Oxala, I'm very proud of you for speaking earlier. You did a wonderful job. I remember meeting my wife in Player's Club, and I was very much aware of the situation that was there and how run down that community got. She didn't mention to you that her car itself had been vandalized twice when that property started to deteriorate. I think it is pretty much obvious to everyone that it's going to be an increase in taxes to us.

I live about maybe a couple of miles from where this proposed development is going to be, and I have a hard time in regards to just the logistics, because there's not much out there unless you have good transportation. There's no buses. There's no grocery stores. There's very little out there. I'm really concerned as to how these people are going to be able to survive out there. It just doesn't -- common sense that it's not located more towards where there are more proper facilities for people to get by.

And I'm really shocked by these numbers in regard to Allen, Frisco, and Plano in regards to what little they have with regard to the tax base they have, and why McKinney is being asked, with so little commercial development here to take on more.

Thank you very much for your time.

(General applause.)

MR. HARLESS: If there are no other individuals who would like to speak then I would like to thank everyone for attending the hearing this evening. Your comments have been duly recorded, and the meeting now stands adjourned. The time I have is eight o'clock.

(Whereupon, at 8:00 p.m., the meeting was adjourned.)

<u>C E R T I F I C A T E</u>

IN RE: Stonebrook Villas Apartments

LOCATION: McKinney, Texas

DATE: March 14, 2002

I do hereby certify that the foregoing pages, numbers 1 through 62, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

03/19/2002
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STONEBROOK VILLAS APARTMENTS

PUBLIC HEARING

C.T. Eddins Elementary School
311 Peregrine Drive
McKinney, Texas

March 20, 2002
6:30 p.m.

BEFORE:

MARLIN WAYNE HARLESS, Multifamily Loan Officer
ROBERT ONION, Director of Multifamily Finance

I N D E X

P R O C E E D I N G S

MR. FISHER: Good evening, everyone. I'm Bill Fisher; I'm with Southwest Housing, who is the developer of this project.

MR. HARLESS: Good evening. I'd like everyone to move in, if they'd like to. The sign-in sheets -- and I understand there's a petition; it's over in that direction, at the table. You have all night to do that.

The first order of business is going to be to read an item here to you. And, then, we're going to have two short presentations, lasting about 15 minutes or so each. And, then, we're going to be calling individuals to speak who have signed the sign-in sheet. And, that's going to be the order of business today.

Toward the end, we'll be asking if other people who haven't signed in, give them a chance to sign in at that time. Any time tonight, though, you can sign in over there. I'll be getting those sheets and reading your names off that list as the evening progresses.

But just now, right now, I'd like to proceed with the public hearing. Let the record show that it is 6:33 p.m., Wednesday, March 20, 2002. We are here at the C.T. Eddins Elementary School, 311 Peregrine Drive, McKinney, Texas.

And, I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs, with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code.

The sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which in this case is the Attorney General. No decisions regarding the project will be made at this hearing.

There are no Department board members present. The Department's board will meet to consider the transaction on April 11, 2002, upon recommendation by the finance committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the finance committee, or the board, at any of their meetings. Department staff will also accept written comments from the public via facsimile at 512-475-3362, up to 5:00 p.m. on March 28, 2002.

The bonds will be issued as tax-exempt multifamily revenue bonds, in the aggregate principal amount not to exceed $15 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will be loaned to Stonebrook Villas Housing, L.P., or related person, or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows:

A 240-unit multifamily residential rental development to be constructed on approximately eleven acres of land, located on Peregrine Drive, on the northwest corner of the intersection of Peregrine Drive and Virginia Parkway, in McKinney, Collin County, Texas 75070.

The proposed multifamily rental housing community will be initially owned and operated by Stonebrook Villas Housing, L.P., or related entity, or person thereof.

At this time, I would like to invite Bill Fisher to make the initial presentation at this time.

MR. FISHER: Thank you very much. Again, my name is Bill Fisher. I am with Southwest Housing. We appreciate you all coming out tonight and, you know, hope that, as in any good debate, that everyone will understand that there is another side.

There's certainly, I can tell you, facts that are in dispute between the opposition and our group. And I would hope everyone would keep an open mind.

And I would certainly encourage every one of you, to the extent that you're concerned about what I would tell you, in many cases, are going to be vastly different positions on the facts, that you take the opportunity to verify at least what the two sides are saying, and come to your own conclusion.

And, again, I appreciate the opportunity to speak.

Stonebrook Villas is a Southwest Housing Development. Southwest Housing's been in business since 1993. We build a condominium quality apartment community. We will meet every zoning and building code ordinance.

It's our objective for our housing to look and feel like the finest multifamily housing that has been built in McKinney. And that's certainly our company's commitment to you.

There's been an issue regarding the density of this project. Multifamily zoning in McKinney typically accommodates 24 units to the acre. The planned development in place, since 1987 on this property, allows for 22 units to the acre.

The current plan, that we have on file with the city for site approval, is currently 20 units to the acre. And as part of our discussions with the neighborhood group, we've offered to lower the density further in an effort to try and get the neighborhood support for the project.

As I mentioned, the property has been zoned this way for quite some time. And we are building within the current zoning ordinances in McKinney, without exception or variance. As I said, we'll meet all the zoning and building codes associated with this project.

Just a little bit about Southwest Housing, the sponsor of this project. Southwest Housing has won many national and local awards for the design, construction, and operation of their properties. We were a recent winner of an NHB award, as well as a recipient of awards from local community leaders, such as the mayor and city councils, in areas where we've built.

We provided, as part of this process, an extensive list of references, both neighborhood groups where we have built and operated communities, and made promises to the neighborhood, that I believe they've told you, we've kept.

We have a reputation for being a good neighbor and a good citizen. I think that's why the McKinney Housing Finance Corporation has given consideration to taking ownership of this property, on behalf of the citizens of McKinney.

As I mentioned, we were an NHB award recipient in 2000 for a project that we did in the city of Arlington. Kay Bailey Hutchison, our U.S. Senator, did the ribbon cutting on a project that we have in De Soto, and she gave us a plaque award for that. The City of De Soto gave us a commendation for our two projects that are in the city of De Soto.

And, of course, we are a Dallas-based development company. So as you can imagine, we've been cited several times by both the mayor and the city council of Dallas for the quality of our projects.

One of the big concerns that's been raised, regarding this project, is whether there is sufficient demand for the project. And I want to make sure we address this issue clearly.

There are specific guidelines that the State has regarding a market analyst, an M.A.I. appraiser, to determine whether or not there is sufficient demand in the market area for the project. Obviously, they don't want to fund and build a project that's not going to lease. They're also trying to make sure that one project is not cannibalizing the residents of another.

Like all apartments, two equal ones, one built ten years ago, one built today, all things being equal -- and that's typically the case on the rent -- obviously, residents are going to want to live in the newest and best community. So these guidelines ensure that the market analyst draws a ring within a set guideline.

I would encourage you to go out on the State's website. Those guidelines are published as part of their concentration issue.

The purpose of the ten-mile ring was to do two things: first and foremost, to conform with the guidelines, but, second, to encompass the entire city of McKinney. Like all good circles, it certainly picked up areas of Frisco, and Allen, and areas north of McKinney, which is just the nature of the circle. However, it does represent a ring of residents who could potentially be drawn to the community that is consistent with the guidelines.

I really haven't heard any neighbor argue that this location won't lease in a minute. As you can imagine, we're going to build a property that is identical in all respects, quality-wise, to AMLI [phonetic] and the things that no one has turned out to oppose. Yet our rents will be 70 percent, or less, of that number.

In addition, as I think many of you will find out, the people who rent apartments, and particularly families who rent apartments, typically qualify for income guidelines. So, yes, in fact, we will draw residents in a significant number, from the existing McKinney market.

They are currently paying more than they can really afford, as a percentage of income, to live in McKinney because McKinney, from a multifamily standpoint, is a high cost area. I think anyone reasonably comping these areas will understand that rents for one, two, and three bedroom apartments, for someone who makes $50,000 or less, is a significantly higher portion of their income than would be typical for even you as a person paying on a mortgage.

Dr. Bernard Weinstein and Dr. Terry Clower of UNT, both of whom have done a variety of studies for the city, and are nationally recognized experts -- and, certainly, the foremost experts on this regional economy -- have told us in their study, which has been provided to you, that thousands of McKinney residents meet our guidelines. And that is not only just thousands of people; that is a very high percentage of the existing population.

The State's guidelines, which is calculated on capture rate, says we cannot exceed a capture rate of 25 percent, which even on its face, serves only one in four low income renters in the market area. So, again, I think the issue of demand is pretty clear.

And I think really the neighbors that are here tonight really know that this property will lease, and lease very quickly, because of the wonderful neighborhood, and wonderful community, and wonderful school district that you have.

Within the bounds of Collin County -- we'll talk specifically about McKinney next -- all affordable housing available in the Collin County area has been reported to be 100 percent occupied, with at least a one year wait list.

You know, our resident profile is not public housing. These are working families and fixed income seniors, who cannot afford to move into the newest, nicest properties in these areas.

So what the State does is they provide a variety of subsidies, non-property tax subsidies, to allow these people to live in the identical community, in the identical area, at a rent that they can afford. That's as simple as you can say it.

Based upon the percentage of households served, only 1.8 percent of the population living in affordable housing units in McKinney versus the overall population. And in Collin County it's actually less than 1 percent.

So, again, I know there's a perception in McKinney that you all are doing more than your fair share. And I don't think there's any question that you all have done more than your neighbors. I don't think anyone disputes that.

But the reality is, there is a vastly under served, and very large group, who have need for the housing. And that's a fact that's also very difficult to dispute.

The total population in the ten-mile ring, which again is consistent with the rules, is approximately 200,000, as you see the market study. And there are less than 2,000 units that serve residents in our income range, and at the rent levels that we charge, which is from a low of about $35,000 to a high of $51,000.

I think we can easily argue, and it's certainly our position, that McKinney is hardly over built. Again, it's been a good argument that Allen has none and Frisco has none, and McKinney certainly has some affordable housing, but I'm not sure that that's the best argument. But, again, our position is that I think a reasonable review is we're hardly overbuilt.

Again, according to the McKinney Housing Authority, the units here are 100 percent occupied with a one year wait list, and Dr. Weinstein confirmed that in his study. The current and future demand of these people is not being served.

Again, the average area income here is $70,000. The average area income in this immediate area, the little one-mile ring, two-mile ring, from this site, is $140,000. So in order for the average to be 70, there are a whole lot of folks below that median income, that fall and would like to live in these types of properties.

You know, Allen and Frisco have small unit counts, but, you know, we don't have a dog in that fight. That's a regional issue. And I think it's unfair that they have had no affordable housing. And I think it would be reasonable for this community to ask them to pay their fair share.

But, again, it doesn't have a lot to do with Stonebrook Villas, the quality of the housing, the need for the housing, and the fact that people will live there and enjoy living there, and that the property will be occupied very quickly.

One of the other issues is, you know, a question of whether these properties represent a bootstrap opportunity, or like perceptions of many Government-subsidized programs, are somehow a trap. The number one reason that a resident moves off an affordable housing community is to buy a single family house. The reason is, because of the lower rent, facilitates savings.

We provide supportive services to our residents that typically allow them to go from a one-income household to a two-income household. They buy more; they pay more taxes. But they also put their family in a position to make economic advancements.

You know, to make it clear, mom stays at home because it doesn't have any economic value to her to go to work and pay for day care. We provide latchkey programs for the children, after-school homework with volunteers, and, during the summer, we have a full-time program that facilities the families to make a socioeconomic change. So these programs are a bootstrap program and the people that live there do go on to own homes.

This is a highly desirable area of McKinney. Everyone here knows that. The MISD is the top school district in this area. We all know that. This west side, and particularly our area, is under served.

There are none of these properties out here. And right now if you tried to rent an affordable housing unit within a three-mile radius, five-mile radius, of this property, there aren't any.

The current stock of affordable housing -- because McKinney does have some, approximately 1,300 family units -- are predominantly on the east side of town or right along 75. Our property is out here, obviously, where there's a great number of new retail and other supportive services going on, and on that location right there, there'll be a new Kroger store built virtually at the same time that our property is developed.

MR. HARLESS: Okay, Bill, five minutes.

MR. FISHER: Okay. Thank you.

The economic contribution, we're not free riding and never intended to. We offered the ownership of this property to the city, which, even in a worst case argument, is a $20 million contribution. It's more money than we could pay in property taxes during the 15 year period of the analysis.

Now, the city's involvement raised the property tax issue, because the city is exempt from paying school taxes. So we tried to make it clear that we would make sure that the HFC -- and they committed to do that if they were the owner -- did pay school tax. If they're not involved, and at this point in time, I think that issue is; they've certainly indicated their willingness to do so, but they certainly have not done so.

We are being underwritten and will pay full tax on the basis of our assessed value, without any special break whatsoever, just the way the state code says you're to be valued and assessed at the same tax rates everyone else pay.

In addition, it's interesting to note that half of our portfolio -- and we're proposing, and have proposed, two projects in McKinney -- is senior only and family. Obviously, we're paying school and property tax on the senior properties and none of our 55 and older seniors are attending the schools.

So the idea that we're not -- as a company and as an approach here, that we're not paying our fair share, is really not correct.

Reasonable cost housing is an economic development issue. You know, we need to build our employment base here, and build our commercial property base. And when a commercial employer comes into an area, they want to have their employees live close by. And, you know, most of the workers in these businesses earn income in the ranges for these properties.

So when the Boeings and the Gees and the Southwestern Bells say, I want to build a call center, or do something, the first thing they look at is housing costs. And if all their employees have to live in $300,000 houses, which is the break-even point for the McKinney ISD, according to their website, they're not going to build their businesses here.

So understand that having reasonable cost housing in your neighborhood is actually beneficial to your ability to attract businesses, and for businesses to attract employees.

Quickly -- let's roll on this -- 80 students, that's what the study says. 11,000 students in the MISD right now, 1,300 planned, six new campuses, not credible to argue that we're going to upset the apple cart.

The school district has never opposed a single family zoned property with the identical tax profile, paying taxes on evaluation per unit that is below their break-even point. The school district has never opposed an affordable multifamily project in the area. The MISD's opposition on the basis of family status and the resident profile needs to be a concern, and it needs to be a community concern.

We're asking you to respect rights, like we do, for our neighbors. We have the private rights to build on this property, according with the Code. We'd ask you to respect that.

We'd ask you to respect the rights of the families that we serve on our properties. We ask you to respect the rights of the people who work in McKinney that earn $55,000 or less, and are eligible to live in our community with their families. And we ask you to respect the right for their children to attend the same quality schools in the MISD that your children do.

The services have been an issue on this property. I think this berates the spectra that there's nothing out here to serve the community. I suggest that that's not credible. The same reasons that our people want to live here is the same reasons you live here. Buyers and renters to Stonebridge Ranch and Beesler Homes, new schools, new retail, road improvements that are coming, and, also, are being part of our development plan.

Other potential projects? There are no other potential projects. The State people are here tonight. There'll be one more family affordable housing project built in McKinney in the next three years. And we've offered that ownership of that property to your city, so they can control it and benefit from it.

I want you to remember the issue that we would do one other affordable housing project here, with the Housing Finance Corp., and it would be a senior only project, which, again, is going to pay tax, and it's going to pay school taxes, and it's not going to put anyone in the schools. Our combination of that senior and family property does more than carry our fair share.

And we appreciate the opportunity to set the record straight. Certainly, our information is out there. Ninety percent of what I've told you tonight is on file with the State. It's public record information. And I would certainly encourage everyone of you to verify it, to the extent I've caused you to pause and question some of the reasons why many of you have been brought out tonight.

Thank you very much for your kindness.

MR. HARLESS: Roger Davis has the next short presentation.

MR. DAVIS: Wayne, I was going to suggest, it will take us a couple of minutes to hook up our computer to this projector. So if you want to take some comment, or if the school district wanted to give their comments, this might be a good time.

MR. HARLESS: Okay. I would like to invite Geralyn Kever, if she would at this time, to make her comments.

We are keeping individual comments to two minutes this evening so that everyone might have an opportunity to speak. If you have not signed up yet, there should be sign up sheets at the table over near the door that you entered. You can continue signing those as the evening progresses. Thank you.

MS. KEVER: Thank you. My name is Geralyn Kever. I have co-authored a letter, along with Dr. David Anthony, our superintendent of schools, to Mr. Robert Onion, directed to the Texas Department of Housing and Community Affairs. And I would like to verbally read the content of this letter into the record. And I reserve the right to editorialize, if I choose.

I am here to express opposition to a project known as Stonebrook Villas, which is before the Agency for funding through the low income housing tax credits program. This is a regrettable position for any school district to have to take, but one we must take at this time in the development of our district.

MISD is facing a funding crisis. This is a time of exploding growth in our city. I do not have to tell this group that. At the same time, due to State funding legislation, our ability to collect revenue through our local tax rate, to meet the impact of this growth, will soon be limited.

While new homeowners and residential growth have found our city in droves, commercial development is not keeping pace. This has left our district with a significant imbalance in student population for the size of our commercial tax base. Consequently, the district has actively and consistently opposed any efforts by citizens or developers to down zone property in our district from commercial to residential.

Additionally, we have opposed any efforts by developers to increase residential densities above those specified in the City's Master Land Use Plan. This is core. Any increase in residential density negatively impacts our ability to plan for and effectively educate children. The forecasted increase in student population density for this project far exceeds our projections and that is a basis for our opposition.

The impact of this increased and unanticipated density would negatively impact our schools. And I might just add, that under normal density projections, our demographer would use a factor of .1 for a project that meets this zoning criteria. And for this project, our demographer has told us that we would need to up that to .5.

So, for example, if it were a 240-unit complex, we would anticipate student contribution, enrollment contribution, of 24. And that's what we have used in our projections. If this project were to be developed, that would move to 120. So 120 is half of 240. That's the disparity. It's a factor of five. That's different than the 80 you saw; our demographer tells us the student contribution would be 120.

The City of McKinney has established a legacy, and set precedents, for embracing low income housing communities and we're proud of that. Based upon the data that we have reviewed, McKinney has an oversupply of low income properties and is now drawing residents from surrounding suburbs, which are not providing an adequate amount of affordable housing program for their residents.

These neighboring districts have significantly smaller populations of high density, low income developments. An overconcentration of low income housing places an undue burden on MISD, and our taxpayers, to provide services for low income families from across

Collin County, now just our city. A more equitable allocation of housing throughout the county would allow neighboring districts to maintain the resources necessary to provide the best possible educational opportunities, to ensure that no child is left behind.

You know, Collin County is one of the fastest growing counties in our state. And I believe that it is incumbent upon the Texas Department of Housing and Community Affairs to provide guidelines that will work to ensure an equitable distribution of low income housing across our county.

We are proud of the proactive stance our city officials have taken to provide ample affordable housing in our community. However, we must oppose this project at this time due to our city's current oversupply of low income housing, the significant growth and increasing density of our student population, and the diminishing financial resources required to provide a quality education for all MISD students.

MR. HARLESS: It's time.

MS. KEVER: Last sentence, McKinney ISD cannot continue to bear the unfunded costs for educating children who will clearly be drawn from surrounding districts. Thank you.

(Applause.)

MS. EVANS: My name is Cindy Evans, and I live in McKinney. Neighbors and the Texas Department of Housing and Community Affairs, I'm a member of the McKinney Citizens for Balanced Growth.

Over the last two months, our organization has investigated the details regarding the construction of another low income housing tax credit property in our city. In our investigations, we have uncovered startling information which we believe has surprised even our city officials, and the Housing Finance Corporation.

We have found that McKinney not only does not have the need for an additional low income housing tax credit property; we have an oversupply. We also found that the LIHTC properties for the suburbs north of Dallas are highly concentrated into the city of McKinney and the MISD jurisdictions.

The Texas Department of Housing and Community Affairs guidelines state that need is supposed to decide where funding is awarded for these properties. There is currently no need in McKinney.

The TDHCA also says, Tax credit units should not be concentrated in any area. McKinney now has an overconcentration already.

McKinney is the fourth smallest city in our area, with a population of just over 54,000, out of the 970 residents in the suburbs north of Dallas. Yet, with just five percent of the population, we have over 30 percent of these type of housing units.

In the market area for Stonebrook Villas, which was defined by the developer, in the market study that they paid for, McKinney has 15 percent of the population but 62 percent of the LIHTC housing.

In addition to the 1,512 units already in service in McKinney, our area currently has 895 units that are approved and are in planning or in construction, all located inside McKinney. This will meet the anticipated need of our area through the end of 2003. That will leave us with an oversupply of units of 310.

If the State were to approve all of the other applications that have been applied for, that would be an additional 1,500 units. Then, our oversupply would be 1,800 empty units. This would give McKinney the same number of units as all of the other suburbs in the North Dallas area combined.

After offering this information to our city leaders, the owners of this property have now shifted their message to say that they think they can slip in just one more, under the wire. Let's take a look at the numbers and, we believe, there's not even room for one more.

The State currently allows the developer to conduct the market study, which defines the market area and tells you whether or not there is a demand in a given area. However, the State does have guidelines saying that this market area should be defined by natural geographic and political boundaries.

Yet the demand area for Stonebrook Villas is a ten-mile radius, a 300-square-mile circle which includes all of Frisco, all of Allen, half of Plano, all the way down to Parker, and several of our smaller surrounding cities. We believe that a 300-square-mile market area for one apartment complex is ludicrous. Yet such a large market area certainly does allow them to say that there is a demand for their project, a demand that would not exist if the study was done on our city alone.

The guideline also dictates that the market study prove demand through a formula called a capture rate, with a maximum rate of 25 percent. If you did the demand only on the city of McKinney, it would be much, much higher than 25 percent capture rate.

We want the State and all of our neighbors to know that we fully appreciate and support the State's initiative to provide affordable housing for residents. This is an economic issue.

These complexes are, by their nature, expensive to the individual municipalities and school districts where they are located. And an overconcentration in one municipality can be financially devastating.

We estimate the economic impact on our schools, just for this one complex, to be $3.8 million over ten years. We estimate the economic cost to our city to be 2.2 million. That's a $6 million price tag over ten years, to one city, to one school district.

All that we are asking is for the State to review their concentration issues, and disperse these properties to spread the cost among the many cities and school districts that will be served by all of these properties.

Mr. Onion, you travel throughout this state, listening to input from citizens on your LIHTC programs. If you came today thinking that you were going hear the residents of McKinney shouting, Not in my backyard, I'm very happy to tell you that you've come to the wrong neighborhood.

McKinney is a city full of people with big hearts and helping hands. We have embraced our low income housing programs for our residents.

We welcomed the Tuscany in 1998, with 118 units, which gave us more units than Allen. We welcomed the Tremore in 1997, with 144 units, giving us more units than Frisco, Allen, Richardson, or Grapevine. We welcomed The Parks on the Creek in 1997, with 180 units, which is currently only 83 percent full. That gave McKinney 498 units, more than Richardson, Allen, and Frisco combined.

We welcomed the Lights of El Dorado in 1993, with 220 units, giving McKinney more units than Plano, which has four times our population. We welcomed Skyline Village, with 168 units. We welcomed Creekpoint, with 200 units.

We will soon welcome Skyway Villas, with 232 units, now under construction. And we will soon welcome Country Lane, with 207 units, giving McKinney one-third of the LIHTC units, and the associated costs of subsidizing these properties, for all of the cities of Lewisville, Garland, Plano, Denton, Carrollton, Grapevine, Frisco, Allen, and Richardson.

And the market study did not include -- the market study conducted by the developer did not include the supply of properties in our city which compete with the LIHTC properties in pricing and amenities. If you added these, then we have 1,812 units, which is one LIHTC unit for every 33 residents in McKinney.

Of the cities that are included in the market area for Stonebrook Villas, which is Allen, Frisco, Plano, and McKinney, we have five percent of the population and 30 percent of the low income housing tax credit properties. We respectfully submit to the State that our welcome mat is wearing a bit thin.

Every city, every school district, and every household has a budget. And McKinney is not an unlimited well of money. This market study does not show that there is a demand in McKinney. And the facts clearly show that McKinney has done more than its share for our area.

We are here tonight to ask the State to review their data, review this market study carefully, and review the overconcentration in our city. On behalf of the 1,200 residents that we have on our petition, we ask you to deny this application. Thank you.

(Applause.)

MR. HARLESS: Next on the list, Steve Bell. On deck, Thad Helsley. You each have two minutes. Everyone is also invited to continue signing the sign-in sheets at the table near the entrance and we'll get you an opportunity to speak as well.

MR. BELL: My name is Steve Bell. I'm a resident of Stonebridge, on the city council, and I am opposed to this project. I have written a letter to the Governor of the State of Texas and every other official that could be elected in this state by our citizenry, and also county, asking them to get this project stopped.

As you may have read in the paper, I've also asked for a two-year moratorium, with our city council, on multifamily housing. But the fact of the matter is, this project is in under the wire. They've already submitted the site plan, so it is there.

So that you will understand what my obligation, Mr. Helsley's, Mr. Nesbit, and other council members is, is that, by law, they submit their plans and this type of thing, we have to approve it, because, as Mr. Fisher said, this property was zoned in 1987. And if they meet all of the requirements, then we are bound by law -- that's city council -- to approve the project.

As you know, we do have a problem with the school district as Geralyn just said. So I have to go to my next step. So this week, I will ask that the city council approve a resolution asking HFC to withdraw from this project, asking the State of Texas to stop this project, and asking the developer to pull out of this project.

But let me say this, just because we do that -- and if that is possible -- they still have the right to do it. I think you coming here tonight, you coming last Wednesday night, shows that the city does not want this project. I appreciate your participation, and all the support that you've shown, and the way that you've conducted yourself throughout these hearings. And I'm proud to represent you. Thank you.

(Applause.)

MR. HARLESS: After Thad, I have Rick Riddle, who is going to yield to Susan Riddle.

MR. RIDDE: Ridde.

MR. HARLESS: Ridde, I'm sorry.

MS. RIDDE: Ridde.

MR. HELSLEY: Good evening. My name is Thad Helsley, mayor pro tem, City of McKinney. I appreciate the opportunity to speak tonight and I would like to say on the onset, that I speak as a citizen of McKinney, and do not speak for the rest of the council.

The City of McKinney is experiencing unprecedented rapid growth. And I know everybody in this room knows that. Some real general numbers, last year, our population grew by 15 percent. Last year, there were 2,544 single family permits issued in the city of McKinney for the year 2001. That number is second only to the city of Arlington in the entire metroplex, in true numbers, not percentage, but in actual numbers, more permits than Plano, Frisco, anybody.

I say that because of this growth and what it causes for this city. It is very difficult for this city, and this school district especially, to keep up with the challenges that come with this rapid growth.

This city has promoted affordable housing. When you go into City Hall, on the wall, one of the goals is affordable housing. From my standpoint, that affordable housing included single family housing, affording young aspiring families the opportunity to own a home, create equity and pride of ownership.

The city is interested in working on those kind of projects, with down payment assistance, waiver of certain fees associated with development, and those kind of things. And we will go forward in that fashion. I would encourage this board, or this commission, to reconsider the effect that this project will have on our school district.

Our school district is headed for a brick wall.

They're going to get to a certain level, and they can't raise taxes any more, but they've got to continue to provide schools for the children that move into this community. They have no choice. So I really request that they consider the issues associated with the school district.

I also encourage the commission to consider the need of affordable housing throughout the county. We need affordable housing in Collin County; and I don't know of anybody in this room that disagrees with that. We do not, however, need all of the affordable housing in one community.

I appreciate your time.

(Applause.)

MR. HARLESS: Just after Susan, I've got Gabe Nesbit on deck.

And at this time I'd like to say, we can turn the lights on. The presentation is over. The lights are there, right on the wall by the gentleman in the green shirt. There, I think that's a little better.

MS. RIDDE: My name is Susan Ridde. Thank you, Mr. Onion, for coming to McKinney on behalf of TDHCA. I had the opportunity to speak at length with Bill Fisher yesterday. We discussed our different perspectives as relates to Stonebrook Villas. I see this as having a negative impact on the economic state of MISD while Mr. Fisher does not.

After researching this project, I need to refute Mr. Fisher's claims on the following points which came up in our conversation.

Number one, Stonebridge Villas will provide affordable housing to workers earning wages in the $9 to $10 an hour range, store clerks, maintenance people, manicurists, clerical, et cetera.

Number two, Stonebridge Villas will address McKinney Housing Authority's one year waiting list.

Number three, Stonebridge Villas will have little or no economic impact to MISD.

As for the affordable housing, workers in the $9 to $10 an hour income level would barely qualify for a two-bedroom unit. And this is only if they worked 40 hours a week, 52 weeks out of the year. These wage earners would not qualify for three- or four-bedroom units.

As for the one year waiting list, according to Leonard McGowan, Director of McKinney Housing Authority, there are 338 names on this list. This is a waiting list for public housing. The list is comprised of people who are making well below 30 percent medium level. Some are unemployed. None of these people will qualify for Stonebrook Villas. Stonebrook Villas will not address the needs of this waiting list in any way.

As for the impact on MISD, census 2000 put McKinney's population at 54,369. 12,894, or 23.7 percent, of that population was made up of school-age children. The census put the average family size at 3.29, for which no further adjustment has been made.

According to Barry Shelton of McKinney's Long Range Planning, the estimated population of McKinney, as of January 1, 2002, is 66,575. The current enrollment in MISD, as of March 7, 2002, is 13,632, or 20.5 percent of McKinney's estimated 2002 population.

Southwest Development has referred to Stonebrook Villas as housing for families. If we put the average family size of 3.29 in each of the 224 units, we'd have 736.96 tenants in Stonebrook Villas. Based on relativity, school age children to population, or the 20.5 percent, 151 tenants of Stonebrook Villas would be school age children. In speaking with Barry Shelton, in his professional opinion, my 20.5 percent would be quite accurate in this estimation applied against Stonebrook Villas.

The cost to MISD, based on this, would be $808,605. The addition of 151 students is the equivalent of 6.8 classrooms in an elementary school.

Keep in mind, this is a very conservative number, since the occupancy rate can actually go as high as 1,112 tenants. At this level, the number of school age children could go as high as 227.96, or the equivalent of 10.4 classrooms in an elementary school; the cost to MISD, over $1.2 million.

Southwest Market analyst, Mr. Weinstein, would like us to believe that no more than 80 school age children will occupy Stonebrook Villas. He is using a multifamily occupancy rate to establish his numbers. In speaking with Barry Shelton, the child occupancy rate is usually higher in low income facilities.

So not only is Mr. Weinstein's rate unrealistic, it is in direct contradiction to what Southwest Development is telling us Stonebrook Villas is supposed to be; and, that is, affordable housing for families. The census 2000 average family size of 3.29 would serve as a better indicator. The 20.5 percent is also relevant and relative to Stonebrook school-age children ratio to total occupancy.

According to Mr. Fisher, the completed value of the project is between $18 to $20 million. However, it's assessed value would be $8 million. Southwest has offered to pay school taxes. At the current rate of 1.785 per $100 assessed value, the school tax revenue from this facility would be $142,800. The remaining tax burden would fall on the community. And mind you, we aren't even talking about property taxes.

At the end of our conversation, Mr. Fisher asked me if I truly saw his proposal as a detriment to MISD's economic status. Yes, Mr. Fisher, I do. What I don't see is a need in our community for Stonebrook Villas. Having refuted your claims as to what this facility is supposed to be, and whose needs of the community it is supposed to serve, respectfully, I ask, What are you trying to sell us, Mr. Fisher?

Thank you.

(Applause.)

MR. HARLESS: After Gabby Nesbit, I have Lisa --

MR. NESBIT: Gabe.

MR. HARLESS: I'm sorry?

MR. NESBIT: It's Gabe.

MR. HARLESS: After Gabe, I have Lisa Owens.

MR. NESBIT: Thank you, Mr. Onion.

We appreciate your time coming out to see us tonight and visit in McKinney. We're a proud city. I'm proud to be on the city council here in McKinney. I've lived here for 44 of my 50 years, and I hope to live another 50 years here.

The numbers that's been presented on regional, affordable housing is compelling. I think, again, McKinney's proved that our hearts are big. We're the leader in those numbers for the region. I think we ought to do something to average that out, to help the burden.

Our schools are busting at the seams. We've got portable buildings, classrooms, at every school, I think, in town.

And to me that's enough reason to why I hope you'll take strong consideration whether you'll approve this project. I'm not much of a public speaker, but I'm here tonight speaking on my behalf, representing myself and my family, and I don't think it's a good idea for this project to go forward.

Like I said, I'm not much of a public speaker. I appreciate everybody's concern that's here tonight. And I appreciate your emails. And for your information, you've burnt my computer down.

(Applause.)

MR. HARLESS: After Lisa, who is also speaking on behalf of Ms. Hart, she has four minutes, after she is finished, I have Michelle Will on deck.

MS. OWENS: Hi, my name is Lisa Owens, and I am a resident of McKinney. Since last week's public hearing, many people have questioned me about things they have read or heard. I would like to set the record straight on these issues.

Regarding unmet demand, we feel the need for tax credit property serving this particular segment of the population has been generously met with the City of McKinney. The market study, which was commissioned by the developer, and claims there is demand, encompasses a 10-mile ring, 310 square miles, which includes the northern portion of Plano, and all of Frisco, Allen, McKinney, Celina, and Prosper.

TDHCA guidelines define an ideal market area for urban properties as having a population of 50,000 to 250,000 persons. According to the 2000 census, the city of McKinney has a population of 54,369, which is well within the agencies guidelines.

It further states that a market with more or than this range may be indicated at the discretion of the market analyst, where political, economic, or geographic boundaries indicate doing so. Further, according to Appendix A, of the TDHCA market city guidelines, the department encourages the use of natural political, geographical boundaries whenever possible. There is no reason not to use the city of McKinney in this instance.

The city of McKinney satisfies the geographic and political category, and also satisfies the population requirements. As illustrated in the first public hearing, and as will be further illustrated tonight, the city's inventory of affordable housing units in the price range targeted by the LIHTC program results in capture rate that is many times the 25 percent maximum mandated under TDHCA guidelines.

As far as school tax contributions, the indicated school tax contribution is based upon the developer's projected assessed value of around $31,000 per unit. This is roughly one-third the developer's reported construction cost. MISD indicates that it takes the assessed value of approximately $300,000 to educate one child per year. Clearly, the projected assessment comes nowhere close to covering the educational cost of the residents, meaning a large school tax shortfall.

Additionally, the project will contribute no tax revenue to the city, county, or college taxing districts. We, the citizens of McKinney, will be forced to subsidize these taxes.

The city of McKinney has more LIHTC units than Plano, Allen, Frisco, and Richardson combined. In fact, within the city of McKinney, there is more than 1.5 LIHTC units for every income qualified household. Clearly, demand has been met within the city. The only way to even begin to fill these units is to bring people from outside the city of McKinney.

It was mentioned that there will be no additional cost to the taxpayer as a result of this property being built. However, there will be a significant cost to the taxpayers, due to the tax-exempt status of this property, of approximately $600,000 per year. This high density complex will require services from the school and city, yet will not support them with the benefit of taxes.

The claim that a conventional apartment will one day be built on this site is not relevant to the issue. First, at a minimum, a conventional property will pay all taxes, and will at least contribute more to the revenue of the community.

Second, current market conditions do not warrant construction of conventional units on this site for some time. The recent completion of Saxon Woods, at 510 units, and the pending completion of The Mansion, 300 units, have more than satisfied current demand. The softness in the demand was confirmed by a representative of AMLI, who indicated that lease-up to fill their project was very slow, and well behind what AMLI had projected.

In regards to lowering the density from 270 to 224 units, this statement is misleading. First, Southwest Housing could never have built 270 units on this site. The zoning only permits 22 units per acre, or a maximum of 224 units. Southwest Housing never voluntarily reduced the density because they were never allowed that much density. They only did what they had to do to conform to the zoning ordinance.

Second, the offer by Southwest Housing to reduce the density was based upon our group supporting development of a portion of the adjoining commercial tract, to make the property total 20 acres, with LIHTC units. When I asked Mr. Fisher if he would build the same number, 224 units, on the 20 acres, he stated that, no, Southwest Housing would have to add to the unit count, but adding additional acreage would lower the density.

Increasing the number of units would only increase the tax burden on our cities and schools. Thus, this effort to try and paint our group as the bad guy, is simply wrong.

We've also been asked about the claim that there's a one year waiting list. According to Ms. Edna Ristner of the McKinney Housing Authority of McKinney, no waiting list is maintained for this type of property.

On two separate occasions, and to two separate people, the developers of this property stated that if McKinney did not want this project, they would not pursue this development. As evidenced by tonight's turnout, and that of the previous public hearing, it is obvious that strong opposition is present.

The taxpayers of McKinney are taking care of their own low income residents. It is not right to ask us to bear the burden of housing the low income families of surrounding communities. Based upon these facts, we respectfully request that TDHCA deny the application. I also wanted to make a point about the low income housing units that are in our city already, being 100 percent occupied. Tuscany is running rent specials on their LIHTC units right now. And Park on the Creek is also advertising rent specials.

(Applause.)

MR. HARLESS: Excuse me. After Michelle, I have Dr. Terry Clower on deck. Thank you.

MS. WILL: Hi, my name is Michelle Will. I'm a resident of McKinney. And I don't have a prepared speech. I just want to say that I am a parent. I have two children that will be attending this school next year, and I am concerned about the impact on MISD.

And I want everyone to understand that while we keep talking about tax dollars, and how much it is going to cost everyone, I think that what we really need to understand is that, yes, if it costs MISD money, and they can't afford it, and we have to pay for it, and if the money's just not there, then programs get cut. I mean, that's just things, special things, that our kids enjoy doing in our schools, they don't get to do them.

And then what happens, we have PTAs coming up and having more fundraisers, and shoving more products and brochures to get you to buy things so that the kids can just have a special program in school. So I just want it to be known that I'm opposed to this project. Thank you.

(Applause.)

MR. HARLESS: After Dr. Clower, I have George Balsam, I believe, on deck. Thank you.

DR. CLOWER: Good evening. I'm Dr. Terry Clower. I'm at the University of North Texas. I am one of the co-authors of the economic impact analysis that was conducted on this.

And just a couple of points that I wish to make to you. Certainly, this report is available from the developer. And if anybody wants, they can certainly see me, either now or get ahold of me, and I'll be happy to send you a copy of it.

There is much to be said, and our report did not try to say whether or not McKinney should try to do this, what we did was provide some numbers. One of the things that keeps getting batted around is the number of kids that would be generated by this facility.

And certainly one of the previous speakers up here disputed our assumptions. And mind you, those were not necessarily our assumptions. They were the assumptions of the McKinney demographer, who was already suggesting that the rate at which residents of this particular property would impose students into the school district at five times higher than the rate that they would for any other multifamily project.

So I would say that, you know, you can use all sorts of numbers. Remember that there's lies, and then those other kind of lies, and then statistics, and all that. Well, what we've seen, though, in reality, is that there would probably not be this multitude of students going in. And the fact of the matter is that if you're talking about 80 students or 120 students, that's not that big of a deal, given the overall rate.

Now, I understand what you're going to say. Excuse me. I understand what you're going to say.

MR. HARLESS: Please, let the gentleman speak.

DR. CLOWER: Now, on the other hand, let me ask you to consider this. The real problem is not the number of students being generated. It is the imbalance in the tax base in the city of McKinney.

That was what, when two years ago, when the City of McKinney asked us to help with the analysis on the regional employment center, became very abundant. I mean, you guys are way, way under represented in terms of commercial development. That's your problem. It's not a matter of whether or not you have this project.

I mean, using this logic, are you going to put a moratorium on building any single-family houses that are less than $300,000 in value? Okay. Well, then, that's certainly y'all's right to do so, I guess, or at least within the purview of the law.

That's all I have to say. Thank you.

(Applause.)

MR. HARLESS: After George, I have Dr. William, it looks like, Hamelman on deck. Thank you.

MR. BALSAM: My name is George Balsam, and I live in Stonebridge, which is a McKinney community. I have this question, Why is the State of Texas forcing a development on the people of McKinney, who truly don't want it, and where there's apparently no need for it? We've just heard that demonstrated by numerous speakers.

The law says the developer must show demand exists for the development. We've heard ad nauseam that there isn't demand.

They've had to use a 300-square-mile area to even begin to justify this, an area that takes in large portions of other cities that don't have any of these kinds of facilities in them, or very limited number of these facilities. Why is this happening?

It's because land costs are lower in McKinney than they are in Plano and Frisco. And we don't have some of the bureaucracy that's heaped on these developers that would prevent them from coming into McKinney. So we're getting an unfair burden of these kinds of facilities in McKinney.

We have a big heart, but enough is enough. If we want to get a better distribution of this thing, the

State needs to readdress how they subsidize these facilities. They need to treat it like the Robin Hood law, if -- that's what this sounds like it is right now. They need to take these and redistribute the money so that cities like Plano, and cities like Frisco and Richardson can subsidize these houses, so that we don't bear the entire burden.

It looks to me like what's going on is concentration in one community, and that's McKinney. I think it's unfair for the State to tell people in far away McKinney how they should structure their community, a community which already bears a clearly unfair tax burden -- it already has one of the highest tax burdens in the region -- a community where the local school would have to assimilate new residents and is already overcrowded.

Bottom line is, this project doesn't meet the State's own tests and is not wanted or needed. The residents who are effected have done due diligence, and are armed with the facts, in what appears to me to be a strong legal position. I urge the State to reject this project.

(Applause.)

MR. HARLESS: After Dr. --

DR. HAMELMAN: Hamelman.

MR. HARLESS: -- Hamelman, I have Cynthia Tasker on deck.

DR. HAMELMAN: Good evening, everyone, those of you that are left. I'm Barbara Stanwick.

(General laughter.)

DR. HAMELMAN: No, I'm Dr. Hamelman and I'm a resident of McKinney. And I've only been here, with my lovely wife, since May. We moved here from Dallas. And now this may not be apropos, but I think I feel I should say this.

Now, looking around at the people that are attending this, I see many young people, which is important, because when my wife and I moved into an area in Dallas, we were young. I'm 75 now. And that's incredible, isn't it?

But when we moved in, we were young, like you are today. They put up a housing project two blocks away from this wonderful house that we purchased, this wonderful neighborhood that we were in. We knew all our neighbors. We loved all our neighbors. It was just a family.

So they put in a housing project, or an apartment project -- excuse me -- which was for people who were paralegal, service personnel, things that the company is saying they are going to provide housing for. Okay. In fact, we even knew someone who lived in these apartments. They were very, very nice apartments.

Well, over the years, in about five years, they became public housing. There was no transportation when we first moved in there. Then, they brought transportation. And that's when it turned around.

I understand where they're building these units, there is no public transportation. You watch, once that's in, they'll bring in the public transportation, which will be another burden on the finances of McKinney. When they get that public transportation, here will come those that can't afford cars. You understand what I'm saying?

Okay. The problem here is that after a few years, the people, the paralegals, the masseuses -- no, no, that's not good -- the other people that are working that can afford these housing units will no longer be able to afford these housing units, or they will be able to move on to something else. This will open up these units to the low income. This is where the problem started.

MR. HARLESS: Time.

DR. HAMELMAN: Don't say "time" to an old man.

Thank you, sir.

MR. HARLESS: After Cynthia Tasker, looks like Charles G-U-E-E-R, Charles and Carol G-U-E-E-R.

MS. TASKER: My name is Cynthia Tasker, and I am a resident of McKinney. I was a single mother for seven years. I've lived in units like they're proposing to build. And I personally know how scary it is not have a safe place for your kids, and not to have a good school for them.

I am somebody who has supported these types of projects in the past. When I lived in New Jersey, I actually supported a project that was built directly behind my house.

That is why, when I heard about this project, I did some research on my own, into already existing units and vacancies. And what I found was that McKinney has enough.

So I wanted to take this opportunity to express my opposition to this project. It needs to be made clear, though, that most of the people that I have spoken to, am not opposed to it because of the "type" of people that may live there. I am not opposed to it because of the possible increase in crime. And I'm not opposed to it because of what it may look like, or it may not fit in, into our neighborhood.

If McKinney needed this complex, it would be our duty to make sure it was built. And I would be fully supporting it. I, like most women I know, could be a divorce, or a death of a husband, away from needing in a project just like this. And I am 100 percent confident that, God forbid, if that ever happened, that I would find affordable housing for myself and my daughters.

McKinney has its fair share of affordable housing. We simply cannot afford any more. And our school board is already struggling to find room for our existing students. Adding more to this burden would be unconscionable. It is time for our surrounding communities to start taking care of their citizens.

I am opposed to this project for one simple reason: We do not need it. Thank you.

(Applause.)

MR. HARLESS: Is there a Charles and Carol G-U-E-E-R present?

If not, we'll go on to Carol and Marilyn Maxwell.

And then Lori Eaton on deck. Is Lori here?

Okay. After Lori, Brian Loughmiller.

MR. LOUGHMILLER: Loughmiller.

MR. HARLESS: Loughmiller. Thank you.

MS. ELTON: Hi, my name is Lori Elton, and I will keep my comments very brief. I just want to go on public record and ask the State to oppose this project. I'm a resident of McKinney and live on Peregrine Drive. We just simply do not need this complex at this point in McKinney.

I also want you to know that the developer stated in his comments that the De Soto projects that he made reference to had won national awards. That is well and good, but they are not the same kind of housing projects that he's proposed building here. Those are senior affordable housing projects, not family affordable housing projects. And they're completely a different story.

I've seen them. They're beautiful. But it's not the same project that he wants to put on Peregrine Drive. I ask the State to please consider, just look at what we need, and it's not more affordable housing units in McKinney. Thank you.

(Applause.)

MR. HARLESS: After Brian, I have Gerald Bushnell on deck. Thanks.

MR. LOUGHMILLER: How much time did she not use?

(General laughter.)

MR. LOUGHMILLER: My name is Brian Loughmiller, and I've lived in Stonebridge for about 12 years. I have three children. They'll all be in MISD next year. And I'm probably most comfortable working in the format of a cross-examination, as opposed to a speech. So I have some questions for Mr. Fisher, based on his presentation.

First of all, when you look at that 10-mile radius that you drew, and it's 200,000 people, that's only -- if you look at the population of McKinney at 50,000, we're talking about 30 percent of the population of McKinney being included in this number. What I'd wanting to know is, did you also draw a circle, a 10-mile circle, in Plano, or Allen, or Richardson, to see if only 30 percent of those communities are included in that circle? I suspect not.

Also, I have a question about what percentage of units, per residence or household, versus Allen's, Frisco's, Richardson's, and Plano's, in your survey, have you compared when you're talking about actual demand in those municipalities? We haven't seen a survey that talks about demand in those municipalities and I suspect it's probably higher than it is here.

He also mentioned that he has a portfolio that is 50 percent senior and 50 percent multifamily. If you look at the 2000 census for McKinney, look at the demographics, 86 percent of the population of McKinney is under the age of 54. We have 13,000 students between the ages of five and 19. We have 6,000 kids that are ages zero to five.

So when you look at the demographics of this city, we're not going to draw 50 percent from the senior population. And I have a lot of respect for the senior population, but that's not what we're going to have in these units.

Finally, you know, Mr. Fisher indicated that he believed that Allen, and Frisco, and Richardson -- that they haven't done their fair share and they need multifamily housing. So I'd ask him this question: Why aren't you building there?

Thank you.

(Applause.)

MR. HARLESS: Gerry Bushnell, and then Laura Bushnell on deck.

MR. BUSHNELL: Hi, my name's Gerry Bushnell, and I've lived in McKinney for a little bit more than eleven years. Most of this stuff's already been said, but

I was kind of going over their overhead projector, things that they had on there.

And first of all, they had condo quality property. I've been in the real estate business for over 22 years, and I specialize in condos, and there's really nothing difference between a condo and an apartment.

We also mentioned largest tax credit in Colorado. That was in one of their other overheads. That's not good for taxpayers.

The builders overheads were full of errors. Did anyone else see any misspelled words? Yes, it scares me. You know, they're talking about putting in a major project over here, and I would have thought this was an important meeting for them. I'd love to see their paperwork they submitted to the State.

The projections estimated by the developer are obviously wrong. Is it Dr. Clower, the builder's advisor, mentioned different types of lies. How are we to know where we stand?

Thank God for our McKinney Citizens for Balanced Growth.

We don't need the extra tax burden. We don't need the extra school burden. Thank you.

(Applause.)

MR. HARLESS: Laura. Okay. After Laura, Mike M-A-U-S, Maus.

MS. BUSHNELL: My name is Laura Bushnell, and I'm a resident of McKinney, and I oppose this project.

We have the second highest tax rate in Collin County already. And in the course of everyone speaking tonight, I picked up that the developer that was going to pay, or was willing to pay, some of our school tax, at a rate of 1.75 I believe was said. My tax rate is 1.785, so he's not even agreeing to pay what I pay on my full value. And I don't agree with that.

And I was curious -- there's been talk about other projects that are already on the ground. They say we have 1,500 units right now. And I was curious about the Frisco's state housing, up on Skyline Drive. Am I getting two properties confused? There's some on the ground already, at Skyline -- does anybody know? I mean, so that was my question, is Frisco --

MR. ONION: That's correct. There is an existing property that is already upon the ground. It's probably eight years old.

MS. BUSHNELL: Okay.

MR. ONION: And then there is another property, Skyway Villas, which should be just starting construction.

MS. BUSHNELL: So is that included in the 1,500 that we're already saying? You know, we're saying that McKinney already has 1,500 units, but are we including Skyway Villas that are going to be on the ground already? Or is 1,500 units even less than what we really already have zoned here in McKinney?

You see what I'm saying. I just don't see that. I see that there's some question there, that we could have even more already, more units than that 1,500 that we know about right now. Okay. So that was a question.

And then last week's meeting, Southwest brought up about their criteria, that they had real strict criteria. And I was curious about that, you know, what that meant. And I wanted to know if you lease to convicted felons or sex offenders. They'll be in my neighborhood.

MR. ONION: No, we don't.

MR. FISHER: No, we provided rent and screening criteria to the State to okay citizens, so no criminals, backgrounds you need [inaudible].

MS. BUSHNELL: So we can get that. Well, I am opposed to the project. Thank you for your time.

(Applause.)

MR. HARLESS: Next, I have Michael Ratliff and it looks like S-O-M-Y Ratliff, Sonny Ratliff?

If not, Julie Winter, White, something like that.

Moving on, John. You are?

MS. WINTER: Julie Winter.

MR. HARLESS: Julie Winter. Go right ahead. On deck is John Craig.

MS. WINTER: I guess the first part of what I'd like to say is directed at you guys. I'm a mother, a Falcon Creek resident. I make my living in real estate here in the community.

I've just spent the last 60 days, trying to figure out where we're going to put all the kids we have, on the redistricting committee. And I'm on the Stonebridge Ranch Board of Directors. And I would just like to go on the record of saying that I oppose this for the reasons that Lisa and her group have done a great job of pulling together.

To you guys, I would say, there was kind of a side comment that I just added this. So pardon me; I'm kind of on my own now.

A doctor from University of North Texas brought up a really good point, which is, we have a big problem, in that all of our tax stuff is based on about 70 percent residential and 20 percent commercial. We've got to do more to get more commercial stuff in here. Any time, you know, single family residential is holding up your tax base, you're in real trouble.

So we've got to start going to city council. Pardon me. Stonebridge residents, I'd really encourage you guys. We're a huge taxpaying base. We're a huge voter group.

And unless somebody tries to put something in our backyard and ticks us off, we just, like, go to eat in Frisco, and pay our taxes, and jog around our little trails. We've got to get out there. We've got to take part in our city.

Thanks.

(Applause.)

MR. HARLESS: The next one, I just really can't read. It looks like J. D. Scribble, on Beech Lane, McKinney. Come forward, if you're in the crowd. I'm going to move on.

I have a question mark by a Kim Ford, Lance and Kim Ford, question mark. If you want to speak, come forward. If not, we'll move on.

Wait a minute, Gabe. You already signed once here, Gabe. I remembered your name. I thought it was Gabby when I first saw it. Then, after I looked at you, I realized I'd made a mistake.

Tom Vandenbush?

MR. VANDENBUSH: Right here.

MR. HARLESS: After Tom, Gerald R. Lewis on deck.

MR. VANDENBUSH: Good evening. My name is Tom Vandenbush, and I'm a resident of McKinney. And I appreciate the opportunity to speak.

I am opposed to this project. And I'd like to take the liberty to speak for another under served group in our community, and that's our children. This whole theme tonight has been about money. How much this, how much it's going to cost, what it's going to do to taxes?

Yes, MISD is facing a financial crisis, but there's another crisis that's brewing as well. And that has to do with the quality of life and the quality of our education of our children.

My wife is part of the redistricting group. And my household is part of the redistricting group. We have maps on every table in every room, trying to figure out where to put the children.

This is our second redistricting effort within two years. So if the demographers are right, we wouldn't be doing this again. So I don't believe in any number.

What I see happening with this redistricting is a lot of heartache, a lot of concern by parents and children. People today, as you know, are being shut out of their neighborhood elementary and middle schools.

Again, the demographers and the numbers that they can spit out at you sound good and sound appealing. But when you get down to reality, it's always a different story.

I urge the State to reject this. And I urge the town fathers to support a moratorium on all building. Thank you.

(Applause.)

MR. HARLESS: After Gerald Lewis, I presume here, Robert Jacobs on deck.

MR. LEWIS: Hi, I'm Gerald Lewis, and I'm a resident of McKinney. And I am opposed to this project.

I think we have listened very carefully tonight to pros and cons. And it comes down, in my mind, to three basic facts. We don't need it in McKinney.

And if you'll look at the boundaries, it is built on the far western reach of the city of McKinney, and on the edge of the eastern reach of Frisco. So somehow our circle around that has grown. That's the first point.

The second point that becomes clear to me, it seems, is that we're taking on an unfair tax burden for the children of the McKinney Independent School District. I have two grandsons attending this school and I have a granddaughter that will be in Slaughter next year.

To my way of thinking, it is incumbent on all of us to ensure that our children have the proper basis for their education, by ensuring what the school district has what they need. We don't need to subsidize this facility that we don't need in the first place in McKinney.

And the third point, we continue to increase the population density by multifamily dwellings, which will adversely affect our utilities, our natural resources, and not to speak of increasing the capability to traffic and travel around the city.

So I very ardently support Steve Bell's proposal for putting a limit on these multifamily dwellings. There is no point for us to allow this to be the last one under the wire, in my opinion. And for that reason, I sincerely hope that, Mr. Onion, you and the State will take a very careful look at what we've said tonight and what the facts bear out.

Thank you.

(Applause.)

MR. HARLESS: After Robert Jacobs, Brian Calder and then Anna Calder.

MR. JACOBS: Good evening. And once again I appreciate the opportunity to speak before you, as I did last week. My name is Robert Jacobs.

I have a dream. It's an American dream. For the first time in my life, I was able to afford a house. I'm a school teacher. I know that that was one of the target groups for this new project, but I have a house, meaning I also pay property taxes.

I am opposed to this project. And although I lack the eloquence of some of my preceding speakers here, I have the wisdom of history on my side. Please go ask the residents of the Woodhaven community, in the east side of Fort Worth, when they had the similar projects in their area, what happened to their property values?

Please ask the families and retired citizens of the North Dallas area, especially around Park Central, when they had the similar developments in their area, what happened to their property values.

My parents are retired. They moved to

Stonebridge about the same time I did. They have worked very hard for what they have. I would hate to see them burdened. I don't really like the prospect of increased property taxes or decreased property values.

I got this house because I believed it to be a relatively safe investment. This project may have a huge negative impact on that.

I also wanted to point out that I have taught in other school districts, Cedar Hill on the edge of De Soto, Duncanville. And when these types of projects went in, the residents of those communities moved to Allen, to Plano, to McKinney, to Frisco, because of their property values.

I have no question about the quality of the project, the builder's ability to make a quality project. That is not the question. It is all of the things that go along with it.

I am opposed to this project. I'm opposed to the property, not the people.

On the council chambers -- I went to the city council meeting last night -- council chambers wall, it said something about economic development, bringing leisure and recreational activities to McKinney, also, bringing sports and entertainment. Those things bring in money. This will not.

I appreciate your time. Thanks.

(Applause.)

MR. CALDER: Good evening. My name is Brian Calder. I'm a resident of McKinney. I live just a short walk from here.

I was going to get up and basically, you know, take issue with a lot of statements that are made. But I think everybody else who's been an opponent of this has done a fabulous job of that.

While I was standing in line, I was standing next to a little girl and she asked her mother, Mom, why can't we just say, Please, we don't want this. We don't need it.

And her mother said, Well, that's just a little too simple, hon.

Well, maybe not. Please, we don't need it. We don't want it built here. Please don't build it.

(Applause.)

MR. HARLESS: After Anna, Karen Riding.

MS. CALDER: Hi, my name is Anna Calder, and we've been a resident of McKinney all of about seven years. We've been rezoned, elementary-school-wise, three times. My oldest son has attended all three middle schools.

They've also attended the portable buildings. Almost every third grader, I think, in the city of McKinney, is in portables. Are we going to have to build portable schools? Because we can't afford to build the schools as fast as we need them, at this point.

We don't need to bring any more children in from other communities. They need to take care of their low income housing. Thank you very much.

(Applause.)

MR. HARLESS: After Karen, Ed Gastineau.

MS. RIDING: Hi, my name is Karen Riding, and I'm a citizen of McKinney. And last week I just updated -- we have a petition that was started just a few days before spring break, and the reason I'm here tonight is just to update that number. What I've been able to count -- and they're still coming in -- we have over 1,523 signatures against this project.

As people are returning from spring break, we have just returned from spring break, and the numbers seem to be increasing by the day. So we will get final count on this and we will send them to you next week. Thank you.

(Applause.)

MR. HARLESS: After Ed, I have Marie and Kim K-U-Z.

MR. GASTINEAU: My name is Ed Gastineau. I am a resident of Stonebridge, and McKinney.

I came to the meeting last week a little bit on the fringe. Who could be against affordable housing? By the time the petition came around to me, towards the end of the meeting, I was very decided where I was going to be, and signed against this proposed project for two basic reasons.

We look at the market area which has been defined, this 10-mile radius. The city of McKinney has 15 percent of the population, but 62 percent of this kind of housing. That is not equitable in any way.

The other reason is, if you look at the location for this facility, yes, there's going to be some commercial activity there, where shopping is going to take place, but there's not an existing infrastructure there to support it. There's not public transportation.

Many of us in this room have been in this kind of housing, or this level of housing, have friends there, have relatives there. I have. Many of them do not have transportation. If you don't have transportation, I just don't see how this project works.

So it's the wrong location. It's inequitable. Thank you.

(Applause.)

MS. KUZ: Hi, my name is Marie Kuz. I am a new McKinney resident. We've been here a year and a half. I oppose the project for the following reasons.

One that's been stated this evening, quite eloquently, that the ratio of low income housing in McKinney is disproportionate to the surrounding areas. Number two, the number of portables behind this school building alone, should be reason enough to veto the apartment project all together.

The MISD TAAS scores are just now coming in and they show our economically disadvantaged students to be the lowest, understandably, of our performance. These students require more tax dollars to educate. The district is having difficulty enough in reaching the economically disadvantaged students currently enrolled in its schools.

We are making great progress, but the district needs a break. Not only do we need to address the issue on this project, but all of the multi-projects that you have. It's not a man trying to make a living building a quality project. I don't deny you that. That's great.

That's the way you make your living.

But we have to look at our community. What do we want for our community? Maybe we need to go back to the city council. Maybe we have too much multi-zoning already. That's a problem that we have allowed to happen on our watch.

But, any rate, MISD has raised my taxes 14 percent this last year to catch up with its current growth. It doesn't need any additional burdens. The school district is trying so hard, and I think you're going to be pleased with what they've been able to do. But we have a long way to go and the tax dollars are stretched. The facilities are stretched. The number of teachers we have are stretched. We are reaching the max.

Many communities, and I have moved here from Plano, we had this same problem. But most communities have now moved past multihousing projects and have progressed to vouchers to be used, dispersed among the community. So you don't have the stigma of, oh, you live in those apartments, or you live in that area. You're a member of your own local community. Everyone is absorbing one or two, and you get to have a really good, close relationship.

And you might want to have an opportunity in

McKinney, that maybe we need to be looking at, a blending voucher program. And so should Frisco, Allen, and the rest of the communities. Thank you.

(Applause.)

MR. HARLESS: Ken Kuz, if you'd like to speak?

Okay. Roger Davis? Roger Davis is also speaking for another person, so he has four minutes.

After Roger, Rob Karl.

MR. DAVIS: Good evening, everyone. Mr. Onion, the State of Texas, we appreciate you being here.

There are a lot of things I could say. You know, most of it has been said. We've had two hearings. Our group, McKinney Citizens for Balanced Growth, has, I think, said what we need to say. I will address one technical issue that I think needs to be addressed and then, kind of segue into just some general comments, and try to finish quickly.

As Ms. Owens mentioned earlier, the developer has plans. The projections are that their property will be assessed at what is about the equivalent of $31,000 per unit, or about a third, or thereabouts, of the actual development cost.

I think it's interesting to note that the Collin Appraisal District, which is required by state law, to assess properties at market value, has similarly valued in their assessments of other low income properties in this town. That's undisputed.

But what is also interesting is that, because we have a number of these projects in town, there were appraisals done on four or five of those, to support them on applications made to the State for bonds, or tax credits, or both. And I would ask the State to review that information. It's the same information Robbye Meyer sent me within the past couple of weeks.

And what you find is that the appraisers who were engaged to perform appraisals of those properties to support their financing in the beginning appraised those four properties in the area of $40,000 to $65,000 per unit, as encumbered by low income housing program.

What that tells us, folks, if you're not an appraiser, is that maybe our appraisal district needs to take a little harder look at how they look at these things, because there may be some projects out there that are underassessed.

What it also tells us is that, you know, since that will be available to the State's staff as they review the underwriting on this project, maybe they should take a good, hard look at reviewing that estimate of the assessed value, and, see, since I would be providing those appraisal numbers to the Collin Appraisal District, what impact that might actually have on the assessed value. I think you ought to consider that when you look at the projections of income that these projects will produce.

That information, my understanding is, available under the Freedom of Information Act. I obtained it from the State. And I think it's relevant to these properties, and I'll be submitting that to the appraisal district.

The last thing I'd like to say is that this has been a long, hard road. My colleagues and I have been working on this, now, nearly three months. And there have been a lot of late nights.

And there have been nights when, you know, you're firing emails back and forth to one another, answering the 40, or 50, or 120, that you got that day, and, you know, you're sitting there and it's two in the morning, and you're emailing somebody. And all of a sudden, a reply comes back. And you begin to think to yourself, well, somebody else drank three pots of coffee.

And then another reply comes back and another. And, there were seven of us, and I got to compliment all the ladies, and Rob, that worked on this with me. They worked their buns off.

And the last thing I'm going to say is this: There were a lot of guidelines and a lot of legislation established to permit and allow this kind of housing to be done in the State of Texas, and that's great.

And there are a lot of areas that really, really need this stuff, really need this housing. But McKinney is not one of them. I mean, you know, you don't have to be a rocket scientist, and I'm sure not, to be to figure out that, you know, it's time to call a reality check here. And if the State doesn't do that, then by gosh, God help them. Good night.

(Applause.)

MR. HARLESS: Rob Karl. After Rob, I have Cary Leonard.

MR. KARL: Thank you. I appreciate everyone staying here. I know everyone had to get home, who had left; they had families they had to take care of. I also want to thank the Board.

I'm Rob Karl. I'm a McKinney resident, 8702 Falcon View, right here in Falcon Creek.

I only have a few things to say. There's been a lot said tonight about the facts. And as the number one thing, in our opinion, from our little group in McKinney, Citizens for Balanced Growth, that the facts are the facts. The facts that we have presented do not lie.

We do have 15 percent of the population. We do have 62 percent of the low income housing in this area, in McKinney. The facts do not lie.

I respectfully ask the Board to deny this project.

Another thing is the comment -- I'm sorry. What was your name again, sir, from North Texas?

DR. CLOWER: Clower.

MR. KARL: Mr. Clower?

DR. CLOWER: Yes, Dr. Clower.

MR. KARL: Dr. Clower, excuse me. Earlier you mentioned about the speaker talking about our school. That speaker, that was Gerlyn Kever, the president of our school board. She sent a letter of concern. So did the Superintendent of McKinney I.S.D. I appreciate your input and the work you put on this, but who better to know what our school needs are than the people who are running them.

Also, again, I just want to leave you with one last note. And this is almost a personal note for me. In this position we have kind of put ourselves in, we've been receiving phone calls, you know, like the city council would.

I had a call from a nice, little, old lady, said she was a widower; she was a widow. She is scared to death. She owns her own home, but she will be taxed out of her own home because of this. Not, maybe, particularly by this project, but because the taxes are going up, and things are happening around us every day that are keeping our taxes from rising.

And I respectfully ask the Board to please review all the facts. Please pay attention to the, you know, what are we at 1,400, 1,500 signatures, that McKinney residents that believe the facts that we stated are the truth. And I respectfully ask that you please deny the funding for Stonebrook Villas.

Thank you again.

(Applause.)

MR. HARLESS: Cary Leonard?

Gone. Nancie Poppana, Poppena.

MS. POPPENA: Poppena.

MR. HARLESS: After Nancy, I only have two other individuals listed to speak. If anybody else would like to speak, after they're finished, please sign in on the sign-in sheets and bring those over to me, if you'd care to. And go ahead.

MS. POPPENA: It's Nancie Poppena, 821

Creekline, in the wonderful city of McKinney.

I've looked at all of the numbers, on both sides of this. Research is part of what I do for a living. And I don't take anything on face value. I want to see the numbers. I want to see where it came from. I want to delve into it.

And I have to tell you that the citizens group here has done an incredible job of that research, and have found the numbers that are solid numbers. In fact, if nothing else, they have been very conservative in everything. And it's something that gave me a great deal of confidence when I looked at the numbers. I didn't quite have that degree of confidence from the Southwest Housing literature that they put out and the presentations that they've been making.

I just want to say one thing about the Southwest Housing presentation that we saw tonight, that there was a slide in there that said that we ask that you respect the rights of the landowner. We ask that you respect the rights of the families in these apartment complexes. Sir, I would ask you to respect the rights of the citizens of McKinney.

This project would unnecessarily overburden our tax base. There's no demand for that here. In McKinney, there's no demand for the low income housing. In that particular structure price, we still have vacancies in already existing low income housing complexes here. We've taken care of McKinney residents in our low income housing.

And I resent, absolutely resent, that they went out a ten-mile radius, on the edge of my city, to 300 square miles, to get the numbers for this, and then say that McKinney has a demand, and then they put it into our tax base.

I want to take care of the residents of McKinney. And right now we are very heavily taxed. And we have a lot to do in this city. We have streets over on the east side that are so narrow and so disrepaired that we can't even get an emergency vehicle down to save lives. I don't want my tax dollars going for somebody outside of McKinney when we've already taken care of McKinney. I want my tax dollars over there on the east side to fix that.

Just last month we passed six bonds to do some infrastructure, and to do some things that this city needs. And that was beyond our taxes. We can't afford more low income taxes, more low income housing. We can't afford to be the sacrificial zone for this region. If the

State approves this, they do so knowing that they are unfairly and unjustly taxing the citizens of McKinney.

And, Mr. Onion, I have been advised that I need to state for the record that we reserve our right to sue the State, and any other entity, public or private, associated with this project. Thank you.

(Applause.)

MR. HARLESS: Ron Gossling.

After that, I have a note that Buzz Owens may want to speak.

MR. GOSSLING: I'm Ron Gossling. I'm a citizen of McKinney.

And shortly before the meeting started, I was talking to Mr. Onion, who is director of the state program for the affordable housing. And I was curious. And, I said, Mr. Onion, has the State ever taken back, or retracted, an affordable housing project following a hearing, thinking the answer would be, no, we haven't. But he said that he recalled two.

And I would like to describe how those happened. One, he characterized as having a strong neighborhood group in opposition to the project. And at that meeting, Senator West showed up and said, We don't need this particular project in our community. And that project was pulled back.

The second one was a community not far from us, wherein all of the city council, or a majority of the city council, signed a resolution, saying that they were against the project.

Well, let's see what we've got. We don't have a senator here tonight. We do think some top leaders of the State of Texas will weigh in on this before the decision is made. But we do have a strong neighborhood group in McKinney. And if Steve Bell is successful, we will also have a city council resolution against this project.

So let me ask you to be fair: I would like to hear something from anyone here who supports this project tonight, that doesn't have a financial interest in it, and work for Southwest Housing, and who is not a member of HFC. Would you please shout out, For?

(No response.)

MR. GOSSLING: Now we will hear from those who are here tonight that oppose this project. Would you please shout out, Against?

(A chorus of "Against!")

(Applause.)

MR. GOSSLING: Mr. Onion, the community has spoken.

(Applause.)

MR. HARLESS: After Buzz, I have, looks like Clayton -- and I cannot read the last name -- who lives in Valley Creek Trail. You're on deck.

MR. OWENS: My name is John Owens. I'm a partner in the architectural firm, Beeler, Guest, Owens Architects [phonetic] in Dallas. We are the architects for this project. We've done another multifamily project here in McKinney, and it's a very successful project. I think it's going to be one of the nicer ones that's under construction right now.

I appreciate the passion and the pride that all of you people have in the city of McKinney. And I have the same kind of pride of my home town.

I just want to make one thing clear to you, that should that project go forward, my company, me, we'll all do the very best we can to make it a project that you will be proud of and that will be a good citizen to the city of McKinney. Thank you.

(Applause.)

MR. HARLESS: This is the final speaker here, coming up. If anyone else would like to speak, please come forward and give me your name. I'll write it down and then you'll have your two minutes as well. Thank you.

MR. MEYER: Thank you. Citizens of McKinney, my name is Clayton Meyer. I live at 2623 Valley Creek Trail. I spoke last week. Since then, Monday, I filed for city council, and I just want that to be on the record before I get started here.

Last week, when I spoke, I gave a bunch of statistics and listed them out. And some questions arose about where they came from. And I'm sure they've all been covered tonight, but just so everybody knows, these statistics came straight from the city websites, on the number of housing units that are in those cities, and the population.

And the number of low income units came straight from the State's own website. Okay. So there can't be any doubt, unless the State is wrong on the quantity, which I doubt that our great State of Texas is wrong.

So in going through on that, just as we went through, I mean, the facts haven't changed, and just to verify my math was right. I gave the same numbers to my kids who are in sixth and eighth grade, at Fabian, and, thankfully, they do have good math teachers.

And it came up to be exactly the same thing. A five-mile radius is 78 square miles. A ten-mile radius is 314 square miles. The difference is a 300-percent increase in the area that they went out to obtain the population to fill this complex. That's outrageous. I'm sorry; it is.

Okay. And the percentages still remain the same. McKinney had 7.7 percent of our population, the number of apartments that are available. You got .7 percent in Plano, .7 percent in Allen, and 1.3 percent in Frisco. What does that tell you? Just what they've been saying all night long.

Guys, you know, the facts are the facts. And the facts are this project would be better served in one of those other communities, not in our community. That's where the needs are at. That's where it should be.

And I hope the State is listening to everyone that has spoken tonight, because it would be a crying shame if this thing went forward. Because it's the other towns that need it, not McKinney. Thank you.

(Applause.)

MR. HARLESS: That's everyone I have on my list that checked that they wanted to speak. If there's anyone else here tonight that would like to speak, please come forward. I'll write your name down and you'll have your two minutes.

Please state your name for the record.

MS. MADEIROS: My name is Lori Madeiros [phonetic], and I'm a resident of McKinney.

I think the group that's been involved in spurring on all this activity has done an outstanding job. I have just one thing to say, other than the obvious fact that I'm opposed to this project. Please read the emails that are being to sent to you and write letters to our representatives, to every single one.

Write letters, because the folks that are here tonight are hearing what we have to say, but there are many, many representatives who are not hearing what we have to say. And nothing will get their attention more than 200 letters sitting on their desk Monday morning. So write the letters. Thank you.

(Applause.)

MR. ONION: My name is Robert Onion, Director of Multifamily Finance. I just wanted to clarify a couple of issues. There's been a lot of talk about the concentration policy that the department has. The concentration policy has been in effect since July 2001.

The Department went out for public comment in the fall of 2001 to get additional comments with regard to how concentration issues should be addressed. There was some discussion about a three, five, and ten-mile ring. The concentration policy that's in place is a very basic concentration policy, which says that the capture rate cannot exceed 25 percent.

The methodology for determining that has not been firmly embraced by all parties. And so there certainly is work that needs to be done.

Some people had some questions about some other properties in McKinney that were on the waiting list. This is what the concentration policy is here to address. Those other properties will not be funded because the concentration capture rate should be in excess of 25 percent. So don't be concerned about the other properties on the list. But I know you're not here to talk about the other properties.

Also, I wanted to make clear that these are not State funds. This is private sector money. What the State offers is a tax-exempt status on the bonds, which provides about a point to a point and a half below market, from a conventional loan. You have a third party lender, who will do their own market studies and own appraisals, to determine whether or not this property is feasible.

As part of our process, before we go to the

Board, we will have to have debt and equity commitments in hand, before we approach our Board for consideration. So as far as the oversupply issue, it's just not this single market study that's going to determine that. You've got a separate lender who has a risk and a stake involved and wants to be sure that the property can be feasible, and there's not an oversupply of affordable housing in McKinney.

Also, I want to make clear that in our underwriting, unless I receive a PILOT letter, which is a Payment in Lieu of Tax letter, that says that this property only has to pay x in taxes, the Department will underwrite the project with full taxes being paid in the expense column. I wanted to make that clear. That's how we're going to underwrite it.

Also I wanted to let you know that I have received a number of emails, a number of letters. I have collected them all. We have had two meetings. The package that will be presented to our Board will be at least two phone books thick.

Also, wanted to invite you to our meeting on April 11. It will be in Houston at the city council chambers. It is an open meeting to the public. You can address our Board directly. I do not have the exact time.

I believe it will be some time around noon on April 11, but just as soon as I know, I will go ahead and email that out to the neighborhood group.

And I thank you all for attending.

(Applause.)

VOICE: Mr. Onion, can you explain to the lay people what underwriting taxes means?

MR. ONION: In sizing the bonds, you look at the income that can be generated from the property, the expenses that have to be paid, and then you look for the net operating income that's available to service the debt. Based upon that net operating income, however much that is, that determines the size of the bonds, the amount of dollars of the bonds, that can service that debt. And if their taxes aren't being paid, obviously, the bond amount could be higher.

What I'm indicating is that we are looking at it as if it's going to pay full taxes. And therefore the bond amount be set based upon that taxes will be paid for this project. Does that answer it?

VOICE: Does that force them to pay the taxes or not?

MR. ONION: It does not give them the benefit of not paying the taxes. Does that?

In other words, they can't get a higher loan amount, or a bond amount.

VOICE: Mr. Onion, is it not also a fact that a good portion of the project, construction budget on this, will be paid for through the tax credits that will flow through the State of Texas, through the voucher? More specifically, is there not over than $500 of federal tax credits that would be issued that would pull down this project?

MR. ONION: Correct. The tax credits that will be issued on the property will be -- it's probably not a good term to say, purchased -- but there will be a 99.9 percent limited partner who will purchase these credits and provide the equity of the five million dollars that you've indicated.

VOICE: Is it customary that the developer on a property like this takes the right to purchase those credits itself rather than someone else, thereby avoiding that themselves?

MR. ONION: Could you repeat that?

VOICE: The right to purchase the tax credits, does it not flow down to the developer on this project, the [inaudible] that you described.

What I'm saying is, Does not the right to purchase these tax credits flow from the federal government through the State, down to the developer, that they have the right to purchase these credits?

But in many cases, if not most cases, the developer sells those credits to someone else, an institutional investor or someone else, and then uses the proceeds to pay a significant part of the construction budget -- the construction cost?

MR. ONION: That is correct.

VOICE: Okay. I just want to make it clear, because earlier when you mentioned that, you know, these are investors, bond investors, that float the money for the debt, that I agree with that. But there are also tax credits.

The last thing I want to ask you, and the last point I would like to make then, is, these tax credits that flow out as a way of having to forego having to pay taxes, that go to an institutional investor, is it not the American taxpayer that pays all those unmet tax revenues?

MR. ONION: On a national basis?

VOICE: Yes.

MR. ONION: Correct.

VOICE: Okay. Thank you, sir.

MR. ONION: I do want to point out, in most cases, the entity that would be the 99.9 percent owner invests these dollars into the property in the form of equity. They also are very interested in seeing that this project is feasible. They also want to look to see that this property can lease up in a timely manner and is a good investment for their group.

VOICE: Counsellor, I just need a clarification on this April 11 meeting. Is that the date you're making a decision, and it's open to the public? Or is that the date you're presenting it to your committee, and you're going to make a decision later on?

MR. ONION: It is the date that I will be presenting it to our Board. Our Board will make the decision of whether to approve the transaction. I do not make the decision.

VOICE: I know, but on that date?

MR. ONION: Yes, April 11.

VOICE: And it's open to the public?

MR. ONION: Yes, it is.

VOICE: I just wanted clarification. Thank you, sir.

MR. ONION: Okay.

VOICE: Does the public have the right to comment?

MR. ONION: Yes, they do.

VOICE: And the board will make their decision that day?

MR. ONION: Yes, ma'am.

VOICE: That's April 11 in Houston, Texas.

MR. ONION: Yes?

VOICE: Our tax dollars go together now. Now, we've to pay more taxes, will increase our tax credits to you?

VOICE: Yes.

MR. HARLESS: You want to address that. I'm not sure I understand, follow his question.

VOICE: [inaudible]. In one, we supplied our money to the government, so you can give it back for tax credit for a [inaudible]. And then we're going to pay more out of our pocket to help fund a school? So to collect the tax again because there's not enough taxes off the property?

And plus that five million dollars will probably not be estimated into the worth of the property, because that's a tax credit. That's what I'm saying, is if we're getting tax credit, a direct cost factor, to the building of the property, would probably be less than the actual value.

MR. HARLESS: If I can lend a little clarification, the tax credits are just another means of providing equity as has been said. It's another way of financing the project.

VOICE: With our tax dollars?

MR. HARLESS: In the strictest sense, if you're filling out your income tax statement right now, and you have children, there's an item on there that says, Child Tax Credit. Basically, if they live in your home, there's a, I think it's a $600 tax credit that you get. That means you can eliminate $600 worth of your income that will be taxed.

VOICE: I don't have any children so I'll be double taxed.

MR. HARLESS: It's the same principle that applies here. It's money that the federal government is not collecting, so it's not their dollars. The citizenry is keeping those funds in their pockets.

So it's not something that goes to the federal government and then the federal government gives it back. It's something that -- it's taxes that aren't paid because of the tax credit, just like the child tax credit. You don't pay that, hence, the purchaser of these tax credits does not have to pay --

MR. ONION: Taxes on that?

MR. HARLESS: Right. Yes.

VOICE: I figure my tax bill for last year was $8,000. And I do not have children in the school district. But I built a [inaudible] in the community. I'm going to be paying to the government, to the schools, income taxes.

VOICE: Is that another way of saying they don't have any of their own money in the project?

MR. ONION: No. The tax credit investor is investing those dollars up front. And then he's getting --

VOICE: No. They're going to sell these tax credits to someone else. So they're using their money to develop the project. What is their equity in the project?

MR. HARLESS: Do you want to answer that one?

MR. ONION: The equity that the developer brings to the property is the value of the development itself, and the cost to do that.

VOICE: We don't get any value, because it doesn't pay any taxes. Right?

MR. ONION: The property does pay taxes.

VOICE: What is the value, then, of the property, at a greatly reduced tax. Correct? So the property's worth $20 million, they're paying taxes on $10 million. Therefore they are not carrying the burden of the taxes. The people are paying the taxes.

MR. ONION: I think you need to look at how taxes are assessed in your area. There is a distinct difference between the assessed value and the appraised value. And that's what needs to be addressed. I mean, I don't have anything to do with what your tax base is, and how the assessed value is determined.

VOICE: But you're making an impact on it. [inaudible] You will have a say so.

MR. ONION: Yes, and I just want to make sure that you all are aware that the taxes, the property taxes, will be paid on this property based upon the assessed value.

VOICE: Which is less than what it's really worth because they get a tax credit from the community?

MR. ONION: It should be based upon the income stream of the property, and it's -- you know, I kind of yield to whatever the taxing entity, and, again, how they assess that. I don't have any control over that.

MS. DAVIS: Mr. Onion, I actually have a different comment from the taxes. And my concern is probably a little more simplistic.

Going back to the number of students that this will bring in. You know, whether you argue that the number is 80 or 120, it kind of looks at MISD as an aggregate, but realistically, where these kids are going are the school we're in right now; this and Scott Johnson, and McKinney North.

And if you look at the issue, C.T. Eddins already has portables behind it with six classes. And with the rezoning, Scott Johnson, which is a brand new middle school, is expected already to be capped next year. And North is undergoing a huge rebuilding project and is only serving ninth grade and half of tenth grade.

Where are you planning on putting any more kids, much less 80? That's my concern.

MR. ONION: And I'm sorry. Because you're speaking at the back of the room, it was not recorded.

MR. HARLESS: Another thought is we can adjourn, and then try to answer some of the questions after we finish with the hearing. But the problem is that when you're not speaking into the microphone, we're not recording it.

MS. DAVIS: Okay. My name's Helen Davis. And as I said, my concern is really more of, looking at the numbers of students. And when you look at the number as an aggregate, 80 to 100 students, if it were all of MISD, being distributed evenly, it's not that much of an issue.

But when you look at the fact that these are kids going to three schools in this area, C.T. Eddins Elementary, Scott Johnson Middle School, and McKinney North High School, it creates a huge impact, because North is in the middle of a huge addition project right now. And only ninth and half of tenth is currently attending that facility.

This building already has six classes in portables behind it. Scott Johnson, which is just opened this year, is already expected to be capped next year.

So I don't understand where you're planning on put eight more kids, much less 80. And should the number go higher, that's even more pressure on these schools. So where are they going to fit? Just classroom-wise, I see it as a big concern.

(Applause.)

MR. HARLESS: Thank you.

Is there anyone else who would like to speak and have their two minutes? If not, I'll go ahead and adjourn.

Okay. I want to thank everyone for attending the hearing this evening. Your comments have been duly recorded, those that actually spoke into the mike. And the time is now 8:44. We stand adjourned. Thank you.

(Whereupon, at 8:44 p.m., the meeting was concluded.)

C E R T I F I C A T E

IN RE: Stonebrook Villas Apartments

LOCATION: McKinney, Texas

DATE: March 20, 2002

I do hereby certify that the foregoing pages, numbers 1 through 99, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

03/27/2002
(Transcriber) (Date)

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DISTRICT 8

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March 18, 2002

RECEIVED
MAR 19 2002
BOND FINANCE DIVISION

Mr. Robert Onion
Director of Multifamily Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Dear Mr. Onion:

I am writing to express my concerns regarding the application by Southwest Housing for the Low Income Housing Tax Credits program for the Stonebrook Villas, a proposed LIHTC apartment complex located at Peregrine Dr. and West Virginia Parkway in McKinney.

After reviewing TDHCA's *Qualified Allocation Plan and Rules,* I have several questions regarding the appropriateness of this project. First, Section 49.7(b)(4), Texas Administrative Code, states that TDHCA staff must evaluate the site, specifically noting its proximity to retail, medical, recreational and education facilities, and employment centers. This is problematic in that the proposed site has an undersupply of child care as well as employers, transportation, employment centers, and retail and social services for new residents. I also understand that children in the complex would have to cross a main thoroughfare to reach their elementary school.

Secondly, Section 49.9, Texas Administrative Code, requires a market study be conducted to determine, among other things, whether the proposed development will result in an excessive concentration of affordable housing within a particular area. Further, Section 49.7(i)(2), Texas Administrative Code, states that projects determined by TDHCA to result in an over concentration in one area will not receive a determination notice. Based on figures from your agency, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.

Additionally, I reviewed TDHCA's most recent report -- *Report on the 2001 Texas Department*

of Housing and Community Affairs Community Needs Survey. From what I understand, the survey was designed to give local officials, who are most familiar with the unique characteristics of their community, a voice in planning how Texas' affordable housing needs can be most effectively addressed.

Regarding Region 3, which includes Collin County, the report specifically says, "Development of multi-family housing appears to be a lower priority for this region with 11 percent more of the region's surveys indicating that this is of 'low' importance" compared to the statewide response. Conversely, regions 4 (East Texas), 8b (South Texas and Border), and 10 (El Paso) are in desperate need for low-income multi-family housing. In Region 10, for example, "[S]eventy-eight percent of the responses indicated a 'major' shortage of rental housing affordable to low-income persons exists (30 percent higher than the State)." Further, these three regions all agreed, in percentages higher than the state average, that "public financial incentives are needed to increase the number of affordable homes built by local developers."

Taken the above information -- in addition to letters of opposition from McKinney Independent School District, the City of McKinney, and several citizens -- I request that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention to this important issue.

Sincerely,

Florence Shapiro

Florence Shapiro

FS/tb

cc: McKinney City Council
MISD Board of Trustees
McKinney Citizens for Balanced Growth

SWH

SOUTHWEST
HOUSING
DEVELOPMENT

March 26, 2002

Honorable Senator Florence Shapiro
5005 Addison Circle
Addison, TX 75001

Dear Senator Shapiro:

Thank you for taking the time to meet with us last week regarding the proposed Stonebrook Villas development. I understand your concerns with respect to this development and hope that we sufficiently addressed them to your satisfaction during the course of our meeting. We respect your willingness to listen to the various points of view regarding this issue. We also appreciate the clarification provided to us during the meeting that your letter dated March 18, 2002 to the TDHCA did not represent opposition to our request for tax-exempt bond and tax credit financing from the Texas Department of Housing and Community Affairs.

Before addressing the points raised in your letter, I would like to first outline the chronology of events that have transpired over the last four months to give you some perspective on why we have chosen to pursue this development. The overriding reason that we selected this location in McKinney was based on the price of the land and its appropriate multi-family zoning. This site has been zoned for multi-family development since 1987. There is no "down-zoning" involved, and there is no "increase in density" requested beyond what is allowed under the current zoning designation. In fact, the land use plan for the city of McKinney allows a density of 22 units per acre within this zoning category, whereas we are only building 20 units per acre.

Once this site was identified, we met with and spoke to numerous City and MISD representatives. We received a letter of support from City Manager Larry Robinson (see attached). We were also assured by an MISD assistant superintendent that there was sufficient capacity in the schools, and we received strong support from the McKinney Housing Finance Corporation. We met with concerned members of the neighborhood group and organized a tour of our local affordable housing portfolio that was attended by many of these neighbors and members of the HFC board. Once the HFC made their decision to support this development and in fact negotiate for the beneficial ownership of the property as offered by our company, we felt that was a clear statement that the City of McKinney was supportive of the development moving forward. The City Council voted unanimously (7-0) in February to allow the HFC to participate in the ownership of this and other real property.

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Phone (214) 891-1402 • Fax (214) 987-3507
www.southwesthousing.com

Finally, we selected this location because based on our market study, which was prepared by an MAI appraiser who is approved by the TDHCA, the location falls within an acceptable range from the standpoint of concentration of affordable housing units as defined by the Department's policy. The concentration policy is considered conservative by many affordable housing advocates. It requires that an applicant demonstrate no more than a 25% capture rate in the market area. We met this threshold, which essentially means that for every one resident we attract to our property, there are three more in the market area who qualify for affordable housing. Based on the Department's definition of concentration, McKinney does not have an over-concentration of affordable housing. The neighborhood group continuously states that McKinney has more than it's fair share of affordable housing, but that is not an accurate statement based on the Department's policies.

Although we discussed many of your concerns during our meeting, I would like to take this opportunity to reiterate our position on the points raised in your letter to the TDHCA. With regard to your first concern pertaining to the appropriateness of this site for the intended use, we submitted a market study as part of our application to the TDHCA (enclosed for your review). Again, this report was prepared by a Department approved MAI appraiser/market analyst. This report addresses the Department's requirement of proximity to appropriate supportive services. The resources in McKinney are numerous (please see attached map), but there are a few worth mentioning in particular. First, there is a new Albertson's market within one mile of our site. Second, there is a planned commercial development with a Kroger store adjacent to our development. Third, there is an elementary school, playing fields and a playground within walking distance of our site. Finally, our residents would benefit from the same employment base that has fed the exploding residential growth of the greater Collin County MSA. In addition, many in the community have expressed the need for additional commercial growth, which will only be possible to the extent that there are housing options to meet the needs of an economically diverse work force. Furthermore, we provide social service programs at our facilities which include after-school programs, parenting classes, coordination with other social service providers, job skills training, computer education and other programs based on the assessed needs of the resident population. Finally, issues regarding street crossings to access schools are logistical and can be resolved through crosswalks, crossing guards, school bus turnarounds and the like. This issue is not unique to our site, as there is single family residential development on this same side of the street.

Your second concern focuses on whether there is an excessive concentration of affordable housing in this particular area. There is not. As I mentioned earlier, we meet the Department's test with regard to concentration. Furthermore, based on McKinney's population and the number of existing affordable housing units (non-elderly) in the City, there is only affordable housing to serve approximately 8% of the City's current population. In addition, all of the current affordable housing units are concentrated on the eastside and along Central Expressway. The TDHCA has also indicated that if funded, this would likely be the last affordable housing development to receive a Department subsidy for the next three years. The population of McKinney will continue to grow, and so will the need and demand for affordable housing.

Third, with respect to your concern regarding the Needs Survey, I agree with your analysis in terms of other parts of the State having a substantial need for affordable housing. However, there is also a significant need in Collin County. In addition, tax-exempt bonds are allocated on the basis of a lottery without consideration to region and second, reliant on areas with high median incomes to be financially feasible. Our company is participating in multiple developments in South Texas and other parts of the State through the 9% LIHTC program, which are allocated on a regional basis, however, we cannot use the tax-exempt bond program at this time in many regions. This is due in large part to the priority given to developments by the Department that restrict 100% of their rents at 50% of the area median income. Due to the low median incomes in the more financially challenged areas of the State, this makes it nearly impossible to make one of these projects feasible.

Finally, with respect to the McKinney ISD letter of opposition, we commissioned a study on the impact to the school district. The study was prepared by Dr. Bernard Weinstein, who has performed numerous studies for the City of McKinney. Most recently, Dr. Weinstein was hired by the City to analyze the Regional Employment Center and the possible relocation of the Dallas Burn to a proposed new stadium in the area. I think that McKinney's use of Dr. Weinstein speaks to his credibility, regardless of who actually hired him in this instance. I have attached a copy of his report for your review. This report clearly indicates the need for affordable housing and quantifies the number of children that will impact the schools and at what grade levels. It indicates that a significant portion of the children who will ultimately live in our development are already matriculated within the MISD system. Dr. Weinstein has concluded that the overall impact of this development is immaterial to the growth and funding issues currently facing the MISD.

In sum, we chose to locate this project in McKinney for three reasons. First, this particular site was available at a price that is within our budget requirements and has been zoned for multi-family residential development since 1987. Second, the McKinney Housing Finance Corporation is supportive of the development. We have worked closely with the HFC Board, which was appointed by the City Council to oversee affordable housing issues in the City. The HFC has publicly supported this development, and received a unanimously affirmative vote by the City Council to negotiate full ownership of the property as offered by our company. Third, we meet all the TDHCA's requirements under their current concentration policy.

I would welcome the opportunity to discuss the points raised in this letter. I know this is a difficult issue and appreciate your involvement in the process. I hope that I have been able to adequately respond to your concerns so that I may ask for your support of this development. You have been supportive of Southwest Housing Development in the past and hope we can count on your support in our current effort to bring affordable housing opportunities to the families who need it. Thank you again for your attention to this matter.

Sincerely,

Brian Potashnik
President

MCKINNEY

RECEIVED
MAR 28 2002
Multifamily Finance Division

March 27, 2002

Mr. Robert Onion
Director, Multi Family Finance Division
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Stonebrook Villas Housing Development in McKinney, Texas

Dear Mr. Onion,

This letter is on behalf of the City Council of the City of McKinney, Texas. The City wishes to pass along its gratitude to the TDHCA for the recent grant funds through the HOME project. The City is committed to responsible and managed development of affordable housing developments, and anticipates future cooperative efforts with TDHCA.

However, the City Council has been made aware of the above-referenced development, which is slated for bond issuance by the TDHCA. This project is not receiving Council support at this time. I enclose a resolution for your review, which will be considered by the City Council at its regular meeting of April 2, 2002. Council members have expressed strong opinion that it be passed.

If I may offer any additional information, please do not hesitate to contact me.

Very truly yours,

Don Dozier

Don Dozier
Mayor
City of McKinney

McKINNEY

March 11, 2002

RECEIVED
MAR 18 2002
Multifamily Finance Division

Mr. Robert Onion
TDHCA
PO Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

I am writing to request that you deny approval of the application by Southwest Housing for the Low Income Housing Tax Credits program for the proposed property known as Stonebrook Villas at Peregrine and Virginia Parkway in McKinney, Texas.

In reviewing this project, I found a significant inequity in the supply of affordable housing across Collin County, and a disproportionate amount of LIHTC properties being located in our city. I believe the vast majority of residents for this complex will come from outside our neighboring cities, yet the City of McKinney will be required to honor the tax-abatement provided by the project's non-profit status. In fact, the map provided by the developer to show where the demand for this project is encompasses entire large neighboring cities.

I would encourage you to investigate the LIHTC housing supply for our area, and I am sure you will conclude, as I did, that a more balanced distribution of housing resources would afford all cities a higher ability to serve all of their populations.

In addition, the site location for this property is problematic as that area has an undersupply of child care, particularly affordable child care, as well as employers, transportation, employment centers, retail services and social services to assist new residents. The children in the complex would be required to cross a main thoroughfare for their elementary school.

While our citizens have always been very supportive of our affordable housing initiatives, there is vigorous opposition by local residents, who have expressed concerns about the city and school district's ability to financially underwrite the affordable housing needs outside our jurisdiction.

P. O. BOX 517 • McKINNEY, TEXAS 75070 • METRO 972-562-6080 • www.mckinneytexas.org

The City of McKinney takes an active interest in affordable housing for our residents, however I cannot at this time support a project for which there is currently no demand from the citizens who already reside in our city.

Thank you for your consideration.

Respectfully Submitted,

Steve Bell
Council Member
City of McKinney

c:
Texas Bond Review Board
- The Hon. Gov. Rick Perry
- The Hon. Lt. Gov. Bill Ratliff
- Comptroller Carole Keeton Rylander
- The Hon. Speaker James E. Laney
- Mr. Jim Buie, Executive Director

Texas Department of Housing and Community Affairs
- Ms. Ruth Cedillo
- Mr. Tom Gouris
- Mr. Jim Anderson
- Ms. Brook Boston

The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Directors
McKinney Housing Finance Corp.
Mr. Bill Fisher, Southwest Housing

P O Box 517 222 N. Tennessee McKinney, Texas 75069 (972) 547-7500 or Metro 562-6080 www.mckinneytexas.org

ELIZABETH K. JULIAN

Fair Housing & Community Planning Consultant

March 27, 2002

Mr. Robert Roeder
Attorney at Law
1700 Redbud Blvd.
Dallas, Texas

Re: StonebrookVillas and the McKinney Independent School District

Dear Mr. Roeder:

As you know, I have been asked by Southwest Housing to assess the fair housing implications of the McKinney Independent School District's (MISD) formal opposition to their efforts to develop affordable housing for low income families in West McKinney. I am currently a consultant specializing in fair housing and community development issues. I have practiced civil rights and fair housing law for over 25 years, and served as Assistant Secretary for Fair Housing and Equal Opportunity at HUD, as well as Deputy General Counsel for HUD. As Assistant Secretary for FHEO I was responsible for enforcing the Fair Housing Act and other civil rights laws pertaining to housing and community development. I had numerous occasions to deal with the issue of NIMBYism, as it is called, and the fair housing implications of efforts to prevent development of affordable housing for low income families, particularly in predominately non-minority, low poverty areas.

I have specifically reviewed the letter sent by the MISD to Texas Department of Housing and Community Affairs (TCHCA), which was read into the record at the public hearing on on March 20, 2002. The MISD is asking the TDHCA to reject SWH's proposal to develop affordable housing for low income families in West McKinney on the grounds that the MISD cannot afford to educate the approximately 80-120 school age children which are projected to reside in the development. Your client has indicated that the families that will be residing there do not fit the "demographic profile" of children the MISD has projected would be coming into the district. Your client further expressed in her remarks Wednesday evening that , because the children would be from "low income families" (making less than $50,000/year), they would be more expensive to educate, and on that basis the MISD does not want them in the school district. I do not believe it is appropriate under either the federal or state fair housing laws for a school district to express such preference or limitation on the who should be allowed to reside in the McKinney School District as it relates to making rental housing available to families with children.

SWH also strongly objects to this discriminatory stereotyping of families who might choose to live in StonebrookVillas. Your client does not know who the families are that will be

618 Largent Avenue · Dallas, Texas 75214 · 214-827-8708 · Fax 214-827-3098
ekjulian@prodigy.com

living in this development, and what their educational abilities or needs might be. However, they do know that a significant number of the families will be families with children, and will be minority, given the eligible market for such housing. Actions which make such rental housing unavailable to eligible families will have a significant disparate impact on racial and ethnic minorities, as well as families with children. Your client is aware of this impact.

Both the state and federal Fair Housing Acts protect persons from housing discrimination on the basis of race, ethnicity, religion, disability status, and familial status. It unlawful to interfere with any person in the exercise of his rights granted under the Fair Housing Act, or on account of his having aided or encouraged any other person in the exercise or enjoyment of any rights granted or protected by the Fair Housing Act. SWH is attempting to provide high quality affordable housing to low income families with children, a disproportionate number of which are minority. Denial of this project by the TDHCA because of the official opposition of the MISD for the afore stated reasons will damage not only SWH but the low income families who would have the opportunity to reside in the StonebrookVillas development.

On behalf of Southwest Housing, I would therefore respectfully urge your client to immediately withdraw the letter of opposition now pending before the TDHCA. Given the remedies available under the Fair Housing Act, failure to do so could be unnecessarily costly to the school district should those injured by these actions decide to seek vindication of their rights under both state and federal fair housing laws.

Sincerely,

Elizabeth K. Julian

cc: Andy Siegel, Attorney at Law
Michael M. Daniel, Attorney at Law
Brian Potashnik, President, Southwest Housing Development, Inc.
Mr. Jim Buie, Executive Director Texas Bond Review Board
Texas Bond Review Board
The Hon. Gov. Rick Perry
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Ms. Edwina Carrington, Executive Director, TDHCA
Mr. Robert Onion, Director of Mulifamily Division, TDHCA
Texas Department of Housing and Community Affairs:
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.

COLLIN COUNTY

Commissioners Court

March 25, 2002

Dear TDHCA,

Please accept this email from a constituent as mirroring my position on the proposed public housing projects in McKinney. It appears that the ratio for the projects is much higher per person in McKinney than any other city in Collin County.

I hope that you will reconsider this project and if you need any assistance from my office, please feel free to contact me.

Thank you,

Joe Jaynes
County Commissioner

210 S. McDonald Street, Suite 626 • McKinney, Texas 75069
(972) 548-4631 • Metro 424-1460

Kim Sheldon

From: RJH [RJHRJJR@prodigy.net]

Sent: Wednesday, March 20, 2002 11:35 PM

To: Kim Sheldon

Subject: Opposition to Proposed Funding/Approval for Stonebrook Villas at Virgina Parkway and Custer Road in McKinney, TX

To: Ron Harris, County Judge

Phyllis Cole, County Commissioner

Jerry Hoagland, County Commissioner

Joe Jaynes, County Commissioner
Jack Hatchell, County Commissioner

I am writing you in regard to the low income housing project that is currently being considered for the area at the corner of Virginia Parkway and Custer Road in McKinney referred to as Stonebrook Villas. As a resident of this area who lives directly across the street for its proposed location, I am very interested in this matter and in general the economic development of McKinney. Let me be clear from the start-----I oppose this project and I would hope that you as my elected representative would strongly consider my views in taking appropriate action with regard to this matter.

The facts, I believe, are clear. There is no demand for this type of housing project and our city has an over-concentration of this type of housing, especially when compared with our population and the lack of such proprieties in our cities/communities in Collin County. If my understanding of the facts are accurate as I have presented them, TDHCA should reject this developer's plan for funding/tax exempt status and refuse to allow such a project to be built.

These are the facts as I understand them:

· McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties

· McKinney -- 1,512 units, one low-income unit for every 36 residents

· Allen -- 120, one for every 363 residents

· Frisco -- 216, one for every 156 residents

· Garland -- 632, one for every 341 residents

· Plano -- 609, one for every 365 residents

· Carrollton -- 388, one for every 282 residents

· Grapevine -- 224, one for every 188 residents

· The project is funded by the Texas Department of Housing and Community Affairs (TDHCA). Each application is judged on several criteria, including "the level of need for affordable housing in the community."

· The state does not clearly define the term "community" but does say it should take into account natural geographic or political boundaries. This study was run on a 10-mile radius from the property and includes all of Frisco, Allen, half of Plano and several other municipalities and school district areas. We believe this ignores the state's provision regarding political or geographic boundaries.

· Yet even with this 300+ square mile market area (for a single apartment complex!) there is still no demand if you correct inaccuracies in the developer's market study.

· The developer is the one who pays an outside company to do a "market study" which evaluates whether or not there is demand for such a complex in a certain area. In the market study for Stonebrook Villas, several errors need to be corrected in order to accurately reflect the lack of demand for this location - things like not including existing complexes.

As my elected representative I would ask that you take any appropriate action to let TDHCA know of your position opposing this project due to lack of demand and overconcentration, or at the very least let the TDHCA know that you have received letters and comments from your constituents who believe that the facts show there is no demand and that there is an overconcentration of this type of housing in our community and that therefore under state law this project should not be approved.

At the outset of my inquires regarding this project, I was told by developer representatives that there was a demand for this type of housing and that there was no oveconcentration in our community. Now, after several other residents have questioned these representations with local and state officials, I understand that the response now being given by developer representatives and housing authority representatives is that "the community has room for one more project like this". The implication of this is apparent to many residents and that implications is that indeed when confronted with the facts of how many of these types of properties are already located in McKinney, that the emphasis is now on "well maybe we can get one more in".

One More? Our neighboring communities have nowhere near the number or concentration that our city already supports. Is there any one who would argue-with a straight face--that our community does not have the highest concentration of these tax-credit properties north of LBJ-635?

I am asking that you review the demand issue and the overconcentration in our area.

In addition, based upon information I have reviewed, it appears that this project will cost the city of McKinney over $500,000 a year in taxes-- that ultimately are made up from tax payers like me. It will cost the school district, MISD, even more, at time when the school district is under a tremendous strain to meet current needs and is facing a statutory cap on it ability to raise taxes any further due to "Robin Hood" legislation.

I am asking that you write the TDHCA and request that the agency review the demand issue and the overconcentration in our area. I would request that at a minimum you write a letter to TDHCA simply saying:

1) You have received calls, letters, and e-mails from our citizens who are questioning the demand for this project, and an apparent overconcentration of low-income housing tax-credit properties in McKinney (We have 15% of the population, but 62% of the units.) You could request that the state employ and independent review of the data to ensure its accuracy before approving or denying this application.

2) You are concerned that (or we believe that) the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. You could request that the state thoroughly review the concentrations throughout our area before approving or denying this application.

3) You understand, as do we, the residents of McKinney, that this is a valuable program. However, because the program does place a financial burden on the municipalities and school districts where these properties are located, you ask the TDHCA to review the concentration of these properties in our city and the surrounding cities to ensure no single municipality or school district is unduly burdened.

4) If you are so inclined, you could object to the project for the reason that the market area was not defined as the City of McKinney.

5) If you are so inclined, you could object to the project for the reason that there is an overconcentration in our city.

This matter is moving on a fast track and it is important that your views be made known quickly. I appreciate your attention to this matter that is of significant interest to your constituents.

Sincerely,

R. J. Hobby

9300 Chesapeake Lane, McKinney, TX, 75070

3/21/2002

The State of Texas
House of Representatives
Austin, Texas

Mary Denny
State Representative
District 63

Capitol Office:
P.O. Box 2910
Austin TX 78768-2910
512-463-0688
District Office:
1914 North Carroll Blvd.
Denton, TX 76201
940-565-0083
1-800-371-6179

February 20, 2002

Mr. Brian Potashnik, President
Southwest Housing Management
5910 N. Central Expressway, Suite 1145
Dallas, Texas 75206

Dear Mr. Potashnik:

Thank you for taking the time to share your plans to develop a multi-family residential community in McKinney, Texas. Since projects such as these are much-needed assets to meet the needs of the growing community, I am in support of your proposed development and the tax credit program administered by the Texas Department of Housing and Community Affairs.

Please note that, while the City of McKinney does not have a local consolidated plan providing for affordable rental housing, I know that your proposed development meets an important community need by providing affordable housing to people earning less than the median income.

Undoubtedly, this project will serve the needs of our existing and future residents, as well as those of the surrounding communities. I am truly impressed by your commitment, dedication and vision to provide such a facility to our citizens. Through outstanding efforts such as yours, we will be able to continually enhance the quality of life for our citizens.

Sincerely,

Mary Denny

Mary Denny
State Representative
District 63

Counties: Collin (part), Denton (part), and Rockwall
E-mail: mary.denny@house.state.tx.us

MCKINNEY

RECEIVED
MAR 5 2002

March 1, 2002

Mr. Brian Potashnik
Southwest Housing Management
5910 N. Central Exp., Suite 1145
Dallas, Texas 75206

Dear Mr. Potashnik:

As Southwest Housing continues to provide affordable housing to low-to-moderate income families, the City of McKinney has received your request to certify that the proposed project (i.e., Stonebrook Villas) is consistent with the local jurisdiction's current, approved Consolidated Plan.

While the City of McKinney recognizes the requirements necessary to access tax-exempt bond financing through the State of Texas Department of Housing and Community Affairs, the City does not currently have a Consolidated Plan for providing affordable rent housing. However, the City does support Objective 1.7 of the State of Texas Consolidated Plan for 2001 – 2003 that *provides federal mortgage loans through the Department's Mortgage Revenue Bond Program for the acquisition, rehabilitation, construction and preservation of multifamily rental units for very low, low and moderate income families.* By providing an on-site computer lab, language lab and after school program, Southwest Housing will be able to address additional positive supportive services needs of the residents.

It is the desire of the City of McKinney that your expertise and continued work in affordable housing will continue to enhance the quality of life for the residents of McKinney.

Sincerely,

Larry Robinson

Larry Robinson
City Manager

P. O. BOX 517 • McKINNEY, TEXAS 75070 • METRO 972-562-6080 • www.mckinneytexas.org

McKinney Housing Finance Corporation Information Packet
Stonebrook Villas Apartments
March 14, 2002

The Board of the McKinney Housing Finance Corporation has prepared this information packet for the proposed Stonebrook Villas Apartments development to foster positive debate. Many differing statements have been passed around as fact, and MHFC found it important to investigate the actual facts and make them public.

There are two sections to this document. First, a summary overview of the proposed development, and second, a question and answer page that addresses many of the inquiries fielded by MHFC board members in recent weeks.

The McKinney Housing Finance Corporation's involvement has been and will continue to be to positively affect affordable housing development within the city of McKinney.

Thank you to all who support affordable housing for McKinney's citizens.

Sincerely,

The MHFC Board

Jacqueline Bromley
Bill Darling
Pete Huff
Steve Mitas
Miles Prestemon
Sara Thomas
Bud Ward

McKinney Housing Finance Corporation Information Packet
Stonebrook Villas Apartments
March 14, 2002

Project size - Stonebrook Villas Apartments will include 224 total units, as shown in the table below:

Number of Units	*Type*	*Square Feet*
124	2BR w/2 Baths	950 SF
92	3BR w/2 Baths	1,100 SF
8	4BR w/2 Baths	1,300 SF

Location - The project will be built on a 10,430 acre tract east of Peregrine Drive and north of Virginia Parkway (near the intersection of Custer and Virginia Parkway).

Project density - The project will have a density factor of 21.5 units/acre. The site was zoned in 1987 as PD 1741 MF-RG-18 Base which allows for 22 dwelling units/acre.

Project description/amenities - The project will consist of (9) 2-story garden style buildings of brick/stucco veneer with wood trim and siding. Roofs will be pitched composition shingle roofs. Unit amenities will feature all kitchen appliances, ceiling fans, large baths, walk-in closets and additional storage in each unit. Each unit will have a patio or balcony with outside storage. Common amenities will include an on-site management/leasing office, a community room, playgrounds, a pool, laundry room, complete perimeter fencing and landscaping.

Parking - 110 open parking spaces and 220 covered carports for 330 total spaces (1.5 spaces per unit).

Project Residents - the following table shows the rent and maximum household incomes for the project:

2002 Maximum Rent Levels (excludes utility allowance)				
Category	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom
50% AMI	$623/Mo	$748/Mo	$963/Mo	$1,064/Mo
2002 Maximum Income Levels				
Category	2-persons	3-persons	4-persons	5-persons
60% AMI	$31,920	$35,940	$39,900	$43,260
Source - TDHCA, dated 04-06-01				

Unmet Need - A Market Study was prepared for this project in accordance with TDHCA* guidelines. This analysis of unmet demand for units of the size, type and rent levels proposed for Stonebrook Villas as of 2003 (estimated completion year) would be 3,270 units. There are 776 comparable units planned or under construction at this time, which is only 24% of forecast demand (the capture rate). *(Source: Market Study prepared by Butler-Burgher, LLC, March 5, 2002).*

School Impact - If the partnership that will own Stonebrook Villas includes a 501 (c)(3), the project is legally exempt from real estate taxation. *Southwest Housing Management has stated that they are willing to pay school taxes, however, in order to mitigate impact on McKinney ISD.* The actual impact on MISD is unknown at this time as at least some portion of the residents will relocate from neighborhoods already served by MISD.

*TDHCA - Texas Department of Housing and Community Affairs

An Overview of Tax Exempt Bonds with 4% Low Income Housing Tax Credits (LIHTCs)

Development financing for Stonebrook Villas Apartments will be derived from the sale of Tax Exempt Multifamily Mortgage Revenue Bonds and 4% LIHTCs, to be issued by the Texas Department of Housing and Community Affairs (TDHCA). Following is a very simplistic overview of this program.

The LIHTC program was authorized by Congress in 1986 (Section 42 of the Internal Revenue Code) under the Tax Equity and Fiscal Responsibility Act (TEFRA). The purpose of this legislation was to encourage the private sector to participate in the financing of *quality rental housing* for households earning less than the area median income (AMI). Developers compete annually for credits (either 9% credits, or 4% tax credits which are attached to bond allocations) based on their experience, fiscal strength, the quality of the proposed project and level of need for affordable housing in the community. The allocating agency (TDHCA in Texas) sets the standards by which points are awarded, and criteria for determination of "need", including how and *by whom* a Market Study must be produced to evidence such need.

The credits, once awarded, are then sold to institutional investors, pension funds and others who desire to purchase a "tax write-off" to be amortized over a 10-year period. For this benefit, the investor (aka the limited partner) is willing to buy the credits for less than face value (generally between 50 and 85 cents/dollar). Although the credit is spread over a 10-year term, the funds are generally made available to the developer in 3 or 4 "equity distributions" during the course of the development, with the final payment generally made at full occupancy of the property.

This cash infusion, along with the placement of the bonds at favorable interest rates, enables the developer to build a high quality property and keep the rents at levels *affordable to families who earn less than AMI.* Although the rent structure may vary from project to project, federal requirements mandate that the property must offer at least 40% of the units to households earning no more than 60% AMI; or 20% of the units to households earning no more than 50% AMI (the 40/20 rule). Because of intense competition, most states (including Texas) require a higher level of affordable units in order for the project to rank high enough for funding.

It is important to note that this program is ***not*** *a HUD* program.* It is ***not*** *public housing, project-based Section 8 housing, housing for homeless or formerly homeless persons, etc.* Public Housing is housing that is developed and maintained by a public housing authority with a direct appropriation of capital grant or modernization funds by Congress through HUD. Section 8 (portable vouchers or project-based assistance) is funded under a separate appropriation through HUD. A Section 8 voucher entitles a person to use the voucher to rent a private unit (home or apartment), and pay any portion of the rent that exceeds the fair market rent (FMR) allowed by HUD.

A key difference in the LIHTC program and the HUD programs described above is that the HUD programs generally serve households earning 30% (or less) of AMI, as well as very low income elderly and people with special needs. While each of these programs are needed for a community to serve all of its citizens, Stonebrook Villas Apartments are not intended to serve the same folks that would qualify for public and assisted housing. The residents of Stonebrook Villas will be individuals and families who work, but earn less than the average wage. They will have access to budgeting and home buying preparedness classes so that they may save for a home if that is their goal. Children will be strongly encouraged not only to stay in school, but to excel in school. In fact, the tenant's lease agreement will include a provision *requiring that all children of school age attend school.*

* *HUD = The United States Department of Housing and Urban Development*

QUESTION & ANSWERS

MHFC INVOLVEMENT

Q1: Did the MHFC initiate or seek out Southwest Housing (SWH) to build Stonebrook Villas?

A1: No. Southwest Housing came to the MHFC with a proposal. The MHFC determined the project could be completed by Southwest Housing with or without the involvement of the MHFC. After careful consideration, the MHFC concluded it was in the best interests of the citizens of McKinney for the MHFC to own the project as it would increase control over management and the quality of the project, as well as provide funds to support single family affordable housing development.

Q2: Does MHFC intend to initiate or develop other multi-family affordable housing projects?

A2: No. MHFC's primary goal is to initiate or develop single family affordable housing and senior only housing (apartments). The present board of MHFC does not anticipate becoming involved in another multifamily project in the near term. See following Question and Answer.

Q3: Is McKinney going to become the multi-family affordable housing capital of Collin County?

A3: We hope not. Following guidelines set by the Texas Department of Housing and Community Affairs (TDHCA), the present board of MHFC believes the completion of Stonebrook Villas and the other tax advantaged multi-family projects currently under development will provide adequate multi-family affordable housing. Therefore we will focus on developing single family and senior-only affordable housing and may oppose future applications for tax advantaged multi-family housing in the city of McKinney based on market demand.

McKinney Housing Finance Corporation Information Packet
Stonebrook Villas Apartments
March 14, 2002

Q4: Why does MHFC believe it is in the "best interest of the citizens of McKinney" for MHFC to own Stonebrook Villas?

A4: 1) The developer can build it with or without the MHFC.
2) MHFC has determined that SWH is a quality, experienced developer of these projects with a good track record.
3) Ownership by the MHFC provides increased control over management, maintenance, and deed restrictions for any future owners.
4) Ownership provides MHFC significant funds (at no additional cost to tax payers) to develop affordable single family housing.
5) Ownership will be structured so as there is no liability or downside to the City of McKinney or the MHFC.
6) MHFC ownership ensures the property will make "payments-in-lieu-of-taxes" to MISD. Other tax advantaged multi-family projects in the City are not making these payments, as they are not required to by law if the property is owned by a tax exempt entity. Stonebrook Villas will pay full MISD taxes on the assessed value of the property. MISD tax revenues (payments-in-lieu-of-) taxes from Stonebrook are estimated to be approximately $125,000 per year upon reaching full occupancy.

STONEBROOK VILLAS-WHY THIS LOCATION?

Q5: Why are they wanting to build apartments at this location?

A5: The subject property has been zoned "multi-family" since 1987. The highest value for the property, with the current zoning, is multi-family. Southwest Housing applied for "low income housing tax credits" (LIHTC) with the Texas Department of Housing and Community Affairs (TDHCA). If approved by TDHCA, the board of MHFC understands that SWH can build the project with no further approvals of the City of McKinney, as long as SWH meets all building and code requirements.

Q6: Is there a need for affordable housing at this location?

A6: One of the requirements to obtain the LIHTC's is that there must be a quantifiable need as established by an independent market study paid for by the developer. TDHCA will review the study to determine the need. If there is not a need the project will not be approved by TDHCA. If the project is not approved by TDHCA it is likely the property will be acquired by another developer who will build conventional multi-family apartments on this location.

DENSITY?

Q7: What will be the density of the units and can the density be lowered?

A7: SWH initially proposed a total of 270 units on this 10+ acre tract. They have since reduced the density as follows:

	2BR	3BR	4BR	TOT
ORIGINAL	160	98	12	270
CURRENT	124	92	8	224

It is important to note that SWH made offers to reduce the total number of units to 18/ acre or less than 200 total units if they received the support of the adjacent neighborhood. Unfortunately, neighborhood support was not received and at this late date it is doubtful the density of the current proposal will be reduced.

Q8: Why are so many units 2, 3 or 4 bedroom and no one bedroom units?

A8: These apartments are designed to be family affordable housing; therefore, one bedroom units would not be appropriate. The market study supporting the need indicates that the greatest demand is for the 2, 3 and 4 bedroom units.

Q9: How many school age children will be in Stonebrook Villas, upon full occupancy?

A9: MISD demographers indicate approximately one school age child for every two units or approximately 112 when fully occupied. Many may already be attending MISD and the new enrollments

should be somewhat equally distributed between elementary, junior high and senior high. Therefore, it is impractical at this time to project added impact on MISD.

Q10: Can other LIHTC apartments be built in McKinney?

A10: Yes, as long as: 1) land in McKinney is zoned multi-family, 2) the developer has access to tax credits and 3) the TDHCA determines there is a need and approves the application. See Q&A 3, above.

WHO WILL BE THE RESIDENTS?

Q11: We are concerned about drugs, crime and other neighborhood problems. Who will be the typical resident?

A11: The screening process and demand for these units will result in quality residents. The residents must have employment, verifiable income and good credit history. NO APPLICANT with any FELONY, WEAPONS OR DRUG CONVICTION will be accepted. There is currently a one year waiting period for affordable housing in McKinney (Housing Authority of McKinney). The quality and location of Stonebrook Villas will ensure there will be a waiting list and only high quality applicants will be accepted. The residents will be working families, many in direct service occupations for other citizens of McKinney.

Q12. What happens if a resident is caught in an illegal act?

A12: Illegal activity, among other things, will result in eviction from the property. The market demand for the units will enable the property manager to enforce very high standards for the benefit of the other residents and the Stonebridge neighbors.

Q13: Can a McKinney school teacher, policeman or fireman qualify for these apartments.

A13: Yes, depending on family income and size of the family. For example, a single parent with two children and an MISD starting salary of $35,100 would qualify for a two bedroom. The same for a

married teacher with one or more children and a stay at home spouse. There will also be police and firefighters who may similarly qualify. In addition, we have businesses in our area such as Blockbuster, McKinney Areospace, Encore, Fisher Controls and Primo whose administrative and entry level employees (a supply of these employees is essential to attract and keep tax paying businesses in McKinney) could qualify for Stonebrook, depending on household income and family size.

Q14: What if a teacher qualifies, moves in and later his/her compensation increases, can they keep the apartment?

A14: Yes, the household income can go up and exceed the then current maximums. For example, if only one spouse worked at the time of application and the other spouse later became employed, they could stay in the apartment. This is a major difference between LIHTC apartments as compared to certain other types of affordable or low income housing.

Q15: When will this property be constructed and leased?

A15: It is expected that the building will take 15-24 months to build starting June 2002 and then another full year to completely lease it.

Q 16: What is or will be the status of the seven (7) additional proposed McKinney LIHTC projects that have been published?

A16: Four of those projects are in the hands of Southwest Housing. They have indicated that they will sign a letter indicating that they will not pursue those projects unless a need for a Seniors-Only housing project was evident. According to the TDHCA if the Stonebrook Project is approved they indicated that they felt it would be a good 2-3 years before a market study could prove the need for another LIHTC property according to their concentration analysis. So, the fact that seven other projects show up on the list does not mean they will be built.

Ann
FAX 214
965
9214

0K
Stacey

Senator Florence Shapiro
TEXAS STATE SENATOR

April 4, 2002

Mr. Robert Onion
Director of Multifamily Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Dear Mr. Onion,

Please accept this letter as clarification of my previous letter to you regarding the application by Southwest Housing for the Tax Credits program for the Stonebrook Villas in McKinney, Texas.

In reference to my letter dated March 18, 2001, I listed three concerns, which were brought to me by a group of my constituents who reside in McKinney, Texas. The purpose of that letter was to ask your agency's review of those items to ensure this was an eligible project for this area and to ensure my constituents' concerns were addressed. It has been brought to my attention that that letter has been interpreted to state my opposition to the Southwest Housing application.

The purpose of this letter is to clarify my position on this matter. I am neither opposed to, nor an advocate of, this project. As you are aware, my duty as a Senator is to make certain my constituents concerns are heard and addressed. I expect the Department to apply its standard criteria in determining whether to approve this project for funding. The final decision rests with TDHCA.

Thank you for your attention to this matter.

Sincerely,

Florence Shapiro

Florence Shapiro

2901 Dallas Parkway • Suite 322 • Plano, Texas 75093 • 972-608-2622

McKINNEY
INDEPENDENT SCHOOL DISTRICT

Office of the
Superintendent

March 8, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

We are writing to express our opposition to a project known as Stonebrook Villas, which is before your agency for funding through the Low-Income Housing Tax Credits program.

This is a regrettable position for any school district to have to take, but one we must take at this time in the development of our district.

The McKinney Independent School District is facing a funding crisis. This is a time of exploding growth in our City. At the same time, due to state funding legislation, our ability to collect revenues through our local tax rate to meet the impact of this growth will be limited. While new homeowners and residential growth have found our city in droves, commercial development is not keeping pace. This has left our District with a significant imbalance in student population for the size of our commercial tax base. Consequently, the District has actively opposed any efforts by citizens or developers to "downzone" property in our District from commercial to residential. Additionally, we have opposed any efforts by developers to increase residential densities above those specified in the City's Master Land Use Plan. Any increase in residential density negatively impacts our ability to plan for and effectively educate children. Although this project meets zoning requirements, the forecasted increase in student population density far exceeds our projections. The impact of this increased and unanticipated density would negatively impact our schools.

The City of McKinney has established a legacy and set precedence for embracing low-income housing communities. Based upon the data that we have reviewed, McKinney has an oversupply of low-income properties and is now drawing residents from surrounding suburbs, which are not providing an adequate amount of affordable housing programs for their residents. For example, the market area from which Stonebrook Villas will draw its residents (as defined by the developer's own market study) includes almost the entire school districts of neighboring Frisco and Allen, a significant portion of the Plano District, and several other smaller districts. These neighboring districts are in a

#1 Duvall Street • McKinney, TX 75069 • (469) 742-4070 • Fax (469) 742-4071

significantly better financial position in terms of the ratio of tax revenues to student population than McKinney. Additionally, these districts have significantly smaller populations of high-density, low-income developments.

These circumstances have created an over-concentration of low-income housing and place an undue burden on MISD to provide services for low-income families from across Collin County – not just our City. A more equitable allocation of housing throughout the county would allow neighboring districts to maintain the resources necessary to provide the best possible educational opportunities to insure that no child is left behind.

We are proud of the proactive stance our City officials have taken to provide ample affordable housing in our community. However, we must oppose this project at this time due to our city's current oversupply of low-income housing, the significant growth and increasing density of our student population and the diminishing financial resources required to provide a quality education for all MISD students. McKinney ISD cannot continue to bear the unfunded costs for educating children who will clearly be drawn from surrounding districts.

Respectfully Submitted,

David Anthony

Dr. David Anthony
Superintendent

GKever

Geralyn Kever
MISD Board President

cc: Texas Bond Review Board
The Hon. Gov. Rick Perry
The Hon. Lt. Gov. Bill Ratliff
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Mr. Jim Buie, Exec. Dir.
Texas Department of Housing and Community Affairs
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.
Mr. Bill Fisher

ELIZABETH K. JULIAN

Fair Housing & Community Planning Consultant

March 27, 2002

Ms. Geralyn Kever, Board President
Dr. David Anthony, Superintendent
McKinney Independent School District
#1 Duvall Street
McKinney, TX 75069

Re: StonebrookVillas

Dear Ms. Kever and Dr. Anthony:

I have been asked by Southwest Housing to assess the fair housing implications of the School District's formal opposition to their efforts to develop affordable housing for low income families in West McKinney. I am currently a consultant specializing in fair housing and community development issues. I have practiced civil rights and fair housing law for over 25 years, and served as Assistant Secretary for Fair Housing and Equal Opportunity at HUD, as well as Deputy General Counsel for HUD. As Assistant Secretary for FHEO I was responsible for enforcing the Fair Housing Act and other civil rights laws pertaining to housing and community development. I had numerous occasions to deal with the issue of NIMBYism, as it is called, and the fair housing implications of efforts to prevent development of affordable housing for low income families, particularly in predominately non-minority, low poverty areas.

I have specifically reviewed the letter sent by the school district to TDHCA and read into the record at the public hearing, asking the TDHCA to reject SWH's proposal to develop affordable housing for low income families in West McKinney. The stated opposition is on the grounds that the MISD cannot afford to educate the approximately 80-120 school age children which are projected to reside in the development. You have indicated that they do not fit the "demographic profile" of children you have projected would be coming into the district. Your representative further expressed in her remarks Wednesday evening that , because the children would be from "low income families" (making less than $50,000/year), they would be more expensive to educate, and on that basis you did not want them in your school district. I do not believe it is appropriate under either the federal or state fair housing laws for a school district to express such preference or limitation on the who should be allowed to reside in the McKinney School District as it relates to making rental housing available to families with children.

SWH also strongly objects to this discriminatory stereotyping of families who might choose to live in StonebrookVillas. You do not know who the families are that will be living in this development, and what their educational abilities or needs might be. However, you do know that a significant number of the families will be families with children, and will be minority, given the eligible market for such housing. Actions which make such rental housing

618 Largent Avenue · Dallas, Texas 75214 · 214-827-8708 · Fax 214-827-3098
ekjulian@prodigy.com

unavailable to eligible families will have a significant disparate impact on racial and ethnic minorities, as well as families with children. You are obviously aware of this impact.

Both the state and federal Fair Housing Act protect persons from housing discrimination on the basis of race, ethnicity, religion, disability status, and familial status. It unlawful to interfere with any person in the exercise of his rights granted under the Fair Housing Act, or on account of his having aided or encouraged any other person in the exercise or enjoyment of any rights granted or protected by the Fair Housing Act. SWH is attempting to provide high quality affordable housing to low income families with children, a disproportionate number of which are minority. Denial of this project by the TDHCA because of the official opposition of the MISD for the afore stated reasons will damage not only SWH but the low income families who would have the opportunity to reside in the StonebrookVillas development.

On behalf of Southwest Housing, I would therefore respectfully urge you to immediately withdraw your letter of opposition now pending before the TDHCA. Given the remedies available under the Fair Housing Act, failure to do so could be unnecessarily costly to the school district should those injured by your actions decide to seek vindication of their rights under both state and federal fair housing laws. I would be happy to discuss the above assessment with your legal counsel.

Sincerely,

Elizabeth K. Julian

cc: Andy Siegel, Attorney at Law
Michael M. Daniel, Attorney at Law
Brian Potashnik, President, Southwest Housing Development, Inc.
Mr. Jim Buie, Executive Director Texas Bond Review Board
Texas Bond Review Board
The Hon. Gov. Rick Perry
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Ms. Edwina Carrington, Executive Director, TDHCA
Mr. Robert Onion, Director of Mulifamily Division, TDHCA
Texas Department of Housing and Community Affairs:
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.

ABERNATHY
ROEDER
BOYD &
JOPLIN • P.C.
ATTORNEYS AT LAW

1700 Redbud Boulevard, Suite 300 • P.O. Box 1210 • McKinney, Texas 75070-1210
Metro 214.544.4000 • Fax 214.544.4044

Multifamily Finance Division

APR 08 2002

RECEIVE

ROBERT H. ROEDER
Qualified Mediator

rroeder@abernathy-law.com
Direct Dial 214.544.4003

April 1, 2002

Ms. Elizabeth K. Julian
618 Largent Avenue
Dallas, Texas 75214

Re: Proposed Stonebrook Villas project in McKinney, Texas

Dear Ms. Julian:

I am in receipt of your letter of March 27, 2002, and have been requested to respond on behalf of my client, McKinney Independent School District.

Your letter is correct in its characterization of the position of the McKinney Independent School District as being in opposition to the project championed by your client, Southwest Housing Finance Corporation. That being said, **the remarks and conclusions attributed to my client at the public hearing on March 20, 2002, by your letter are completely misleading and incorrect**.

While one might debate the relative costs of educating students at different socio-economic levels, the McKinney Independent School District and its representative at the public hearing did not express any opinion that children from "low income families" would be more expensive to educate. Furthermore, neither the McKinney Independent School District, nor its representative at the hearing, made any statements or took any position regarding whether students from the proposed project would be wanted in the district.

The position of the McKinney Independent School District, as set forth in its March 8, 2002 letter to Mr. Onion and as stated at the public hearing, has consistently been that increased densities in residential developments, over and above the current planning design criteria, create a significant hardship on the already limited financial resources of the district; which hardship, in turn, has a negative impact on the schools within the district. Because of such fact, and only because of such fact, did the district oppose the project by letter and at the public hearing.

Any other reasons or analyses attributed to the McKinney Independent School District by you or anyone else are false and misleading. Should you require any clarification, please refer to the March 8 letter referenced above.

Sincerely,

Robert H. Roeder

cc: Andy Siegel, Attorney at Law
Michael M. Daniel, Attorney at Law
Brian Potashnik, President, Southwest Housing Development, Inc.
Mr. Jim Buie, Executive Director Texas Bond Review Board
Texas Bond Review Board
The Hon. Gov. Rick Perry
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Ms. Edwina Carrington, Executive Director, TDHCA
Mr. Robert Onion, Director of Multifamily Division, TDHCA
Texas Department of Housing and Community Affairs:
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.

McKinney Citizens for Balanced Growth

April 6, 2002

Texas Department of Housing & Community Affairs
Attn: Mr. Robert Onion
Waller Creek Office Building
507 Sabine Street
Austin, Texas 78701

Re: Stonebrook Villas
A Proposed 224-Unit Multi-Family LIHTC Property
McKinney, Texas

Dear Mr. Onion:

I am enclosing a legal size copy of the Resolution opposing Stonebrook Villas, passed by an overwhelming majority of the McKinney City Council on April 2, 2002, as a follow-up to the fax transmittal of same on April 6, 2002.

We appreciate your consideration of this Resolution when making your decision on the tax credits requested by Southwest Housing for Stonebrook Villas.

Respectfully,

Lisa M Owens

Lisa M. Owens

Enclosure

RESOLUTION NO. 2002-04-068 (R)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, STATING SUPPORT FOR THE AFFORDABLE HOUSING GOALS AND MISSION OF THE TDHCA; STATING SUPPORT FOR OTHER PROJECTS TO BE LOCATED IN THE CITY OF MCKINNEY, PARTICULARLY SENIOR CITIZEN HOUSING PROJECTS; REQUESTING THAT THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS CONSIDER AN AMENDMENT TO ITS MULTI-FAMILY, AFFORDABLE HOUSING DENSITY AND CONCENTRATION CRITERIA TO ADDRESS INEQUITABLE EFFECTS ON CITIES WHICH HAVE AN ACCEPTABLE SUPPLY OF EXISTING MULTI-FAMILY UNITS; REQUESTING THAT THE TEXAS DEPARTMENT OF HOUSING AND COMMUINTY AFFAIRS DISAPPROVE THE ISSUANCE OF BONDS FOR THE STONEBROOK VILLAS HOUSING DEVELOPMENT LOCATED IN THE CITY OF MCKINNEY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of McKinney ("City") supports the statewide goal of providing safe, affordable housing to all persons within the context of responsible growth and development; and

WHEREAS, the City is one of the fastest-growing communities in North Texas, thereby creating a responsibility on the City to ensure that adequate services and facilities are available for all new development; and

WHEREAS, the City is particularly concerned about the burdens of multi-family development on a tax base supported primarily by residential development; and

WHEREAS, the City is concerned that the TDHCA's approval criteria for project funding of affordable, multi-family does not consider city limit boundaries which density and concentration criteria results in the potential for an inequitable over-concentration of multi-family housing in the City when the existing supply of such housing and zoned tracts is well-above acceptable state and federal standards and far-above the supply provided by neighboring communities; and

WHEREAS, the Southwest Housing Group is requesting approval of bonds through the TDHCA in order to construct a multi-family development in the City called the Stonebrook Villas Housing Development; and

WHEREAS, the City Council of the City is concerned that there is not a current need in the City for multi-family affordable housing units funded by the TDHCA, based upon the market analysis and financial information provided by Southwest Housing Group; and

WHEREAS, the concerns of the City Council regarding multi-family development are not limited to affordable housing developments, as indicated by recent Council legislative action to amend the City's multi-family housing policy to ensure efficient and orderly location of multi-family development; and

WHEREAS, an over-concentration of the multi-family housing developments in Collin County that are funded by bonds issued by the Texas Department of Housing and Community Affairs ("TDHCA") are currently located in the City, creating a larger burden on the City to support these housing developments within the City's existing challenge to support and direct responsible multi-family developments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS THAT:

Section One. The foregoing recitals are found to be true and correct legislative findings of the City Council of the City of McKinney.

Section Two. The City of McKinney supports the goal and mission of the TDHCA to provide affordable housing developments throughout the state, and supports single family and senior citizen affordable housing developments in the City.

Section Three. The City of McKinney requests that the TDHCA consider an amendment to its affordable, multi-family project approval criteria such that city limit boundaries and the existing units and zoned tracts within such city limits are considered; especially when the effect of the current density and concentration criteria results in an inequitable, over-concentration of multi-family housing in a city which has an existing supply of multi-family housing and zoned tracts well-above acceptable state and federal standards and far-above the supply provided by neighboring communities.

Section Four. The City of McKinney does not support the approval by the TDHCA of the tax-exempt multifamily residential rental project revenue bonds in the aggregate principal amount not to exceed $15,000,000 and necessary taxable bonds, to be issued in one or more series by the Texas Department of Housing and Community Affairs, the proceeds of which will be loaned to Stonebrook Villas Housing, L.P., a limited partnership, to finance a portion of the costs of acquiring, constructing and equipping a multifamily housing project described as the Stonebrook Villas, a 240-unit multifamily residential rental development to be constructed on approximately 11.0 acres of land located on Peregrine Drive at the northwest corner of the intersection of Peregrine Drive and Virginia Parkway in McKinney, Collin County, Texas 75070.

Section Five. The City Council requests that the TDHCA strictly comply with its selection guidelines when considering the above-referenced development.

Section Six. The City Council requests that TDHCA notify the City when the developers of affordable housing projects slated for development in the City of McKinney request the issuance of bonds by the TDHCA.

DULY PASSED AND APPROVED THIS 2ND DAY OF APRIL 2002.

DON DOZIER
Mayor

ATTEST:

JENNIFER G. SPROULL
City Secretary
BEVERLY COVINGTON
Deputy City Secretary

G:\McKy\RESO-Council-TDHCA.doc

McKINNEY

CITY OF MCKINNEY
OFFICE OF THE MAYOR

April 5, 2002

Mr. Robert Onion
Director, Multi Family Finance Division
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas
78701

Re: Stonebrook Villas Housing Development in McKinney, Texas

Dear Mr. Onion,

This letter is on behalf of the City Council of the City of McKinney, Texas. As stated in our previous correspondence, the City is committed to responsible and managed development of affordable housing developments, and anticipates future cooperative efforts with TDHCA. For the reasons outlined in the attached resolution, the City of McKinney does not support the approval by the TDHCA of the tax-exempt multifamily residential rental project revenue bonds to be loaned to Stonebrook Villas Housing.

A draft resolution was sent to you with our letter dated March 27, 2002. The City Council modified the draft resolution, and passed the final attached resolution at its regular meeting of April 2, 2002. I enclose the final City Council approved resolution for consideration prior to action on the bonds.

If I may offer any additional information, please do not hesitate to contact me.

Very truly yours,

Don Dozier

Don Dozier
Mayor
City of McKinney

cc: McKinney City Council
Lawrence W. Robinson, City Manager
Senator Florence Shapiro
Citizens for Balanced Growth

THE STATE OF TEXAS

The State of Texas
House of Representatives
Austin, Texas

Mary Denny
State Representative
District 63

Capitol Office:
P.O. Box 2910
Austin TX 78768-2910
512-463-0688
District Office:
1914 North Carroll Blvd.
Denton, TX 76201
940-565-0083
1-800-371-6179

April 19, 2002

Mr. Robert Onion
507 Sabine, Suite #800
Austin, Texas 78711-3941

Dear Mr. Onion:

You have previously received a letter written by me to Mr. Brian Potashnik, President of Southwest Housing Management of Dallas, which states my support for a proposed multi-family residential development in the City of McKinney.

I have been contacted by numerous persons in McKinney that are in opposition to this planned development. I have received data submitted by Mr. Potashnik as well as that submitted by concerned McKinney citizens. The data or how it was derived may lead to different conclusions on the need for this housing fitting the criteria set out by your agency. Therefore, I ask that you carefully review all information submitted for its accuracy, making very certain that your criteria are followed.

The availability of affordable housing is of great concern to the legislature, but we must be certain we follow the guidelines for density set out by the Texas Department of Housing and Community Affairs.

Thank you for your consideration of my request.

Respectfully,

Mary Denny

Mary Denny

CC: Mr. Brian Potashnik
Mrs. Lisa Owens
Mrs. Cindy Evans
Mr. Roger Davis
McKinney City Council
MISD Board of Trustees
McKinney Citizens for Balanced Growth
Senator Florence Shapiro

The McKinney Chamber
1801 West Louisiana Street
P.O. Box 621 McKinney, Texas 75070-0621
(972) 542-0163 • FAX (972) 548-0876
E-mail: mckcoc@waymark.net

The CHAMBER McKinney, Texas

Mr. Robert Onion
Texas Dept. of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

April 24, 2002

Dear Mr. Onion,

The McKinney Chamber of Commerce is a business trade association with a membership base representing 1,000 businesses in the McKinney area. From small unique boutique shops such as Texas Historic Preservation award recipient "The Little Red Hen" on the downtown square, the Texas headquarters location of defense contractor Raytheon, cutting edge biotech operations at Orthofix, copper wire manufacturing at Encore Wire, to the worldwide distribution and data processing center for entertainment giant Blockbuster video, McKinney companies sell, manufacture and distribute products for the world.

As a City Council appointed member of the Affordable Housing Task Force initiated by the City of McKinney in 2001 for the purpose of supporting affordable housing in McKinney, I am extremely concerned about the Council's current opposition to the Southwest Housing affordable housing construction in West McKinney. The need for affordable housing for the workforce necessary to the continued growth and development of a sustainable economy in McKinney is a priority for this organization. The Chamber shares a concern with the MISD and the Council about the costs associated with increased student populations. However, both the ISD and the Council have identified increased commercial and retail development as the solution to the problems faced by a school district whose property tax rate is approaching the state limits. Opposition to the affordable housing necessary for continued commercial and retail growth threatens the very development imperative for financial solvency.

The demand for housing for employees is a challenge to existing employers and for those employers who are considering opening manufacturing, industrial, commercial and retail operations in the area. We strongly support and encourage your approval of the Stonebrook Villas affordable housing multifamily project at Virginia and Peregrine in McKinney.

Respectfully,

Terri Ricketts

Terri Ricketts
President

McKinney Citizens for Balanced Growth

March 27, 2002

Mr. Robert Onion
Director of Multi-Family Finance
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street, Suite 400
Austin, TX 78701

VIA FEDERAL EXPRESS

RE: Proposed Stonebrook Villas Apartments, Virginia Parkway at Peregrine Drive, McKinney, Texas

Dear Mr. Onion:

Enclosed for your consideration is documentation which we believe is overwhelming in the argument that the application for Stonebrook Villas should be denied. This documentation includes:

- A letter from State Senator Florence Shapiro
- A letter co-authored by the Superintendent and Board President for the McKinney Independent School District
- A letter from our City Councilman
- (A resolution in opposition to the project by our City Council and additional letters from council members will follow by fax)
- A thorough review of the numerous errors in the Market Study
- Information on the overwhelming concentration of LIHTC properties within the City of McKinney and the MISD
- A petition with 2,047 citizen signatures in opposition to this project (included in this package under separate cover)

CITIZENS REPORT ON STONEBROOK VILLAS

On behalf of the over 2,000 citizens who signed petitions, the over 700 citizens who attended two public hearings, our school district, our City Council and the McKinney Citizens for Balanced Growth, we respectfully request that the TDHCA DENY the application for Bond Financing and Tax Credits for Stonebrook Villas. The very clear and concise reasons why are outlined as follows and supporting documentation is attached.

1. **State Senator Florence Shapiro has raised serious questions regarding the need for this project, and cites the State's own survey indicating that Dallas/Fort Worth is rated a "low priority" area for LIHTC funding**. This is borne out by analyzing the patterns of such funding statewide. ***Reservations for such funding appears disproportionately concentrated in Dallas/Fort Worth at the expense of other areas of the State, as D/FW received not only more funding than any other single area, but more than all other areas (except Houston) COMBINED***. For example, Dallas/Fort Worth received over <u>3 times</u> as much in reserved funding as did the combined Regions 4 (East Texas), 8b (Lower Valley/Gulf Coast), and 10 (El Paso), areas which Senator Shapiro indicated are rated as being in "desperate need". (see Addendum I).

2. The facts indicate Senator Shapiro's concerns are well founded. In the 2001 application cycle, D/FW received a disproportionate amount of the funds reserved statewide for LIHTC projects. ***Dallas/Fort Worth area projects comprised only 24% of the funds requested, but were reserved 37% of the total funds allocated by the State***. Houston area projects comprised 37% of the dollars requested, but received only 31% of the reserved funds, Austin area projects comprised 25% of the requests but received 9% of the funding, and the San Antonio figures were 9% requested and 5% reserved, respectively. The three areas noted in "desperate need" above (Regions 4, 8b, & 10) were only reserved $34 million or 11% of the total funds reserved. At $75,000 per unit, this is only sufficient to construct 453 units for these 3 vast areas. Thus, Stonebrook, with no demonstrated demand, only serves to exacerbate this acute problem and help divert funds away from other areas where they are more urgently needed. There appears to be an imbalance in funding throughout the state, with a lack of funding in areas with need Senator Shapiro defined as "desperate" and a concentration of funding in D/FW where the need is defined as "low priority". (see Addendum II[1]).

3. **Stonebrook Villas is NOT NEEDED**. The City of McKinney is already oversupplied. McKinney currently has 7 existing LIHTC complexes, one of which is a newly constructed LIHTC property in lease-up, and 1 additional property under construction, for a total of 1,512 units[2] (this figure does not include 2 conventional projects with 300 units built or renovated in the past 6 years that rent in the same price point). In addition, there are a number of other properties built in the 1980's that compete in the same price point[3]). Two established LIHTC complexes built in the last 3 years are still featuring rent concessions and one 4-year-old LIHTC

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[1] Texas Bond Review Board website data
[2] TDHCA, Texas Low Income Housing Information Service, Developer's Market Study data
[3] Apartment Locator Network (ALN) data

complex is only 83% occupied (as of March 2002[4]). The two newest LIHTC projects comprise another 432 units are also just starting lease up & construction, respectively, in the face of this soft existing market. The two projects proposed currently for McKinney (Stonebrook and Grand Reserve[5]) would add another 463 units to this market. Based on our analysis, McKinney will be oversupplied by at least 512 units through 2003 even if Stonebrook is not built, and 736 units if it is. **Stonebrook also does not meet TDHCA concentration guidelines limiting a market demand capture rate to less than 25%, in fact, it far exceeds this limit.** The concentration if it were built would be 50% in a 10-mile ring, 66% in a 5-mile ring, and 359% in McKinney itself. (see Addenda III & IV).

4. **The developer has not proven sufficient demand for another LIHTC complex for McKinney.** On the contrary, based on our analysis, the Market Study commissioned by the developer has a number of apparent flaws which render its conclusions unreliable, including, but not limited to, the omission of 207 existing and 239 planned senior citizen LIHTC units in estimating supply for McKinney[6]. The analyst also overestimates pent up demand due to the failure to include the 300 non-LIHTC units built in the 1990's (including 260 built in 1997) that rent in the same price levels as LIHTC projects. Further, the analyst failed to use proper demographic data in the mathematical procedure for estimating demand[7]. These errors, taken either individually or cumulatively, render the conclusions of the report regarding demand inaccurate. (see Addenda III and IV).

5. **LIHTC housing for Collin County is heavily concentrated within the City of McKinney, while other cities in the county have very little or none. This one city is supporting a highly disproportionate share of LIHTC housing in Collin County**. McKinney is supporting a great deal more than its proportionate share of the tax and infrastructure costs associated with LIHTC housing for the County, and does so at the expense of its own school quality and city services.

   The City of McKinney already has 1 LIHTC unit for every 36 residents, while cities surrounding it have 1 LIHTC unit per over 100 residents (Plano, a city with 4 times the population of McKinney, has 1 LIHTC unit for every 365 residents). In fact, while McKinney has only 15% of the population of the cities in the market area for Stonebrook Villas (McKinney, Plano, Frisco, and Allen[8]) -- it has 62% of the LIHTC units for this area.[9] (see Addenda V, VI, and VII).

6. **The McKinney Independent School District Board and Superintendent have opposed the addition of this complex.** The President of the MISD School Board and its Superintendent have asked the TDHCA to deny funding of this project. They have done so because the MISD is facing a financial crisis and the District understands the negative financial impact this project will have on MISD schools. (see Addenda VIII)

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[4] Source: Apartment Locator Network
[5] Texas Bond Review Board website data
[6] Developer's Market Study
[7] Developer's Market Study; Claritas, Inc. data
[8] 2000 U.S. Census
[9] TDHCA, Texas Low Income Housing Information Service, Developer's Market Study data

7. **The McKinney City Council strongly opposes Stonebrook Villas. The Council will vote on a Resolution opposing the project at its April 2 Council Meeting.** We are told the resolution will pass, and we will provide it to you immediately upon receipt for your consideration. As you know from the TEFRA hearing, 3 of the 7 members of the Council have already publicly spoken in opposition to the project. (see Addenda IX).

8. **The citizens of McKinney have spoken, and they do not believe there is a need for Stonebrook Villas**. Over 2,000 citizens have signed a petition opposing the project within the last 4 weeks. Over 700 attended the public TEFRA hearings and signed in as being in opposition as well. Three current McKinney Councilmen spoke in opposition, as did the McKinney School Board. The citizens of McKinney understand that Stonebrook Villas will have a grave impact on city and school finances.

9. **This is an economic decision for McKinney:** Our city has historically embraced low-income housing programs and places great emphasis on these programs. In fact, in the joint work session March 25 between our council and HFC, the discussion turned to how best to coordinate the many different agencies in our city that provide low-income and affordable housing for our city of just 54,000 residents. But every city and school district must have a budget, and these programs are unfortunately expensive to the municipalities and school districts where they are located. We ask the state to consider this fact when allocating a disproportionate number of LIHTC complexes in one municipality or one school district. For example, Stonebrook Villas will cost the City and the McKinney ISD between $500,000 and $600,000 in lost taxes and additional economic costs every year[10], and the developer's voluntary payment of approximately $135,000 in annual school taxes (no city taxes) only marginally offsets that economic cost.

10. **Concentration**: Consider that economic impact if McKinney has 1,512 units for a city with 54,000 people. This equates to one unit for every 36 residents. Yet compared with our neighbors (who also have a much more favorable commercial tax base mix to support their city and schools) we have 15% of the population of our area, but 62% of the LIHTC housing. We have 1,512 units, compared to 609 for Plano, 214 for Frisco, 120 for Allen, and 0 in Richardson.

    Regardless of how we got here, this overconcentration of units in one city is a financial drain that seriously impacts our City's ability to provide for its residents. It impacts our resources for use in providing housing for our lowest income residents (in income segments Stonebrook will not accommodate), at-risk services in the schools, renovation of aging housing stock, and revitalization of infrastructure in our older parts of town. The Market Study provided to the State by the developer reports "the available inventory of public and subsidized housing is fully occupied and there is at least a one year waiting list for low income housing". However, according to Ms. Edna Rister and Mr. Leonard McGowen of McKinney Housing Authority, the only waiting list maintained is for public housing (30% or less of AMI) owned by the Housing Authority. Mr. McGowen further stated that this waiting list would not be serviced by the low income tax credit housing units in our city (60% or less of AMI) and that no waiting list was maintained for this type of property.

[10] Based on City of McKinney and MISD budget data

Additionally, at least 3 of the 7 existing LIHTC properties in McKinney are running rent specials, one is only 83% occupied, and one has just started its leasing program. The one LIHTC property still under construction will begin leasing later this year or early 2003. Building even more LIHTC housing will directly financially impact the City's resources to support the needs of these lowest income residents that Stonebrook will not serve. No one could see these numbers and say the citizens of McKinney have not done their part. Should a single city of 54,000 people – only 15% of the people in the area – be asked to support 62% of the costs associated with the affordable housing needs of essentially an entire county? That is exactly what our situation is today – *without* building this additional project.

This fact is particularly dramatic in this instance since this property is directly across the street from Frisco, and the market study includes the entire cities of Frisco and Allen and the northern half of Plano in this market area – clearly showing that the residents will be drawn from other cities.

We have been told that concentration is an issue that is still being defined by your agency in that there is no clear definition as to the exact number of units within a defined area that constitutes "too much" other than through the capture rate. We suggest one factor that must be considered regarding concentration is the impact on a single city or school district. Are the LIHTC properties being disproportionately awarded in one city? Are those properties clearly serving the needs of many surrounding cities? If so, how many properties constitute "too many" for a single city to financially support before it affects both the LIHTC residents, the schools and the other residents of the city? These answers are quite clear to us. McKinney is supporting more LIHTC units than Plano, Frisco and Allen combined, and our schools and city services are simply overloaded. We simply ask that you recognize those costs and spread out the properties in a more equitable fashion. Let the developers who do these projects in cities across the state know they need to seek out properties in various cities, so LIHTC residents live in cities with healthy, growing tax bases capable of providing not just basic services, but enrichment programs and outreach programs. We ask you to consider that these properties should not be allowed to "cluster" into individual cities, as has happened in McKinney.

11. **Services needed by low-income residents are inadequate at this location.** Stonebrook Villas is to be located on the farthest western and northern outskirts of McKinney, a 10-minute drive to the nearest grocery store or retail district. There is no nearby affordable health care or childcare, no nearby retail or any type of employment or employment centers, and no office complexes. The project is not supported by public transportation, and McKinney is not a member of DART or any other mass transit system. There are no plans underway for any retail development within a few miles of this site, including grocery stores, according to the City of McKinney Planning department as of March 26th. In addition, the site is located across the street from the second largest thoroughfare in our city from the grade school the children would attend and any parks or recreational facilities. The School District has expressed concern over this situation as well.

12. **The developer has asked the McKinney Housing Finance Corporation to participate as the non-profit owner, which would afford the property city and school property tax-abatements.** While the HFC has been promised ownership

and the residual net cash flow after debt service, the developer's projections indicate that the project will not produce any net cash flow available to the HFC until at least Year 12. The actual period may be longer if the assessed value for tax purposes is higher than the developer's expectations, as the developer has promised to pay all school taxes on the assessed value (see below). In essence, it appears to us that the project will cost much more to the city than what would be realized in present value to the HFC over a 10 to 15 year projection period due to the significant cost ($500,000 to $600,000 annually) to support the project with services and alternate tax revenues.

13. **The developer's income projections do not address the possibility that the Collin Appraisal District might assess the property at a different level than the developer's assumption. The eventual actual assessment is in the control of the Appraisal District, not the State or the developer. This could adversely affect Stonebrook's ability to produce an operating income**. The developer has gone on record promising to pay full school taxes on the assessed value. However, we note the developer's projections indicate it will be paying approximately $134,400 annually in such taxes starting in Year 1, which in turn would be reliant on an assessment of approximately $33,600 per unit ($134,400 / the school tax rate). Three LIHTC complexes in McKinney for which both assessments and appraised values were available were *assessed* at $26,000 to $47,000 per unit, but were *appraised* for $46,000 to $49,000 (using LIHTC rents) in appraisals engaged to support the underwriting for their bond financing. Two other LIHTC projects in McKinney appraised in this range or higher (one as high as $57,000 per unit). Thus, we feel the TDHCA should recognize the significant possibility that assessed value for Stonebrook Villas, with a budgeted cost of approximately $89,000 per unit, would be closer to the upper end of this $46,000 to $49,000 range, not the $33,600 assumed by the developer via the projections. Even at an assessment slightly lower than the range ($44,000), and paying full school taxes only, it appears Stonebrook Villas would be unable to provide adequate debt service coverage to support TDHCA guidelines (DSCR > 1.1 to 1.0[11]), based on the developer's pro forma numbers. It appears that it would only provide coverage of approximately 1.02 to 1.0 at that assessment level. In fact, at an assessment of any more than $48,132 per unit, it appears the project would not produce sufficient cash flow after operations to make its debt payments if the developer were to keep its public promise regarding payment of full school taxes on the assessed value. If assessed at a higher value, it appears the developer would be forced to pay less taxes in order to maintain an adequate debt service coverage. (see Addenda XII).

14. **Stonebrook would be a very expensive project to build at over $89,000 per unit and uses over $5 million in tax credits (at present value according to the developer budget package)[12].** This compares to the actual $68,000 to $70,000 per unit construction cost for conventional units recently built in the immediate area (prior to giving effect to special financing costs). This includes 2 such projects within 1.5 miles of Stonebrook built in the last 3 years. After giving effect to special financing costs, it appears the comparative cost would approximate $75,000 per unit for these projects, or about $13,000 per unit less. Note that much of this higher cost, according to the developer's budget, is financed directly by the $5 million in tax

[11] Per Tom Gouris, Director of Underwriting, TDHCA
[12] Per Developer's construction budget

credits, much of which could be used in other needy areas if this project were less expensive to construct.

In summary, insufficient demand, a disproportionate concentration in one city, inadequate community services, and insufficient community support exist for this project to be successful. The addition of this project to our existing supply would exacerbate the LIHTC concentration problems within McKinney itself that TDHCA policies do not yet seem to adequately address. Additionally, approval of this project would continue a pattern of funds flowing to low priority areas like Dallas / Fort Worth at the expense of high priority areas in "desperate need" of funding such as El Paso, the Rio Grande Valley / Gulf Coast, and East Texas.

We believe after reviewing our data, your only conclusion will be to **deny the application for bond financing and tax credits for this project**. We hope you will agree that to do otherwise would be funding a project that is not needed, with considerable chance for failure while other highly viable projects in areas of the most desperate need go unbuilt due to a lack of funding.

Thank you for the opportunity to submit our analysis, supporting data and documentation for your consideration.

Respectfully submitted,

McKinney Citizens for Balanced Growth

cc: TDHCA Board of Directors
Texas Bond Review Board
Texas Sunset Commission
Governor Rick Perry of Texas
U.S. Senator Kay Bailey Hutchinson
U.S. Senator Phil Gramm
State Senator Florence Shapiro
State Representative Mary Denny
State Representative Brian McCall
City Council, City of McKinney
The McKinney Independent School District
Stonebridge Area Action Committee

SENATOR FLORENCE SHAPIRO
DISTRICT 8

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March 18, 2002

ADDENDUM I

Mr. Robert Onion
Director of Multifamily Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Dear Mr. Onion:

I am writing to express my concerns regarding the application by Southwest Housing for the Low Income Housing Tax Credits program for the Stonebrook Villas, a proposed LIHTC apartment complex located at Peregrine Dr. and West Virginia Parkway in McKinney.

After reviewing TDHCA's *Qualified Allocation Plan and Rules*, I have several questions regarding the appropriateness of this project. First, Section 49.7(b)(4), Texas Administrative Code, states that TDHCA staff must evaluate the site, specifically noting its proximity to retail, medical, recreational and education facilities, and employment centers. This is problematic in that the proposed site has an undersupply of child care as well as employers, transportation, employment centers, and retail and social services for new residents. I also understand that children in the complex would have to cross a main thoroughfare to reach their elementary school.

Secondly, Section 49.9, Texas Administrative Code, requires a market study be conducted to determine, among other things, whether the proposed development will result in an excessive concentration of affordable housing within a particular area. Further, Section 49.7(i)(2), Texas Administrative Code, states that projects determined by TDHCA to result in an over concentration in one area will not receive a determination notice. Based on figures from your agency, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.

Additionally, I reviewed TDHCA's most recent report -- *Report on the 2001 Texas Department*

of Housing and Community Affairs Community Needs Survey. From what I understand, the survey was designed to give local officials, who are most familiar with the unique characteristics of their community, a voice in planning how Texas' affordable housing needs can be most effectively addressed.

Regarding Region 3, which includes Collin County, the report specifically says, "Development of multi-family housing appears to be a lower priority for this region with 11 percent more of the region's surveys indicating that this is of 'low' importance" compared to the statewide response. Conversely, regions 4 (East Texas), 8b (South Texas and Border), and 10 (El Paso) are in desperate need for low-income multi-family housing. In Region 10, for example, "[S]eventy-eight percent of the responses indicated a 'major' shortage of rental housing affordable to low-income persons exists (30 percent higher than the State)." Further, these three regions all agreed, in percentages higher than the state average, that "public financial incentives are needed to increase the number of affordable homes built by local developers."

Taken the above information -- in addition to letters of opposition from McKinney Independent School District, the City of McKinney, and several citizens -- I request that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention to this important issue.

Sincerely,

Florence Shapiro

Florence Shapiro

FS/tb

cc: McKinney City Council
MISD Board of Trustees
McKinney Citizens for Balanced Growth

ADDENDUM II

AB 2002

Requested	# Projects Reserved	Reserved	Reserved / Requested	% of Total Requested	% of Total Reserved
$30,730,000	4	$10,000,000	33%	1%	3%
$7,196,550	0	$0	0%	0%	0%
$677,091,000	6	$112,495,000	17%	24%	37%
$19,500,000	1	$10,500,000	54%	1%	3%
$10,500,000	1	$9,713,974	93%	0%	3%
$1,053,692,000	4	$94,468,000	9%	37%	31%
$711,982,105	2	$28,000,000	4%	25%	9%
$249,590,000	3	$15,700,000	6%	9%	5%
$55,500,000	2	$17,500,000	32%	2%	6%
$3,500,000	1	$3,500,000	100%	0%	1%
$21,000,000	1	$6,000,000	29%	1%	2%
$2,840,281,655	25	$307,876,974	11%	100%	100%

ADDENDUM III

ANALYSIS OF BUTLER – BURGHER MARKET STUDY ON STONEBROOK VILLAS APARTMENTS

I. General

This analysis covers a portion of the Butler-Burgher ("B-B") Market Study dated March 5, 2002, including Pages 60, 68, and 70 through 77 and portions of the addendum. This analysis is limited to those areas relating to the demand analysis section of the report. The intent was to conduct an analysis concentrated on the methodology, data, and logic of the demand analysis section of the Study, focusing on its accuracy, validity, and reasonableness in comparison to market norms, as well as to TDHCA policy guidelines to the extent they were known.

The purpose was to ascertain whether the analysis and conclusions of the Market Study were adequately conducted and would lead a typical, prudent person to a reasonably valid conclusion regarding market demand and the capture rate of demand for the subject project as requested by the TDHCA. As outlined specifically in the following narrative and attachment, I do not find the market demand or capture rate to be within the acceptable guidelines to warrant approval of this application.

II. Analysis of Original Market Study

A number of serious problems were noted in the original Market Study, including mathematical errors, errors of omitting data, and errors of a logical nature. These errors tended to compound upon one another due to the interrelated nature of the analysis methodology and adversely impacted the conclusion of market demand. **In summary, the errors logically led to the conclusion that the original Study's projections regarding potential demand for this project were unsupported and unreliable for use by the TDHCA in making a determination of potential demand for this project. Further, the rational correction of the errors in a reasonable way indicated that insufficient demand exists for the project per the state guidelines**. The validity of the reasoning and observations of the first review was supported by the fact that the TDHCA submitted those comments to the analyst for consideration, and significant changes conforming with MCBG's first analysis resulted.

III. Market Study Flaws - Overview

The Market Study engaged by the developer to ascertain suitable demand for the project has a number of serious flaws, any one of which individually would disqualify it from consideration. Taken collectively, these flaws illustrate even more strongly that there is no reasonable demand for this project. These flaws include:

Market Area is Too Broad: The Market Analyst used a 10-mile ring around the site to measure demand, when the use of a 3- to 5-mile ring or the municipality itself is the market norm for suburban garden apartments in the Dallas / Ft. Worth area. The use of the 10-mile ring might tend to give a reasonable person the appearance that a larger ring was selected to "make the numbers work".

The municipal boundaries of the City of McKinney qualifies as a suitable market area for demand sampling with 54,369 people (2000) meeting the state criteria of 50,000 to 250,000. The analyst used a 10-mile ring to capture a sample of over 200,000 people, but taking in several entire cities surrounding McKinney, including all of Frisco, all of Allen, the northern half of Plano, and major parts of Celina, New Hope, and Melissa.

The relevant market area is the City of McKinney alone. Correcting this factor alone, as is appropriate, and not even taking into account the supply omission errors noted below, indicates a concentration capture rate of 83% for the City of McKinney if Stonebrook were built, well above the TDHCA's 25% limit. If all the errors were corrected the capture rate would be 359%.

First, No Pent Up Demand Appears to Exists: The analyst claims to show over 2,000 units of pent up demand within the 10-mile ring, despite the fact that demand is soft at 3 of the existing LIHTC projects in McKinney (note: one of these just began lease up). If there was such significant pent up demand, logic dictates that current LIHTC projects in McKinney would be full and not running rent specials at this time (as 3 are). Another LIHTC project that is 4 years old is only 83% occupied (per the Apartment Locator Network or ALN data). This simple evidence conclusively illustrates that sufficient demand for another LIHTC project in McKinney does NOT exist, or all the projects would be full. Eliminating the pent up demand within the analyst's conclusions alone is sufficient to prove the lack of demand for this project.

Eliminating the units of pent up demand in an analysis also corrected for procedural analysis errors (see below), which is appropriate as proven by this data, would yield a concentration capture rate of 130% for the 10-mile ring, well above the TDHCA guideline.

Second, There Were Procedural Analysis Errors: The analyst erred in making the mathematical calculation of pent up demand. The analyst assumed for the purposes of the calculation that an average household would have 2.5 people, as they assumed this is the average size of a *renter* household. They then multiplied it by the % of renter households to estimate total renter household demand. Both the procedure and the number are erroneous. The procedure should be to first estimate the total number of all households (both renter and owner). To do so, the correct procedure is to multiply by the average household size of all households, which in the analyst's study was 2.93 (from 1990 data, the analyst should have used 2000 census data available from Claritas which indicates 2.73 per household). By using this incorrect methodology, the analyst effectively "double dipped" the calculation, with the effect of overestimating demand.

Correction of this error alone, and not even considering the supply omission errors noted below, is sufficient to yield a capture rate for the 10-mile ring of 29%, exceeding the state standard of 25%. With the correction of all errors, and even with the acceptance of a purely mathematical calculation of pent up demand, the capture rate for the 10-mile ring is 50%, well above the TDHCA guideline.

Third, There were Several Data Omissions:

<u>Senior Units</u>: The analyst also failed to include any LIHTC complexes deed-restricted to senior citizens. Note that there are currently 207 units of such housing in McKinney, and another 239 units have recently been approved by the city. Thus, the analyst failed to include 446 units of relevant supply in their calculations. Seniors are not obligated to live in senior restricted complexes and can choose either senior or family oriented units. But in fact, seniors prefer senior complexes due to amenities oriented to their special needs (a quiet atmosphere, less traffic, lower density, and special senior services). Because the demand population the analyst considered includes senior citizens, senior units cannot be excluded from the supply count because these units compete directly with projects like the subject. In reality, senior complexes enjoy a competitive advantage to the family complexes due to their exclusive nature.

Correction of this error alone, and not even considering the other supply omission errors noted below and the procedural error noted above, is sufficient to yield a capture rate for the 10-mile ring of 38%, exceeding TDHCA standards. With the correction of all errors, and even with the acceptance of a purely mathematical calculation of pent up demand, the capture rate for the 10-mile ring is 50%, well above the TDHCA guideline.

<u>Non - LIHTC Units</u>: There are conventional, non-LIHTC projects in McKinney that the analyst failed to consider, and even noted in the report that they could not find. We found these using Apartment

Locator Network ("ALN"), a national network commonly utilized by renters, appraisers, and investors to find apartments. Two complexes exist that were either built or renovated in the 1990's, and compete with new LIHTC units in McKinney in rental price points. These include the McKinney Orchid Apartments with 260 units built in 1997 and the Lamar Plaza Apartments (40 units renovated in 1996). These apartments rent in the range of $500-$800 per month and compete with LITHC projects. There are also many vacant units in projects built in the 1980's that compete in this market in McKinney. As of March 2002, given ALN data, there are approximately 126 vacant apartment units in these projects that compete in this market. These units are much closer to major employment centers, affordable child care, transportation, houses of worship, grocery stores, affordable health care, and other resident services than the proposed property.

Correction of this error alone, and not even considering the supply omission errors noted above for senior units, is sufficient to yield a capture rate for the 10-mile ring of 38%, exceeding the state standard. With the correction of all errors, and even with the acceptance of a purely mathematical calculation of pent up demand, the capture rate for the 10-mile ring is 50%, well above the TDHCA guideline.

Overall, these omissions indicate over 800 comparable units of supply including senior units, competing non-LIHTC units built or renovated in the 1990's, and vacant non-LIHTC units from the 1980's with amenities that compete favorably with the subject were left out of the supply count by the analyst.

Market Study Flaws – Summary: Given the errors or omissions noted above, the conclusions of the market study regarding demand appear both exaggerated and unreliable. A correction of these items clearly indicates there is not sufficient demand for this project either within the City of McKinney itself, or within an inappropriately large 10-mile ring to meet the TDHCA mandated 25% capture rate limit mandated for this project

A detailed item by item analysis of the Market Study follows.

IV. ANALYSIS OF THE REVISED B-B MARKET STUDY DEMAND ANALYSIS

1. **Defined Market Area –** The analyst has continued to define the market area as a 10-mile ring around the subject location, and used this defined area as the basis for analyzing demand data. No reasonable support or justification is given for use of this extremely large area. In fact, the defined area tends to ignore TDHCA guidelines which permit analysis of a market area of 50,000 persons at a minimum while making a recommendation that geographic and political boundaries such as a city limits should be considered.

   The 10-mile ring represents no autonomous political or geographic area. McKinney is a self autonomous city of over 54,000 people, sufficient for definition as a market area per TDHCA guidelines with there being no need, and in this case, no justification for enlargement of the defined market area. The 10-mile ring takes in almost the entirety of the cities of McKinney, Allen, and Frisco, and a substantial portion of the northern half of Plano. The use of a 10-mile ring is highly unusual for a suburban garden apartment complex in the Dallas/Fort Worth area.

Note also that while data for a 5-mile ring is included and references are made in several places to such data, no analyses of this ring area was conducted by the analyst as a test of whether there were contradictions in the demand estimate versus that for the 10-mile ring. Such a secondary analysis would normally be conducted when using such a large primary ring to identify any "soft" spots for demand within the primary ring, as an indicator for making a judgment as to the validity of the larger primary ring. As detailed later in this analysis, this is exactly the case, as not only does demand within the primary ring not meet TDHCA underwriting guidelines, but demand within the 5 mile ring and the City of McKinney itself is even weaker due to the extensive construction of LIHTC units in this area (and non-LIHTC units which compete with them in price points and amenities) over the past 13 years.

In summary, the 10-mile ring does not appear adequately supported or reasonable for use as the defined market area for this demand study.

2. **Pg. 68** – The analyst has now corrected the chart of LIHTC units within a 10-mile radius of the subject to include the Garden Gate Apartments of Plano. The list also failed to include other non-LIHTC low-income program housing, including the 40-unit RHA project Celina Apartments in nearby Celina, and any private, non-LIHTC complexes in the same price point in the area, including McKinney Orchid apartments with 260 units built in 1997, and the Lamar Plaza apartments with 40 units, renovated in 1996.

3. **Pg. 74** – Analyst has now corrected the income band summary chart, eliminating the figures for 7 and 8 person occupancy in the chart previously included.

4. **Pg. 75 – Pent Up Demand Chart**

Household Growth Method:

- "% of Renter Households" = 33%. The number used results from data in the 1990 10-mile ring data of the CCIM demographic report included in the addendum which is contradicted by other data in that same report. In one instance, the demographic report clearly indicates the % of rental units as 31.2%, while using the raw figures in another section results in the mathematical calculation of 33%. There is no discernable way to reconcile the 2 figures. Without a reconciliation, there is no way to analyze the impact on the overall demand calculation at this time, or determine which number is accurate.

  However, Year 2000 data from a Claritas, Inc. report supports the validity of the smaller number. The Claritas data indicates that 26.71% of the units in the 10-mile ring are renter units.

- "% Income Qualified" = 24.7%. The maximum permissible income band for the subject given TDHCA guidelines and the developer's credit requirements is between $22,440 to $46,260 based on current figures. The percentage of income qualified renters within the 10-mile ring was indicated at 24.7% by the analyst; however, no calculation of it was illustrated. Further, the CCIM demographic data in the addendum does not foot to this number. Accordingly, it is not clear or explained how the analyst arrived at this figure, as should be the case, and the analyst should detail the exact calculation used to arrive at this figure. Without a detailed illustration of the calculation, there is no way to analyze the impact on the overall demand calculation at this time, and no way to determine the source, validity, or accuracy of this figure.

- "Number Low Income Units Added" – This figure has not included the 207 senior housing units of Country Lane. Seniors within the demand area have the <u>option</u> of choosing Country Lane or a family oriented project, but are not <u>required</u> to live in senior complexes. Therefore, these senior units compete directly with the family oriented complexes and must be included in the supply estimate. It is not reasonable to include the senior population for demand, but exclude the senior properties for supply. The reasoning is made even stronger due to the tailoring of the amenities of senior complexes for senior persons that give them a competitive advantage. The senior complexes would be more attractive to seniors due to the factors of a quiet atmosphere, special senior services, reduced traffic, and other amenities exclusive to senior complexes with which family complexes simply cannot compete. Because these units are not included, the impact of supply is undercounted and the effect is to inflate the demand indication.

Further, the analysis has failed to include non-LIHTC projects added during the 1990's which compete with the LIHTC complexes on price point, and which may also be more competitive in terms of amenities (walking proximity to mass transit, groceries, employment centers, shopping areas, affordable health and child care, etc). While the analyst noted that they were unable to locate such competition after the earlier notation of this in the prior review, MCBG was able to locate 2 such complexes, the McKinney Orchid (built in 1997) and Lamar Plaza (renovated in 1996). These complexes have 2-bedroom units renting in the range of $615 to $770 per month, and compete directly with LIHTC projects in the McKinney market.

The failure to include the senior units and the competing non-LIHTC complexes has a dramatic adverse impact on the analyst's conclusion of Pent Up Demand. The analyst estimated 2,334 units, but when the senior units and non-LIHTC units are properly included, the estimate should have been approximately 1,609 units, yielding an overestimate of 725 units by the Household Growth Method, using the CCIM data. The estimate was even less when derived from the method using the more recent Year 2000 Claritas data for % renter households, at 1,298 units.

Population Growth Method:

- "Assumed HH Size" – The analyst makes a puzzling error in this instance. While the CCIM 1990 demographic data used by the analyst clearly notes that there are 2.93 persons per household, the analyst adjusts the figure used to 2.5 persons/HH with no discernable reasoning. The analyst cites "the City of McKinney" as the source for a factor of 2.4 persons/HH, without citing the city agency or contact person for this information, nor does it note the support for its validity, and then "reconciles" to 2.5 persons/HH. This accounting for "renter household size" produces an average yearly HH growth of 4,863 units per year. The methodology is not only inaccurate, but puzzling. The analyst should first attempt to define all household growth, and should have used the 2.93 persons/HH CCIM data figure. Ignoring the demographic data number to use the smaller assumed Household Size number is simply wrong, and has the effect of inflating demand. When it is used later for multiplication against the % of renter households, the erroneous methodology results in a growth figure of 4,863 units per year, which is a dramatic 602 units per year higher than the actual known data from the CCIM report (4,261 units per year actual).

  By using a methodology which adjusts the data twice for renter households, a "double dipping" effect results, which has the effect of inflating the demand estimate. Using the methodology incorporating more recent Year 2000 data, it yields an estimate of 4,330 units, which is much closer to the actual known CCIM data of 4,261.

- "% Income Qualified" – As noted earlier, there is not support or calculation given to support the estimate of % Income Qualified renters. Using this unqualified number as a multiple of the previous (and erroneously derived) Assumed HH Size number results is incorrect, and has the effect of inflating the demand indication.

- "Number Low-Income Units Added" – As noted above, the analyst failed to include both senior LIHTC and non-LIHTC supply of competing units that will impact demand.

- "Pent Up Demand for LI Units" – Due to the previously noted errors, the analyst estimate of 2,829 units of demand is 1,305 units above the 1,524 unit corrected figure, resulting in an overestimate of demand by the Population Growth Method. Using the method incorporating the Yr. 2000 data above would have resulted in an even lower estimate of 1,188 units.

- Overall, the analyst arrived at a total estimate of Pent Up Demand of 2,581 units, based on averaging the estimates of the Household Growth and Population Growth methods. Again, in both instances, there appear to be substantial errors, all of which have the effect of overestimating demand. Correction of these errors results in an average Pent Up Demand estimate of 1,566 units, or 1,015 units less than estimated by the analyst, a 65% overestimation. Using the methodology incorporating the Year 2000 data would have resulted in an estimate of 1,243 units.

5. **Expected Apartment Demand Chart –**

Household Growth Method:

- The analyst again uses the unreconciled % Renter Households figure of 33%, and the unqualified % Income Qualified figure of 24.7% noted earlier. Given these factors, it is not possible to analyze the impact, adverse or positive, these figures would have on the demand study results.

Population Growth Method:

- The analyst again uses the unreconciled % Renter Households figure of 33%, and the unqualified % Income Qualified figure of 24.7% noted earlier. Given these factors, it is not possible to analyze the impact, adverse or positive, these figures would have on the demand study results

6. **Summary of Supply/Demand Relationship Chart:**

- The analyst has made a final demand estimate of 2,581 units of pent up demand, 689 units of expected demand, and 3,270 units of demand total. Due to the numerous errors discussed earlier, it appears the analyst has over estimated demand by 1,107 units or 51% higher than the 2,163 unit figure, and above the 2,281 figure resulting from the method incorporating the Year 2000 data noted previously.

- Further, the analyst failed to include the Grand Reserve, a 239-unit seniors LIHTC project, already approved by the City of McKinney, in the estimate of future supply under construction or reserved. As such, the analyst also underestimates future supply, 776 units versus the 1,015 units actual, a 24% undercounting. As noted earlier, it is not correct to ignore the senior supply due to its ability to not only compete directly with family oriented product, but also given its superior amenities for its target market, senior citizens.

- The analyst also failed to include non-LIHTC program units in the market area that are currently vacant and do not offset the earlier pent up demand estimate, but nonetheless compete with the subject on price points and other amenities such as proximity to grocers, affordable child care, affordable health care, etc. These units exist as 126 units of "future" supply already.

- After netting out new construction, the remaining demand indicator on a mathematical basis should be 1,140 units, not 2,494 as estimated by the analyst.

7. **Capture Rate Analysis Chart:**

- Given all of the previously described problems (and their impact, either singularly or jointly), the analyst's Forecast Capture Rate depicted is in error. The analyst arrived at an estimate of 23.7%, very close to the maximum allowable; however, correction of the problems noted earlier reveals that an indicated capture rate of 50.0% should have resulted, well above the TDHCA's 25% guideline requirement.

- The inclusion of the senior and non-LIHTC units is entirely proper for estimating supply and demand. However, even if these units were excluded (which would not be proper), and the unusually large 10-mile ring were allowed, a capture rate of 29.1% is indicated with corrections of the errors in the analyst's demand analysis.

V. ANALYSIS OF 5-MILE RING AND CITY OF MCKINNEY USING B-B METHODOLOGY

1. MCBG used the same analysis method as Butler-Burgher (with corrections) to evaluate the level of demand with the five-mile ring around the subject, as would be more conducive to the market norms of appraisers, investors, lenders, and developers. Total net remaining demand within the 5 mile ring is only 114 units. The capture rate indicated in the five-mile ring is well above the TDHCA policy guideline, at 66.2%.

2. MCBG then carried the analysis further, to analyze demand within the boundaries of the City of McKinney alone, based on household and population figures for the year 2000, the most recent one-year period available. Due to significant number of new LIHTC units coming on line and planned within the next 2 years, the total net remaining demand in McKinney itself is negative (-736) units. Given the units planned or under construction, McKinney will have a capture rate of 359%.

CONCLUSION: THE CAPTURE RATE EXCEEDS THE STATE'S GUIDELINES:

The applicant's own conclusion was that there is a 23.7% capture rate, which is quite close to the 25% maximum, and leaves a very small margin for error. However there are a number of significant errors in this market study which either individually or cumulatively render its conclusions unreliable. Correction of these errors results in a capture rate at 50.0%, well beyond the 25% limit – even for the unusually large 10-mile ring. The errors noted include:

- **10-mile ring is very broad compared to market norms, and does not take into account geographical or political boundaries as recommended by TDHCA guidelines**
- **Evidence illustrates no actual existence of pent up demand given ongoing rent specials at several LIHTC complexes, and a non-stabilized (83% occupancy) complex which is 4 years old**
- **No reasonable rationale or support for use of 2.5 as multiplier for HH size instead of the actual 2000 census figure of 2.73**
- **No reconciliation of the 33% and 31.2% renter households figures when both are indicated by the data source**
- **No source, qualification of, or calculations noted for 24.7% income qualified figure**
- **No specific source or qualification for 2.4 HH size derived from "City of McKinney".**
- **Analyst included senior population for demand, but not senior properties for supply (Ironically, this would mean even those seniors currently living in the 207 units already leased would be counted as pent up demand)**
- **Failure to include competing non-LIHTC complexes and vacancies**

Please see attachment for full mathematical detail of this analysis.

ADDENDUM IV

A				B	B	C	D
ORIGINAL BUTLER - BURGHER PENT-UP DEMAND ANALYSIS USING CCIM DEMOGRAPHIC DATA			COLUMN A COMMENTS: PROBLEMS IN B-B ORIGINAL ANALYSIS	Col. A, B-B CORRECTED FOR ERRORS	10 MILE RING USING 2000 CLARITAS INC., DEMOGRAPHIC DATA	USING 5 MILE RING DATA FROM B-B REPORT	USING CITY OF MCKINNEY ALONE (Using U.S. Census Data)
10 Mile				10 Mile	10 Mile	5 Mile	McKinney Only
Pent Up Demand Analysis							
Based on Household Growth:							
1990 Households	27,922	Households		27,922	28,683	2,457	7,596
2000 Households	70,529	Households		70,529	73,656	13,957	18,186
Growth	42,607	Households		42,607	44,973	11,500	10,590
Annual Growth (1990 - 2000)	4,261	Households / Yr		4,261	4,497	1,150	1,059
% Renter Households	**33.3%**		Wrong Number Used, should be 31.2%. See demographic addendum to BB Report	31.2%	26.7%	22.4%	29.8%
% Income Qualified	**24.7%**		Yes. Analyst changed the % from the first version of the market study, but provides no explanation of the calculation or support for the number used, and the calculation is not evident from the demographic data. As of yet, I am unable to find a quantified figure that represents City of McKinney alone, hope to do so via a new Claritas run on the city. Instead, used analyst's figure.	24.7%	24.7%	14.4%	24.7%
Total Demand (1990 - 2000)	3,495	Units	Yes. Results from above errors. However, the estimate is questionable given a lack of support for the % of Renter Households as explained above.	3,278	2,967	371	778
Number Low Income Units Added 1990-2000	1,161	Units	The analyst has now included some of the units left out in the prior version of the Market Study, including Garden Gate Apartments (240 LIHTC units built in 1994. However, the analyst has again failed to include all added supply, and has left out the Country Lane senior housing project with its 207 LIHTC units. Because seniors would have the choice to choose between either senior-exclusive properties or non-exclusive properties like Stonebrook, THE FAILURE TO INCLUDE THESE UNITS HAS THE EFFECT OF UNDERESTIMATING SUPPLY. Further and just as important, the analyst has failed to account for other non-LIHTC projects (particularly re-habs) in the defined demand area which are equally competitive or more competitive on the same price points, but have superior amenities other than quality (access to DART and other public transport, walking distance to grocery stores and employment centers and affordable day care, etc.) that are particularly important to this class of renters. In fact, there are 2 other complexes built or renovated in the last 10 years within this area, including McKinney Orchid and Lamar Plaza, totalling 300 units, which compete in the same rent range as LIHTC properties (they have rents in the range of $615 to $770 per 2 bedroom unit). The omission of these 507 units of supply has the cumulative effect of overstating demand later in the analysis.	1,669	1,669	180	1,212
Pent Up Demand for LI Units	**2,334**	**Units**	**Yes, due to errors above.**	1,609	1,298	191	-434
Based on Population Growth:							
1990 Population	81,739	Persons	**Note: The McKinney Column uses latest 1 year population growth (2000) available as this is best, most current estimate of annual growth.**	81,739	82,863	7,086	21,293
2000 Population	203,326	Persons		203,326	201,081	37,992	54,369
Growth	121,587	Persons		121,587	118,218	30,906	33,076
Annual Growth (1990 - 2000)	12,159	Persons	There is no indication as to whether the analyst attempted to examine growth over the last year. The method used is faulty in that the derived annual growth level is a linear calculation, while actual growth in the market is curvi-linear.	12,159	11,822	3,091	3,308
Assumed HH Size	2.50	Persons/HH	Analyst STILL erroneously uses a 2.5 person assumed renter density. Because the household growth figure being calculated is later multiplied by the Renter % to arrive at demand, this is incorrect, the total household density of 2.93 from the analyst's available data should have been used - see page 60 of the revised BB Market Study.	2.93	2.73	2.86	2.89
Estimated HH Growth	4,863	Households / Yr	Yes, wrong due to above errors.	4,150	4,330	1,084	1,144
% Renter Households	33.3%		Yes, same error as noted above	31%	27%	22%	29.8%
% Income Qualified	24.7%		Yes, same error as noted above.	25%	25%	14%	24.7%
Total Demand (1990 - 2000)	3,990	Units	Yes, due to above errors.	3,193	2,857	350	841
Number Low Income Units Added	1,161	Units	Yes, analyst drastically undercounted LIHTC supply and did not account at all for competitive non-LIHTC supply, as noted above.	1,669	1,669	180	1,212
Pent Up Demand for LI Units	**2,829**	**Units**	**Yes, analyst appears to dramatically over-estimate demand due to "trickle down" effect of above errors.**	1,524	1,188	170	-371
Expected Apartment Demand 10 Mile				10 Mile	10 Mile	5 Mile	McKinney Only 2000-2005 Assuming Yr. 2000 Growth Rate
Based on Household Growth:							
Total Household Growth (2000 - 2005)	13,452	Households		13,452	27,449	4,322	17,703
Annual Household Growth (2000 - 2005)	2,690	Households / Yr		2,690	5,490	864	3,541
% Renter Households	33.3%		Yes. same error as noted above	31%	27%	22%	29.8%
% Income Qualified	24.7%		Yes. same error as noted above	25%	25%	14%	24.7%
Calculated Demand	221	Units / Year	Yes. due to above errors.	207	362	28	260
Based on Population Growth:							
Total Population Growth (2000 - 2005)	36,339	Persons		36,339	68,265	10,862	45,026
Annual Population Growth (2000 - 2005)	7,268	Persons / Yr		7,268	13,653	2,172	9,005
Assumed HHs	2.50	Persons / HH	Yes. same error as noted above	2.93	2.73	2.85	2.89
Estimated HH Growth	2,907	Households / Yr		2,480	5,001	762	3,116
% Renter Households	33%		Yes. same error as noted above	31%	27%	22%	29.8%
% Income Qualified	25%		Yes. same error as noted above	25%	25%	14%	24.7%
Calculated Demand	238	Units / Yr	Yes. due to above errors.	191	330	25	229
Summary of Demand/Supply Relationship							
Previously Estimated Pent Up Demand*	2,581	Units	Yes. due to above errors.	1,566	1,243	181	-402
Previously Estimated Future Annual Demand*	689	Units / Yr	Yes. due to above errors.	597	1,038	158	687
Total as of 2003	3,270	Units	Yes. due to above errors.	2,163	2,281	338	285
Vacant Existing Supply from 1980's product	0	Units	There are 68 units of vacant supply from 1980's era units in McKinney and Plano that did not go to serve pent up demand and are not counted above. These will compete with the subject on price point, and are much closer to groceries, employment centers, affordable day care, etc. This figure does not include any vacancies for Cedar Creek Village, which are not available at the time of this analysis.	126	126	0	126
New LIHTC Supply Under Construction / Reserved	776	Units		1,015	1,015	224	895
Remaining Demand at end of 2002	2,494	Units	Yes. due to above errors.	1,022	1,140	114	-736
Capture Rate Analysis							
Average Pent Up Demand (1990-2000)	2,581	Units	Yes. due to above errors.	1,566	1,243	181	-402
Total Expected Demand (2000-2003)	689	Units	Yes. due to above errors.	597	1,038	158	687
Total Demand (1990-2003)	3,270	Units	Yes. due to above errors.	2,163	2,281	338	285
Vacant Existing Supply from 1980's product	0			126	126	0	126
Forecast LIHTC Units (incl Subject)	776	Units	Analyst failed to include the Grand Reserve senior project on SH 5 which has been reserved Texas LIHTC funding, and for which the McKinney City Council recently approved the site plan, per our understanding. This has the effect of underestimating competing supply coming on line.	1,015	1,015	224	895
Forecast Capture Rate	**23.7%**		Yes, due to above errors. Correction of the errors indicates that in all market areas defined, the capture rate greatly exceeds the TDHCA policy maximum.	52.7%	50.0%	66.2%	356.8%
State Underwriting Limit:	≤ 25%			≤ 25%	≤ 25%	< 25%	< 25%

*NOTE: Apartment Unit supply data sources: Butler-Burgher Market Study supplied by the TDHCA; the TDHCA; The Texas Low Income Housing Information Service; ALN Data (Apartment Locator Network, a standard industry reference)

Addendum V

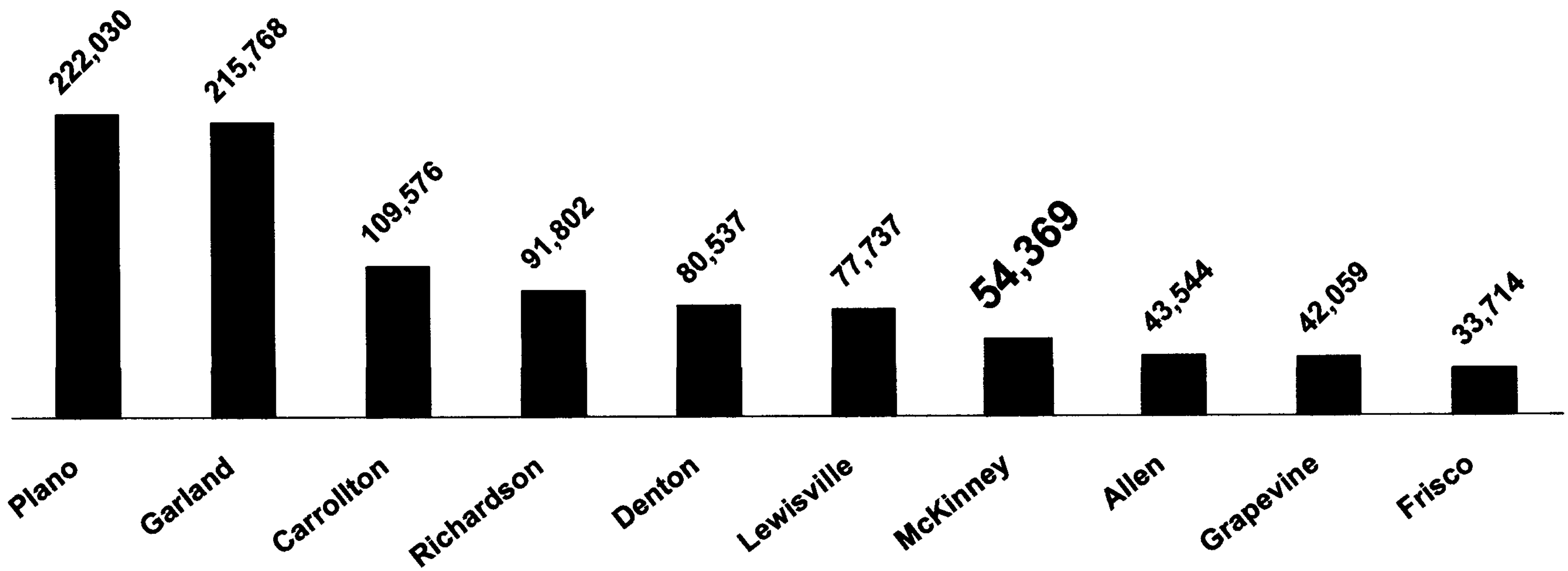
LIHTC Concentrations in Surrounding DFW Region Cities;
Includes Existing & Under Construction Units

	2000 Population (1)	LIHTC Units (2)	Concentration (1 unit per X Number of Residents)	% of Total Units	% of Total Population
1 **McKinney**	**54,369**	**1,512**	**36**	**30%**	**6%**
2 Lewisville	77,737	758	103	15%	8%
3 Garland	215,768	632	341	13%	22%
4 Plano	222,030	609	365	12%	23%
5 Denton	80,537	550	146	11%	8%
6 Carrollton	109,576	388	282	8%	11%
7 Grapevine	42,059	224	188	4%	4%
8 Frisco	33,714	216	156	4%	3%
9 Allen	43,544	120	363	2%	4%
10 Richardson	91,802	0	None	0%	9%
Totals	**971,136**	**5,009**	**194**	**100%**	**100%**

(1) Source: US 200 Census

(2) Source: TDHCA, Texas Low Income Housing Information Service

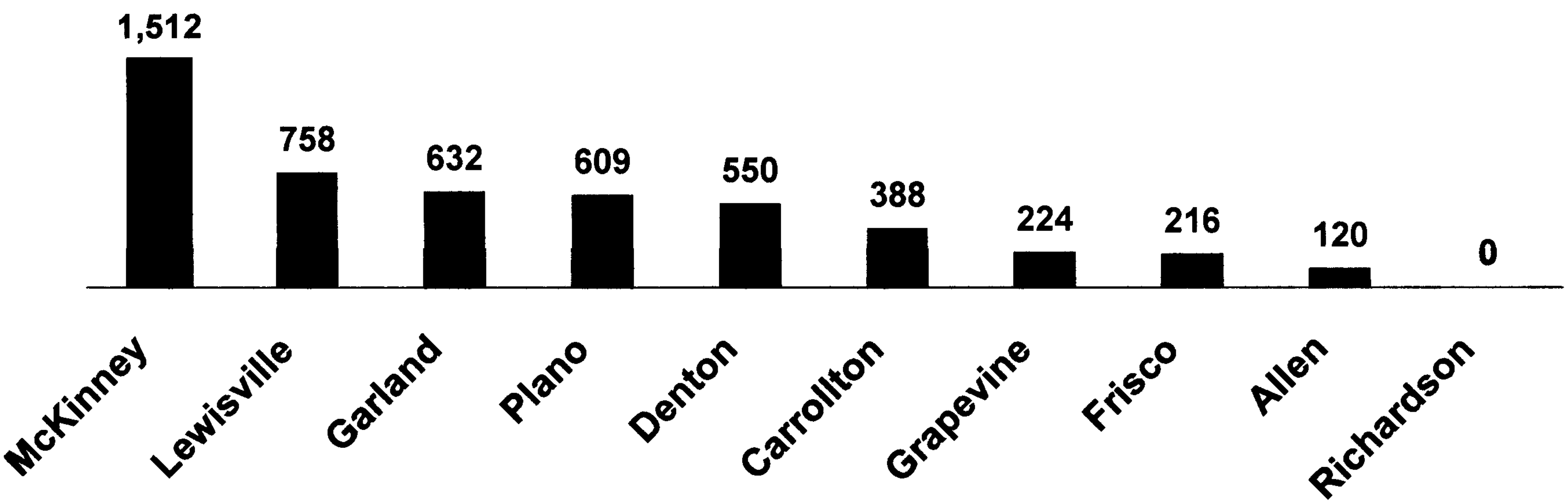
Addendum VI: Population of Area Communities



McKinney is 4th smallest city in this sampling of 10 cities. The sample represents over 970,000 residents.

Source: U.S. Census 2000

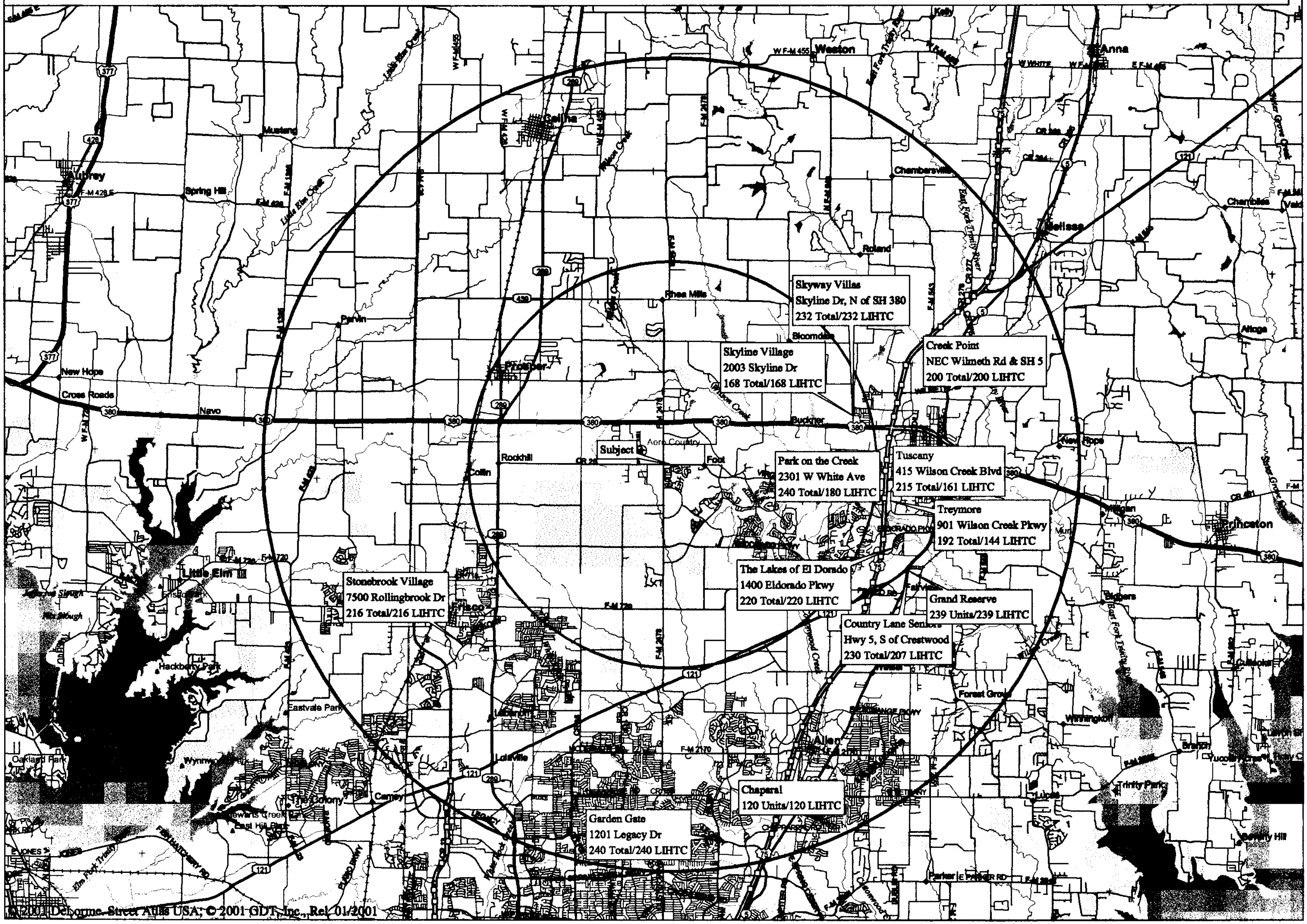
ADDENDUM VII:
LIHTC Units in Area Communities



While McKinney has only 5% of the Population of the selected area, it has 30% of the LIHTC Units and the related costs, which is clearly unfair.

Source: Texas Low Income Housing Information Service / TDHCA

5 and 10-mile Radius Map



McKINNEY
INDEPENDENT SCHOOL DISTRICT

Office of the
Superintendent

March 8, 2002

ADDENDUM VIII

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

We are writing to express our opposition to a project known as Stonebrook Villas, which is before your agency for funding through the Low-Income Housing Tax Credits program.

This is a regrettable position for any school district to have to take, but one we must take at this time in the development of our district.

The McKinney Independent School District is facing a funding crisis. This is a time of exploding growth in our City. At the same time, due to state funding legislation, our ability to collect revenues through our local tax rate to meet the impact of this growth will be limited. While new homeowners and residential growth have found our city in droves, commercial development is not keeping pace. This has left our District with a significant imbalance in student population for the size of our commercial tax base. Consequently, the District has actively opposed any efforts by citizens or developers to "downzone" property in our District from commercial to residential. Additionally, we have opposed any efforts by developers to increase residential densities above those specified in the City's Master Land Use Plan. Any increase in residential density negatively impacts our ability to plan for and effectively educate children. Although this project meets zoning requirements, the forecasted increase in student population density far exceeds our projections. The impact of this increased and unanticipated density would negatively impact our schools.

The City of McKinney has established a legacy and set precedence for embracing low-income housing communities. Based upon the data that we have reviewed, McKinney has an oversupply of low-income properties and is now drawing residents from surrounding suburbs, which are not providing an adequate amount of affordable housing programs for their residents. For example, the market area from which Stonebrook Villas will draw its residents (as defined by the developer's own market study) includes almost the entire school districts of neighboring Frisco and Allen, a significant portion of the Plano District, and several other smaller districts. These neighboring districts are in a

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significantly better financial position in terms of the ratio of tax revenues to student population than McKinney. Additionally, these districts have significantly smaller populations of high-density, low-income developments.

These circumstances have created an over-concentration of low-income housing and place an undue burden on MISD to provide services for low-income families from across Collin County – not just our City. A more equitable allocation of housing throughout the county would allow neighboring districts to maintain the resources necessary to provide the best possible educational opportunities to insure that no child is left behind.

We are proud of the proactive stance our City officials have taken to provide ample affordable housing in our community. However, we must oppose this project at this time due to our city's current oversupply of low-income housing, the significant growth and increasing density of our student population and the diminishing financial resources required to provide a quality education for all MISD students. McKinney ISD cannot continue to bear the unfunded costs for educating children who will clearly be drawn from surrounding districts.

Respectfully Submitted,

David Anthony

Dr. David Anthony
Superintendent

GMKever

Geralyn Kever
MISD Board President

cc: Texas Bond Review Board
The Hon. Gov. Rick Perry
The Hon. Lt. Gov. Bill Ratliff
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Mr. Jim Buie, Exec. Dir.
Texas Department of Housing and Community Affairs
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.
Mr. Bill Fisher

McKINNEY

March 11, 2002

ADDENDUM IX

Mr. Robert Onion
TDHCA
PO Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

I am writing to request that you deny approval of the application by Southwest Housing for the Low Income Housing Tax Credits program for the proposed property known as Stonebrook Villas at Peregrine and Virginia Parkway in McKinney, Texas.

In reviewing this project, I found a significant inequity in the supply of affordable housing across Collin County, and a disproportionate amount of LIHTC properties being located in our city. I believe the vast majority of residents for this complex will come from outside our neighboring cities, yet the City of McKinney will be required to honor the tax-abatement provided by the project's non-profit status. In fact, the map provided by the developer to show where the demand for this project is encompasses entire large neighboring cities.

I would encourage you to investigate the LIHTC housing supply for our area, and I am sure you will conclude, as I did, that a more balanced distribution of housing resources would afford all cities a higher ability to serve all of their populations.

In addition, the site location for this property is problematic as that area has an undersupply of child care, particularly affordable child care, as well as employers, transportation, employment centers, retail services and social services to assist new residents. The children in the complex would be required to cross a main thoroughfare for their elementary school.

While our citizens have always been very supportive of our affordable housing initiatives, there is vigorous opposition by local residents, who have expressed concerns about the city and school district's ability to financially underwrite the affordable housing needs outside our jurisdiction.

The City of McKinney takes an active interest in affordable housing for our residents, however I cannot at this time support a project for which there is currently no demand from the citizens who already reside in our city.

Thank you for your consideration.

Respectfully Submitted,

Steve Bell
Council Member
City of McKinney

c:
Texas Bond Review Board
- The Hon. Gov. Rick Perry
- The Hon. Lt. Gov. Bill Ratliff
- Comptroller Carole Keeton Rylander
- The Hon. Speaker James E. Laney
- Mr. Jim Buie, Executive Director

Texas Department of Housing and Community Affairs
- Ms. Ruth Cedillo
- Mr. Tom Gouris
- Mr. Jim Anderson
- Ms. Brook Boston

The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Directors
McKinney Housing Finance Corp.
Mr. Bill Fisher, Southwest Housing

ADDENDUM X

Impact on Schools

Cost to educate 112 additional children	$ 515,424 / year
Developer's proposed tax payments	$ 134,400 / year
Tax shortfall	$ 381,024 / year
10-year costs to schools & taxpayers	$ 3.8 million

ADDENDUM X
Impact on City

City budget per resident, less sales tax revenues	$ 378 / year
New tax-free residents	846
Tax shortfall	$ 205,827/ year
10-year costs to city & taxpayers	$ 2.1 million

<u>Exhibit X</u>
<u>Impact to Schools and City</u>

Total Tax Shortfall to

City of McKinney and MISD

over 10 years

just for this one complex

$5.9 million

ADDENDUM XI

Stonebrook Simple Income Projections, Given Changes in the Assessment Assumption

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**Reversion**	
Net Cash Flow Prior to Taxes, Deferred Developer Fee	$198,225	$229,182	$260,854	$293,256	$326,399	$360,297	$394,964	$430,413	$466,657	$503,710	$541,585	$580,296	$619,856	$660,279	$701,577		
Tax Payment ($33,600 / Unit Assessment)	($134,400)	($139,776)	($145,367)	($151,182)	($157,229)	($163,518)	($170,059)	($176,861)	($183,936)	($191,293)	($198,945)	($206,903)	($215,179)	($223,786)	($232,737)		
Net Cash Flow Prior to Def. Development Fee	$63,825	$89,406	$115,487	$142,074	$169,170	$196,779	$224,905	$253,552	$282,722	$312,417	$342,641	$55,104	$0	$0	$0	$468,840	Terminal NOI
Developer Fee Recapture	($63,825)	($89,406)	($115,487)	($142,074)	($169,170)	($196,779)	($224,905)	($253,552)	($282,722)	($312,417)	($342,641)	($55,104)	$0	$0	$0	8%	Terminal Cap Rate
Net Cash Flow to MHFC	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$318,290	$404,678	$436,493	$468,840	$ 5,860,496	Capitalized Value
PV at Discount Rate of: **8%**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$318,290	$404,678	$436,493	$468,840	$1,847,473	PV
PV of Project to MHFC	**$3,475,773**																
New Per Unit Assessmer **$**	**44,000**																
Net Cash Flow Prior to Def. Development Fee At New / Unit Assessment	$17,017	$42,538	$68,611	$95,245	$122,448	$150,228	$178,593	$207,551	$237,109	$267,276	$298,058	$329,463	$361,498	$394,169	$427,484	$427,484	NOI
Developer Fee Recaptur	($17,017)	($42,538)	($68,611)	($95,245)	($122,448)	($150,228)	($178,593)	($207,551)	($237,109)	($267,276)	($298,058)	($329,463)	$0	$0	$0	8%	Terminal Cap Rate
Net Cash Flow to MHFC	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$361,498	$394,169	$427,484	$ 5,343,556	Capitalized Value
	1.02	1.04	1.07	1.10	1.13	1.15	1.18	1.21	1.24	1.27	1.31	1.34	1.37	1.40	1.44		
PV at Discount Rate of: **8%**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$361,498	$394,169	$427,484	$1,684,512	
PV of Project to MHFC	**$2,867,663**																

Addendum XII

Appraised Versus Assessed Values of LIHTC in McKinney

Property	Appraised Value / Unit	Assessed Value / Unit (1)	Difference	Built
Treymore	$ 48,177	$ 46,653	$ 1,524	1997
Tuscany	$ 48,372	$ 26,422	$ 21,950	1998
Creekpoint	$ 43,750	N/A (2)	N/A	2001
Skyway Villas	$ 57,586	N/A (2)	N/A	2002
Country Lane	$ 46,521	$ 36,931	$ 9,590	1999
Average	**$ 48,881**	**$ 36,669**	**$ 11,021**	

(1) Source: Collin Appraisal District

(2) In lease up or under construction, not yet assessed "as built"

The Economic and Fiscal Benefits to the City of McKinney and the McKinney ISD from Development of Stonebrook Villas

Prepared for Southwest Housing Development by

Dr. Bernard L. Weinstein and
Dr. Terry L. Clower*

March 2002

*The authors of this report are professors of applied economics at the University of North Texas. However, this report should not be considered an endorsement of the proposed development by the university, its officers, or regents.

Introduction

Southwest Housing Development (SHD) is planning to build and operate a multi-family apartment community called Stonebrook Villas in the City of McKinney. The project will be located at Peregrine Drive on the north side of Virginia Parkway. The 224 courtyard-designed residences will be situated on a 10.95-acre parcel. This clustering will permit a greenbelt to remain around the property.

Stonebrook Villas will be constructed and marketed as "affordable housing," and household income is expected to range between $25,000 and $35,000. Because of the income requirement, college students will not be eligible to rent these apartments. When the units are fully rented, the resident population at Stonebrook will range between 500 and 575 residents. Based on information provided by the demographer for the McKinney Independent School District, there will be about one school age child for every two housing units. Many of these children may already be McKinney residents attending local public schools.

The following analysis estimates the economic and fiscal impacts of building the proposed housing complex as well as the on-going impacts of facility management and maintenance. In addition, we estimate the local economic and fiscal impacts of spending by Stonebrook residents. The fiscal impacts are examined both for the City of McKinney and the McKinney Independent School District.

The economic and fiscal impacts are based on the IMPLAN input-output economic modeling system developed by the Minnesota Implan Group, Inc. for Collin County. The modeled impacts include the direct effects of relevant spending for construction activities, property management, store operations, and other business activities, the indirect effects of local vendors, and the induced impacts of employees of these firms spending a portion of their earnings in the local economy. Where appropriate, we have adjusted the countywide estimates to reflect the likely economic and fiscal impacts on the City of McKinney and the McKinney ISD. All values are expressed in current year dollars. We begin with a general description of recent demographic shifts occurring in the City of McKinney and Collin County.

The changing demographics of Collin County and McKinney

With 491,675 residents in 2000, Collin County is among the fastest growing counties in both Texas and the U.S. Between 1990 and 2000, the County added 227,639 residents, a growth rate of 86 percent. By contrast, the entire Dallas-Fort Worth region—the nation's fastest-growing major metropolitan area—posted population gains of only 25 percent during the 1990s. What's more, according to projections by the North Central Texas Council of Government (COG), Collin County is expected to remain a rapidly growing locale for the foreseeable future, adding another 434,000 residents by the year 2025. The COG also projects a 165 percent increase in the number of Collin County households by 2025.

The City of McKinney grew almost twice as fast as Collin County during the 1990s, with population rising from 21,283 in 1990 to 54,369 in 2000, an increase of 155 percent. By the end of 2002, McKinney's population should reach almost 66,000 and the COG expects the city to add another 70,000 residents by 2025.

Importantly, Collin County and the City of McKinney are not just bedroom communities. They are major employment centers as well. At present, about 290,000 persons work in Collin County, with 20,000 employed in the City of McKinney. The COG expects non-construction employment in the County to reach 366,000 by 2025, with the City of McKinney accounting for 44,000 of these jobs.

The need for affordable housing in McKinney

Contrary to common perception, not all McKinney residents boast high incomes. Though current average household income is estimated at $75,000—one of the highest in the Metroplex—thousands of McKinney residents and workers earn well below this level. And while McKinney has been one of the most active single-family housing markets in DFW for the past five years, many area residents and workers cannot afford to purchase these homes.

For years, McKinney has suffered from a lack of affordable housing for middle-class households, necessitating long commutes for many teachers, administrative, technical, and health-care workers employed in the city. **According to the Housing Authority of McKinney, the available inventory of affordable housing is fully occupied and there is at least a one-year waiting list.** There are only 1,128 existing units within a 10-mile radius of the proposed Stonebrook Villas, though 432 units are currently under construction at other sites. Most of the affordable housing inventory within the City of McKinney is located on the east side of US 75 though most of the employment growth has been on the west side.

Given the projected rapid increase in population and employment within the city limits, McKinney must plan strategically for housing options to accommodate these new residents and workers. One solution to the shortage of affordable housing in McKinney would be to permit more multi-family developments, such as the one planned at Stonebrook Villas. In addition to providing housing for McKinney citizens, such projects help to preserve open space because they don't consume nearly as much land per household as is the case with single-family homes. What's more, to the extent in-town housing options are available to those working in the city, commuting times and distances are reduced, with attendant improvements in air quality, while urban sprawl is reduced.

Stonebrook Villas: Implications for McKinney's Public Schools

The McKinney Independent School District is considered one of the best in the DFW region, with a graduation rate of 96.9 percent. Per pupil expenditures exceed $6,000 and the average SAT score of recent graduates is 1063. With more than 13,000 students at present, the district is projecting enrollment growth of about 11 percent annually for the next decade.

Some McKinney residents have expressed concern that the renters at Stonebrook Villas will unduly burden the school system. But based on the experience of other affordable housing projects in the Metroplex, only about 0.5 school-age children per household are expected to reside at Stonebrook, and perhaps a third of these children may likely be attending public schools in McKinney already. So the actual impact on the public schools may be as few as 80 to 100 new kids. What's more, property taxes generated by the Stonebrook facility will help cover the costs of educating these children (see discussion below). Again, based on the experience of similar developments, new student enrollments should be equally distributed among elementary, junior high, and senior high facilities.

Economic impacts from construction of Stonebrook Villas

Property development and construction of the apartments and related buildings will cost $21 million. This spending will generate about $22.5 million in economic activity in the City of McKinney and support 180 temporary full-time-equivalent (FTE) jobs paying almost $4.8 million in wages and salaries (see Summary Table).

Ongoing economic and fiscal impacts of Stonebrook Villas

The on-going economic and fiscal impacts of the Stonebrook Villas housing development include expenditures for property management and maintenance, and the impacts of Stonebrook residents spending a portion of their earnings in the local economy. To avoid double counting of potential impacts, we have assumed that only about one-half of the Stonebrook dwellers will be new residents of the City of McKinney. This assumption will likely understate the total impact of the spending by Stonebrook residents. As noted above, there is a shortage of affordable housing in the City of McKinney for persons in the income range of Stonebrook's target market. Even if these individuals are currently working in McKinney, they are likely living outside of the city and taking much of their spending to the communities in which they reside. Our estimates also allow for an average vacancy rate of five percent, though given the limited amount of affordable housing in McKinney, any vacant units at Stonebrook should be quickly re-leased.

Profiles of the targeted residents suggest that, when fully developed, Stonebrook dwellers will have a combined disposable household income of $6.8 million per year. If one-half of these households are new residents to McKinney, their spending, when combined with expenditures for property management and maintenance at Stonebrook Villas, will spur $4 million in economic activity in the City of McKinney, generate $650,000 in new income, and support 23 FTE jobs (see Summary Table).

Estimates of the fiscal impacts of the Stonebrook Villas and its residents on local taxing authorities are based on direct property taxes and sales and use taxes from spending by new residents and property managers. The model used for the estimates of likely new sales and use taxes takes into account the spending profile of households in the qualified income range of Stonebrook Villas. Combined property and sales and use taxes will add about $88,000 per year to City of McKinney revenues. More importantly, the McKinney ISD will enjoy a $125,000 boost to annual revenues when Stonebrook Villas is fully developed (see Summary Table).

Conclusion

Population and employment are growing rapidly in the City of McKinney. But a serious lack of housing options for middle-income households persists. Southwest Housing Development has proposed building a 224-unit apartment community on the north side of Virginia Parkway at Peregrine, about five miles west of US 75, that can help alleviate this shortage. The McKinney Planning and Zoning Commission has already approved the project.

In addition to providing much-needed housing, Stonebrook Villas will benefit the McKinney economy through the infusion of new spending and the generation of new tax receipts for the city, county and school district. What's more, the addition of new households on the far west side of McKinney should stimulate new commercial development on adjacent parcels that will further boost local employment, income and tax revenue.

Summary Table

Economic and Fiscal Impacts of
The Stonebrook Villas Housing Development
On the City of McKinney and Related Taxing Jurisdictions

Description	Impact
Temporary Construction Impacts	
Construction spending	$ 21,000,000
Total economic activity	$ 22,500,000
Total earnings	$ 4,751,000
Total employment (FTE)	180
Recurring Impacts of Property Management and Resident Spending* (per year)	
Total economic activity	$ 3,984,000
Total earnings	$ 650,000
Total employment (FTE)	23
City of McKinney Tax Revenues (sales & property)	$ 88,000
McKinney ISD Tax Revenues	$ 125,000

Source: Authors' estimates. * Assumes one-half of residents will be new to the City of McKinney.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry
GOVERNOR

Edwina P. Carrington
EXECUTIVE DIRECTOR

April 16, 2002

RE: Stonebrook Villas, McKinney, Texas

The following is a copy of one page of a petition that was signed by 2047 persons. A copy of the complete petition is available upon request.

Sincerely,
Robbye G. Meyer
Multifamily Financial Analyst

To: The Texas Department of Housing and Community Affairs ("TDHCA")
The Texas Bond Review Board ("TBRB")

Re: Stonebrook Villas Application # 2002-056

We the undersigned, request that the Texas Department of Housing and Community Affairs and the Texas Bond Review Board DENY the application by Southwest Housing Development for bonds and tax credits for a LIHTC apartment complex called Stonebrook Villas.

The project is to be located north of the intersection of Virginia Parkway and Peregrine Drive in McKinney, Texas. We wish both these agencies to understand that a significant portion of our community DOES NOT support the construction of this project, as evidenced by their signatures on this petition.

We thank you for your consideration and urge that you deny the Stonebrook Villas application.

	Signature	Printed Name	Address	Phone Number
1	Sandra J. Isabelle	SANDRA J. ISABELLE	8509 FALCONET CIR. McKinney	972-529-1931
2	Stella N. Krupa	STELLA N. KRUPA	8509 FALCONET Cir.	972-529-1931
3	Stephen F. Krupa	STEPHEN F KRUPA	8509 FALCONET CIR	972-529-1931
4	C. P.	CHRISTIAN PAUL	8414 FALCONET CIR	972 529-3677
5	David K. Isabelle	DAVID K. ISABELLE	8509 FALCONET Circle	972-529-1931
6	Bernard Paulsen	BERNARD PAULSEN	8511 FALCONET CIR.	9725295538
7	Mary Paulsen	MARY PAULSEN	8511 FALCONET CIR.	972-529-5538
8	Deanne M Paul	Deanne M. Paul	8414 Falconet Cir, McKinney 75070	9725293677
9	Colleen Adler	Colleen Adler	8424 Falconet Cir. McKinney, TX 75070	972-540-6519
10	June Browne	June Browne	103 Hunters Ct	972-529-2628

Local Governments are Liable

Indeed, local government can be sued like any other defendant and is liable for monetary damages suffered by the developer (*San Pedro Hotel Co. v. City of Los Angeles* (9th Cir. 1998); *Baytree of Inverney Realty Partners v. City of Lauderhill* (11th Cir. 1989); *Keith v. Volpe* (9th Cir. 1988). While it is unusual for local government officials to express directly their motive and intent to discriminate against minorities and families, such intent can be established by government actions and exclusionary land practices. Of critical importance is the fact that "discrimination" against minorities and families with children need not be the exclusive or predominate reason for the locality's action. The Supreme Court held that the plaintiff need only establish that the discrimination was "a motivating factor" in the local government's decision (*Village of Arlington Heights*). One of the ways that such discriminatory intent can be proven is by examining the events leading to the city or county's decision, and its departure from normal review and approval procedures for housing projects (*United States v. City of Birmingham*, Michigan S. Ct. 1984).

A developer can also prove its injury by establishing that a local government's actions disparately impacted on the protected class of minorities or families with children. Accordingly, if the city or county has rejected a housing community and that rejection harms a protected group's ability to obtain housing, regardless of the motive of the government, then the developer may be awarded damages to reimburse it for the monetary injury it has suffered because of the local government's actions (*Huntington Branch, NAACP v. Town of Huntington* 2d Cir. 1988).

*Of critical **importance** is the fact that **"discrimination" against minorities** and families with children **need not** be the exclusive or **predominate reason** for the locality's **action**.*

An additional weapon in the developers' arsenal is the *Fair Housing Act's* prohibition against interference, coercion and intimidation. In the real world, efforts by local officials to block affordable housing are often indirect and hidden—a partner or land seller is threatened with the loss of future business if he aids in the development of a project. This obstruction has been held to constitute "interference" by a city, which is a violation of the coercion provisions of the *Fair Housing Act* (42 USC §3617; *Smith v. Stechl* (9th Cir. 1975); *United States v. City of Hayward, California* (9th Cir. 1994)). An additional remedy for the developer is the availability to obtain an award of attorneys' fees and costs for prevailing in the suit against the government (42 USC §3613 (c) (2)).

Lost Profits

Two cases decided at the federal appellate level are instructive as to the availability of the protections of the *Fair Housing Act* for developers. In the first case, *Silver Sage Partners, Ltd. v. City of Desert Hot Springs* (9th Cir. 2001), the court held that developers, syndicators and brokers were entitled to damages in the amount of $3.1 million from a municipality's violation of the act—even if the amount of the developer's damages were incapable of exact measurement. Allegedly, the city had intentionally failed to certify the project's compliance with local law requirements because members of the city council did not want a project populated by minority children. As a result of the city's deliberate omission, the project failed to receive state bond financing. The court specifically held that lost profits could be recovered and that damages could be proved by the testimony of an expert witness. Further, the court held that, unlike the requirements of other civil rights statutes, under the *Fair Housing Act*, the plaintiffs had no duty to mitigate the damages caused by the city by undertaking some other real estate opportunity.

Retaliation

In the second case, the City of Los Angeles and an individual councilman allegedly violated the *Fair Housing Act*, and other state law, by failing to make the routine approval of the use of previously allocated federal funds for a loan to enable the sale of a property to a not-for-profit developer of housing for the mentally disabled (*San Pedro Hotel Co. v. City of Los Angeles* 9th Cir. 1998). In addition, after denial of the customary loan approval, the city began a campaign of citing the owner for alleged housing code violations including criminal violations. While the city eventually gave approval for the loan and the housing code violations were not pursued, the seller determined to continue with its *Fair Housing Act* claim against the city. In sustaining the seller's complaint, the court held that all that the seller needed to establish under the *Fair Housing Act* was that the city interfered with the housing rights of a protected group and that, as a result, the seller suffered actual injury. The court pointed out that the violation was not the failure to approve the loan, but that the city improperly interfered with the loan by breaching its duty to act in a

Not in My Back Yard (NIMBY) attitudes are preventing owners and builders from building ***tax credit communities.*** *This is not only prejudicial and unfair, it's illegal.*

BY CHRISTOPHER B. HANBACK

You have spent months planning a quality apartment community. You have obtained control of the site. Utilities and roads are adequate and in place. You have lined up investors and financing, including using the federal low income tax credit for part of the financing. You have completed a marketing plan that confirms the need and profitability of the project and have signed up a quality property management company. The next step is to obtain the usual approvals from local government routinely available for any development. But the approvals do not come.

Unexpectedly, there are new concerns about the adequacy of local schools. Novel zoning issues arise. The usual loans, financial assistance and accommodations to developers suddenly disappear for your project. A local official publicly opposes your "gated" housing community by stating that the fence "protects the residents inside the property but does not protect the neighbors outside from the residents in the community." The official apparently felt that there was nothing improper about expressing these attitudes in opposing a housing project for minorities and families with children.

What is going on? Why are they concerned that apartment residents will include families with children? Is the local government really trying to exclude working people because they are members of a particular minority group? Don't the local government officials realize that your low income tax credit community will be more attractive than most of the existing housing in the immediate area? It appears that both ignorance of the quality of the apartment community and prejudice are at work.

NIMBYism

"NIMBYism" ("Not In My Back Yard") has struck. It threatens to cost you thousands of dollars in wasted staff time, lost business opportunities and expenses. This is not a normal business reversal suffered at the hands of a competitor. This is local government acting improperly to your financial disadvantage. In the past, developers may have stood for this behavior by local officials and moved on to another less hostile community, but no more. Now you have a remedy, and because you will not be the first developer to use it, you need not be afraid to act. That remedy is the federal *Fair Housing Act*, which you have often felt was being used against you. As an owner/developer, this act also protects your rights not to be discriminated against in business transactions because your properties will house families with children and minorities.

Discrimination Defined

The *Fair Housing Act* provides that it is unlawful to "make unavailable or deny," "to discriminate ... in the terms, conditions or privileges of sale or rental" or in the making of loans to construct housing based on "race, color, religion, sex, handicap, familial status (meaning children under the age of 18 living with the family) or national origin." (42 USC §§3604 (a) and (b) and 3605). The *Fair Housing Act* also makes it unlawful for any person, including local government, to "coerce, intimidate, threaten or interfere" with persons exercising their rights. This includes an owner or developer, who "aids" individuals in exercising their rights to housing by building affordable housing. Such interference is both the obstruction of the developer's right to build and the protected individual's right to housing (42 USC §3617).

Aggrieved Person

Indeed, the *Fair Housing Act* specifically provides that an "aggrieved person" includes "any person who ... claims to have been injured by a discriminatory housing practice," including "corporations, partnerships and associations" (42 USC §§3602(i)(1) and 3602 (d)). The *Fair Housing Act*, therefore, not only protects the rights of minorities and families with children, but also protects the rights of real estate owners, developers and managers to build and operate affordable housing, even if the owners are primarily motivated by profit.

Injury

An increasing number of court decisions in recent years have affirmed this view. As early as 1972, the U.S. Supreme Court held that the only requirement to assert a claim under the *Fair Housing Act* is that the aggrieved party suffered a "distinct and palpable injury" (*Trafficante v. Metropolitan Life Insurance Co.* S. Ct. 1972). Further in 1979, the Supreme Court held that plaintiffs under the act may assert the rights of others, who may be more direct victims, as long as the plaintiff suffers actual injury as a result of the defendant's conduct (*Gladstone, Realtors v. Village of Bellwood* S. Ct 1979). In the well-known decision of *Village of Arlington Heights v. Metropolitan Housing Development Corporation* (S. Ct. 1977), the Supreme Court upheld the developer's standing to challenge a municipality's adverse decision blocking the development of a subsidized housing project.

non-discriminatory manner. Further, the court held that the sellers could pursue their retaliation claim. The court explained that it was irrelevant whether the plaintiffs' were actually in violation of the housing code. Rather, the issue was whether the city commenced the investigations and charges in response to the proposed sale or the seller's threatened lawsuit.

Department of Justice Sues on Behalf of Developers

The Justice Department recently announced that the City of Fairview Heights, Ill., had agreed to pay $275,000 to resolve a discrimination complaint filed in April 2000 (*United States v. City of Fairview Heights*, Illinois S. D. Ill. 2001). The case is noteworthy because it was brought by the Department of Justice on behalf of real estate businesses and not individual residents or potential residents. The complaint alleged that the city violated the *Fair Housing Act* when it refused to permit an African-American developer and construction company to build a 154-unit apartment community in Fairview Heights. The project had been rejected by the city planning commission and city council.

The complaint alleged that the city refused to allow the construction of the community because of the developer's race and because the city government believed that a significant number of the residents would be African-American. The lawsuit also alleged that the city rejected the community because it would attract too many families with school-age children. Under the consent agreement, the city will pay a total of $275,000 to the developer, the owners of the property and others who would have assisted in developing the community to compensate them for damages incurred when Fairview Heights refused to permit the developer to build the apartment community.

Obviously, a suit against local government under the *Fair Housing Act* is not to be undertaken lightly. This is far different from the typical contingent fee case by "victims rights" attorneys. However, with the widespread use of the federal low income tax credit to develop quality and affordable housing across the country, established developers are increasingly unwilling to allow prejudiced local officials to undermine their business. Since a number of these suits have now been brought by developers, the potential stigma of using the *Fair Housing Act* to aid real estate development is reduced. It may well be that the threat of litigation, when coupled with the education of local officials and their municipal attorneys (with the assistance of competent counsel retained by owners) may be sufficient. Such a result marries profit for the developer with the provision of needed affordable housing for minorities and families with children. ■

Christopher B. Hanback is a Partner in the Washington, D.C., office of the Holland & Knight LLP law firm. He represents owners, developers and managers on property management, fair housing and Americans With Disabilities Act issues. He can be reached at 202/457-7157 or chanback@hklaw.com.

Scanned

January 4, 2002

RECEIVED

JAN -4 2002

EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RE: Stonebrook Villas, A Proposed Multi-Family
Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

To Whom It May Concern:

I am writing to submit my opposition to the above proposed housing development.

As a resident living in Stonebridge Ranch, nearby, I am already concerned about the traffic in a growing area. The two main thoroughfares intersecting along this proposed development, are already over traveled. Custer Road, which would be one of the main routes involved, is a two lane, country road, already highly traveled by trucks, construction vehicles and cars. We do not need to add to an existing problem. There is already housing developments being built that will create enough extra traffic. Please do not add to the burden.

My other major and most important concern is the school, C. T. Eddins Elementary, which would serve the proposed housing. As a parent, I moved to McKinney from Dallas, to escape over crowded schools. Eddins is already overcrowded and it seems the school district cannot build schools fast enough. Why put more burden on a school that is already adding portable buildings, when it's just a few years old? This does not benefit the families already in the area, and certainly will not be the best for the future families if the proposed housing is developed.

Please consider mine and other opposition. We need to think of the families and children involved, both current and future. There are many other areas not yet as crowded, which might be better suited and possibly where new schools may be proposed. Do not over burden what is already overburdened, please. We pay our taxes and moved to McKinney to better our families. If you do this, no one will be served.

I appreciate your time and consideration.

Kindest Regards,

Denise Ackerman

Denise Ackerman
McKinney, TX 75070

RECEIVED
JAN 0 8 2002
LIHTC

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs
FAX: 512/472-8526

RE: Opposition to Stonebrook Villas, McKinney, Texas

RECEIVED
JAN -7 2002
EXECUTIVE

January 5, 2002

This letter is to register my opposition to the construction of Stonebrook Villas, a Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

We are opposed to any new multi-family housing projects in this area. The proposed Stonebrook Villas apartment complex only includes two, three, and four bedroom units. NW McKinney cannot support this high concentration of residents due to the following facts:

- Both currently operating and under-construction schools are already overcrowded.
- The infrastructure is not adequate as Custer Road (FM 2478) is only a two-lane road with no shoulders.

Thank you for your time and consideration of our opposition to this proposal.

Regards,

Christian Allred
McKinney, Texas

January 4, 2002

Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
Texas Department of Housing and Community Affairs

RECEIVED
JAN -4 2002
EXECUTIVE

RE: Stonebrook Villas – A proposed multi-family project located in McKinney, TX near the intersection of Virginia Parkway & Peregrine Drive

Dear Ms. Cedillo:

It is my understanding that the Texas Department of Housing and Community Affairs has proposed the construction of a new multi-family site in my community. This letter is to detail my concern about this proposal and to subsequently express my protest to the development. There are a multitude of reasons as to why a development such as this should not be built. I will only list a few:

- This recent area of ranches and farms is now overdeveloped with multiple housing developments already built and in the process of being built. The roads that support this area have not been upgraded and still remain two lane and unsafe without shoulders even while being heavily traveled by trucks and large construction vehicles. I am very concerned for the safety of my family on these roads. Adding 250 families will only add to this risk.

- There is only one elementary school serving the area. This school is already overcrowed and has had to add temporary classrooms which are already filled. Within the vicinity an additional 12 developments excluding Stonebrook Villas are being built. The proposed multi-family housing will only add to the overcrowding and financial burden on the schools. The quality of my childrens education will decrease while my school property taxes increase.

- My final concern deals with the proposed multi-family housing's consistency with the immediate zoning and residential developments. According to a recent survey, the average value of a residence in the area exceeds $200,000. While I do not have access to the figures I am fairly certain that the proposed multi-family development is no where near that value. An inconsistency of this magnitude would have an immediate and significant negative impact on the home values of nearby homeowners.

As a taxpayer who already pays for this type of development, it would be *unacceptable* to pay an additional cost of this type of development by added costs of road improvements, costs of school expansions and the loss in my home value. And it would be *extremely unacceptable* that as my costs go up the quality of life decreases when the safety of my children is a risk due to unsafe roads and their quality of education suffers from overcrowding. The Texas Department of Housing and Community Affairs would serve the community, taxpayers, and proposed residence of the development better by relocating the proposed Stonebrook Villas to a more practical location. A profit could be made by selling the property to a developer with a more consistent development plan and then using the money to build a bigger development somewhere else. I ask you to consider these and other issues when studying whether to continue with the proposed development.

In addition, I would like to request a hearing with the Texas Department of Housing and Community Affairs so that myself, my neighbors and other community members may be able to express our concerns. Please contact me at the address and phone number below regarding the status. I look forward to hearing from you.

Sincerely,

A Concerned Taxpayer,

Michael B. Boese
8415 Lanners Drive
McKinney, TX 75070
(972)542-8766

RECEIVED

JAN -4 2002

EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

RE: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

I would like to register my opposition to the referenced project. Our schools are overcrowded and struggling to keep up with the rapid growth in this area. Multi-family development compounds the problems we face with building and funding enough schools. The rapid development of this stretch of Virginia Parkway with two existing large apartment complexes and retail development is adding to the congestion of the roads as well as detracting from the neighborhood's appeal. More multi-family development is not the answer. Apartments are plentiful in the area and housing is relatively inexpensive.

W. M. Bohon

Mark Bohon
6906 Edgewater Dr.
McKinney, TX

January 4, 2002

RECEIVED
JAN -4 2002
EXECUTIVE

Ms. Ruth Cedillo
Coordinator of Housing and Community Affairs
Texas Department of Housing and Community Affairs

Dear Ms. Cedillo:

I am opposed to the multi-family housing project that has been proposed for our area. This is in reference to Stonebrook Villas to be located at Peregrine Drive and Virginia Parkway in McKinney, Texas. In an area that is suffering from over-crowding in its elementary school and is already becoming congested with excessive traffic, the proposed location would only exacerbate the problems.

There are over-crowding concerns with having multi-family housing at this location. Our neighborhood elementary, C.T. Eddins, is presently over capacity, having six classrooms in portable buildings. We have an extraordinary amount of new home construction in the area, which will mean more children moving into the school. With the addition of multi-family housing with 250 units, this could lead to more extreme crowding at C.T. Eddins.

In addition to over-crowding in the elementary school, this location would tremendously add to the traffic problems that we are presently experiencing. This location is a block from the heavily traveled Custer Road (FM 2478). This intersection of Custer Road and Virginia Parkway is not only busy but is also dangerous. It is a two lane, no shoulder road, which does not need additional traffic.

Please consider my concerns and look for another location for the multi-family housing villas. C.T. Eddins and Virginia Parkway do not need additional crowding. Please keep me informed of your plans and the future of Stonebrook Villas.

Sincerely,
Jeannine Brandon

Jeannine Brandon (jeannbran@hotmail.com)
609 Elderberry Court
McKinney, Texas 75070

''C

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -7 2002
EXECUTIVE

RE: Opposition to Stonebrook Villas, McKinney, Texas

January 5, 2002

This letter is to register my opposition to the construction of Stonebrook Villas, a Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

We are opposed to any new multi-family housing projects in this area. The proposed Stonebrook Villas apartment complex only includes two, three, and four bedroom units. NW McKinney cannot support this high concentration of residents due to the following facts:

- Both currently operating and under-construction schools are already overcrowded.
- The infrastructure is not adequate as Custer Road (FM 2478) is only a two-lane road with no shoulders.

Thank you for your time and consideration of our opposition to this proposal.

Regards,

Emily J. Bryant-Allred

Emily J. Bryant-Allred
McKinney, Texas

DATE: January 4, 2002

TO: Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs

VIA: FAX: 512/472-8526

RE: Stonebrook Villas Affordable Housing Project
Virginia Pkwy. And Peregrine Drive, McKinney, Texas

Dear Ms. Cedillo,

In regards to the above referenced Project, I would like to hereby voice my direct opposition to this addition to our community. At this time, and for the past several years, our community has experienced a population explosion. Our school system has been unable to keep up with this demand. We have brought on line two new elementary schools, in addition to other levels too, for each of the past two years. And, this has not been adequate to accommodate the growth in the schools. At my sons school which is in its fourth year three portable buildings now house the six third grade classes. We have two more elementary schools to open this coming fall. However, with the population of our existing community it appears they will be near capacity, and there will be little relief on the attendance at the current schools. I also have a daughter who is going to be starting Kindergarten next year. And, having taught Sunday school at our church (Stonebridge United Methodist,) and seen the attendance for Pre-K, which is 64 children for our membership, this raises my concerns for the attendance of next year's incoming Kindergartners. I can't imagine there will be much relief from the seven Kindergarten classes that we have this year.

The nearest major intersection for the proposed Project is Custer Rd. and Virginia Parkway. Currently, this intersection is hazardous to say the least. No light exists, there are stop signs on Virginia, and Custer has the right of way going north and south. Custer Road is a two-lane blacktop road with no shoulders and traffic that exceeds the normal speed. (Which I am not even sure the speed limit is posted.) Once you cross Custer heading west Virginia turns into a two-lane blacktop road also with no shoulders. These roads hardly accommodate the current traffic and adding two hundred fifty more homes to this intersection would certainly make it a deathtrap.

Now I will say that I fully support the Texas Department of Housing & Community Affairs, and our Fair State, in trying to provide the opportunity for our citizens to live in and raise their children in good neighborhoods. However, I cannot see that moving two hundred fifty more families into a community that already has overcrowded schools and poor thoroughfares is beneficial to those families.

Phone: 972-529-8644 email: BACCCK@attbi.com

Calder Family Fax

RECEIVED
JAN -4 2002
EXECUTIVE

Fax

To:	Texas Department of Housing & Community Affairs Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs	**From:**	Anna & Brian Calder and Family
Fax:	512/472-8526	**Pages:**	1 (incl cover)
Phone:		**Date:**	01/04/02
Re:		**CC:**	

☑ **Urgent** ☐ **For Review** ☐ **Please Comment** ☑ **Please Reply** ☑ **Please Recycle**

This note is in reference to Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

Our family is opposed to any new multi-family projects in the area due to the fact that our schools are already overcrowded, among other concerns.
We are expecting to receive specifics from the MISD in the near future regarding how our schools would be negatively impacted capacity-wise should this project be allowed to continue. Additionally, with the addition of 250 more families at the proposed location (there are no one bedroom units - only 2, 3, & 4) and the fact that Custer Road (FM 2478) is only a two lane road with no shoulders we expect severe traffic implications.
This project seems to have been improperly planned as it is being been built far from basic infrastructure such as grocery stores, public or taxi service transportation, medical services and will overload existing infrastructure such as schools. We are opposed to such improper planning and recommend that a more suitable location be found for this development.
It is clear to our family that neither the needs of the intended occupants of this project nor the needs of property owners in this area are being considered in the planning of this development. There have been examples of such failed planning in towns near McKinney and across the country; we should not allow it to occur here.

Regards,
Anna & Brian Calder and Family

Furthermore, for the children of these families to get to the nearest elementary, which is less than two miles, it would seem they would have to either cross a four lane portion of Virginia Pkwy. Or walk (less than a quarter mile) up to the treacherous intersection I described above and cross. In either case, these children would be put at risk.

I hope, and trust, that the above factors are being taken into account and that your department concludes that it would not be of service to our community, State, and especially the families they are trying to support, to proceed with the above referenced Project.

Thank you for your attention in these matters.

Sincerely,

Laura Bushnell

Laura Bushnell
105 Ledgenest Drive
McKinney, TX 75070
972-529-1800

AHP010401.doc

304 Prism Ln
McKinney, TX 75070

January 4, 2002

RECEIVED
JAN -4 2002
EXECUTIVE

In reply to: Opposition of Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

Dear Ruth Cedillo,

I am contacting you today to make sure that my voice is recorded in Public Record as Opposing the proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas called Stonebrook Villas. In moving my family out to McKinney, we looked at how the land around us was to be developed and what the City of McKinney's standards were for development. The City promised that multi-family housing would not exceed 10% of the housing in any sector of the Community. The City promised that schools would be built to accommodate the proposed building. The City promised that Parks and Greenbelts would be built and maintained.

At this time the City has allowed the already started multi-family housing projects to exceed the 10% cap calculated by community sector. I do not understand how we can need additional multi-family housing in our neighborhood when the existing multi-family housing is **not** even close to full occupancy and there are additional projects that have already broken ground creating an even greater overbuilding of multi-family housing. In addition, the McKinney Independent School District does not have adequate schools built to accommodate this additional project of Stonebrook Villas. We do not need to build more Portable Classrooms at our existing schools; children and teachers deserve better facilities than that. Also, other infrastructure is not in place to accommodate an additional 250+ families in such a small area. Custer Road (FM 2478) in a two-laned black top road with no shoulders. There is no public transportation to this area at this time. And lastly, land that was originally set aside for park space and greenbelts for our families and children has been dwindling with multiple rezoning changes.

I believe a City and Community should stand by their promises to build and maintain and have all necessary infrastructure in place as was designed and planned for when we and others made the decision to move to the area and build our homes. I believe that schools and children should not be pushed aside for the sake of a land owner and developers change of view. I believe that my taxes paid to the Community, School District and State (Sales Taxes) allow me the right to say **"No More Multi-Family Housing In Our Neighborhoods Until ALL The City And Community Promises Have Been Kept."**

Respectfully,

LeAnn Calhoun
Homeowner in Stonebridge Ranch Community

TOUCHSTONE BERNAYS

ATTORNEYS AT LAW
4700 RENAISSANCE TOWER
1201 ELM STREET, DALLAS, TEXAS 75270-2196

TEL 214-741-1166
FAX 214-741-7548
www.touchstonelaw.com
lawfirm@tbjbs.com

A. Scott Campbell
Partner
DIRECT DIAL 214-672-8213
DIRECT FAX 214-259-8713
scott.campbell@tbjbs.com

RECEIVED
FEB 2 2 2002
Multifamily Finance Division

RECEIVED
FEB 2 1 2002
Multifamily Finance Division

February 21, 2002

Mr. Robert Onion
TDHCA
Waller Creek Office Building
507 Sabine Street
Austin, TX 78701

Re: Stonebrook Villas Proposed Development

Dear Mr. Onion:

Please be advised that the undersigned has been engaged by a group of concerned citizens in McKinney, Texas, known as the MCBG (McKinney Citizens for Balanced Growth) to assist them in their attempts to obtain needed information from Southwest Housing Development and in certain matters related to the Stonebrook Villas' application. Presently, this group of concerned citizens is faced with a quickly approaching March 14 TEFRA date, and is concerned that they will not be adequately prepared for the TEFRA on that date in light of the developer's inability to provide certain requested information in a timely manner.

The MCBG has repeatedly made requests to the developer, Southwest Housing Development, for the following information:

1. Revised construction budget;
2. Revised unit mix;
3. Revised construction schedule;
4. Revised income proforma;
5. Site plan if any revisions have been made since its submission to McKinney P&Z;
6. References from several other homeowners groups as well as from the City of Dallas on projects with whom it has partnered;
7. SWHD's screening criteria for residents;
8. Income schedules for residents;
9. Occupancy standards;

10. Exact amount of city and school taxes committed to pay per unit or per resident (including the length of that commitment and the form in which this commitment is to be made;
11. Copy of all proposed deed restrictions (for example, any after school program for summer child care programs that would be included in such deed restrictions);
12. Copy of the developer's agreement with Housing Services of Texas regarding the services they are to provide to the residents and its agreement to help fund such services.
13. Information on the five other low income housing projects developed by this developer, including location, development budgets, and last year's P&L for each.

We have been informed by the developer that the information we requested is to be provided to us by February 28. With only two weeks for the concerned citizens to review these materials, this makes it particularly difficult for them to be appropriately prepared to proceed on March 14. I would add that an independent consultant has been lined up to review this information on behalf of the MCBG, and there is real concern that two weeks will not be a sufficient amount of time for the consultant to properly analyze the information and provide a report concerning the same.

At the present, with every day that goes by without this requested information, it is becoming increasingly difficult if not impossible to be properly prepared to go forth with TEFRA on March 14. In light of these circumstances, it is requested that the TEFRA date be moved to sometime in late March, preferably on a Saturday, assuming that the developer provides the requested information on the date promised. MCBG believes that the information items requested of the developer are reasonable and could and should have been provided sometime last month. MCBG has been prompt, patient, and courteous in their requests for information from the developer. The information requested is very relevant to the proposed project and upcoming TEFRA.

It is this group's wish that the application process be fair to all concerned parties, and in this regard would again request that the TEFRA date be moved accordingly. If you should have any questions or comments with regard to this request, please feel free to give me a call. Moreover, please do not hesitate to directly contact Roger Davis, Lisa Owens, or Cindy Evans who are acting as spokespersons for this concerned citizens group.

Yours very truly,

A. Scott Campbell (with permission)

A. Scott Campbell

ASC/cb
535318.1

January 9, 2002

RECEIVED
JAN 10 2002
EXECUTIVE

Texas Dept. of Housing & Community Affairs
Attn: Ruth Credillo, Acting Coordinator of Housing & Community Affairs
FAX: (512) 472-8526

I live in Stonebridge Ranch, Crimson Ridge Development in McKinney, Texas.

It has come to my attention that there is a possible development that has made application for tax credits. The name of the development is Stonebrook Villas with a proposed location of W. Virginia Parkway and Peregrine Drive in McKinney. This is a multi-family development which has 250 units.

I am adamantly opposed to this development for several reasons. First, I drive by this area and take my son to school every day. The intersection that this sits by (Custer & Virginia Parkway) is a death trap with some deaths already reported. Traffic is out of control and a tremendous amount of truck (semi) traffic, dump trucks, cement trucks, not to mention regular traffic flow, pass by there every day. This is a main thoroughfare that feeds heavy traffic from Hwy. 121 to Hwy. 380. I already feel that I'm taking my life and my son's life in my hands every time I cross Custer. Visibility is poor and if someone pulls up beside you, you can't see at all. It would be a total disaster to put in multi-family housing so close to this intersection. Also, Custer Road has no shoulders, sits somewhat elevated and there is no place to go but in a deep ditch if the need arises.

Secondly, I have taught in the schools that would be so heavily impacted by this development. The children are in portables now and it will only get worse. All children deserve better than that.

I appreciate the consideration of my concerns.

Sincerely,

Susan Carothers
225 Adonis Circle
McKinney, TX 75070

Co./Dept. TX Dept. Housing & Comm. Affairs	Co.
Phone #	Phone # 972-564-8585
Fax # 512-472-8526	Fax #

January 7, 2002

RECEIVED
JAN 0 8 2002
LIHTC

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing
And Community Affairs
Fax: 512-472-8526.

RECEIVED
JAN -7 2002
EXECUTIVE

Re: Stonebrook Villas

Dear Ms Cedillo,

We wanted to state our opinion about the proposed Multi-Family projected located at Virginia Parkway and Peregrine Dr., referenced as Stonebrook Villas.

We are **strongly opposed** to the development of this project for several reasons. Overcrowding in our schools is and has already become an issue. But the overriding concern is the impact this has on the children's quality of education and issues that come with overcrowding. We have a young one getting close to school age and want the best for her and the other children in the neighborhood.

We live next to the school and have to deal with the traffic coming to and from the school. And, it can be difficult. Also, traffic on Custer and Virginia has been on the rise. Custer is a two-lane road without shoulders and has more traffic that is seems it should. Besides, the Virginia Parkway and Custer Rd intersection is an accident-prone area to begin with.

This project, with the increase in families only makes these issues more difficult to live with. We did not move to McKinney to have overcrowding in our schools and deal with traffic congestion. Again, we are strongly opposed to this project.

Sincerely,

Mike & Kristi Casillo

Mike and Kristi Casillo
Kcasillo@InterVoice.com

To: Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

From: Peter and Sydney Conces, 8407 Kestrel Ct., McKinney, TX

Subject: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Ruth,

We are definitely opposed to any new multi-family development in this are due to the fact that our schools are already extremely overcrowded.

Also, the traffic will increase dramatically in an area that has only a two-lane road with no shoulders. It is already very difficult and dangerous to drive in this area.

Sincerely,

Sydney Conces

Peter and Sydney Conces

RECEIVED
JAN -4 2002
EXECUTIVE

8301 Garnet Way
McKinney, Tx. 75070-0993
1-4-02

Fax to: 1-512-472-8526

Ms. Ruth Cedello
Texas Dept. of Housing
+ Community Affairs

RECEIVED
JAN - 4 2002
EXECUTIVE

Re: Stonebrook Villas (250 units)
near intersection of
Virginia Parkway and
Peregrine Drive
McKinney, Tx. 75070

Dear Ms. Cedello,

It has come to our attention that Stonebrook Villas propose building the above 250 unit apartment complex. We are opposed to this development for the following reasons:

1. This area of the city already has two large apartment complexes very near by.
2. This is a busy corner, and traffic congestion will be a major problem.
3. The neighborhood school can not accommodate that many more pupils

Please record our opposition to this development.

Thank you,

Jack Cooper
Jack Cooper

Frankie Cooper
Frankie Cooper

Texas Department of Housing and Community Affairs
Attention: Ruth Cedillo, Acting Coordinator of Housing and Community Affairs
FAX: 512/472-8526

As residents of the Falcon Creek Subdivision of Stonebridge Ranch, we would like to voice our opposition to the proposed multi-family complex to be located on the corner of Peregrine and Virginia Parkway. Our children attend Eddins Elementary which is already overcrowded. Two new elementary schools are opening next year which will take away some of the students from our school, however, there are houses being built as we speak north of Virginia, which I assume will be in the Eddins school zone, and there are also many more houses being built throughout the golf course at Cotton Ridge and Custer, and I know that all of these new homes will also be in the Eddins Elementary District. Any relief our school may feel with the new schools opening will be very short-lived as we are getting many more new homes within our boundaries to take their place. Our daughter is in Kindergarten, and there are 7 kindergarten classes currently at Eddins, which is more than at any other school I have heard of. Wolfford and Walker only have 4 kindergarten classes each. We strongly feel that 7 kindergarten classes is ridiculous to maintain and that overcrowding this school any further would be a burden on the school, the parents, the teachers, and especially the students.

Furthermore, traffic along Custer Rd. should be considered. As I stated before, new home developments are already going up east of Custer along the golf course and north of Virginia Pkwy, as well as across Custer (on the West side of Custer, officially in Frisco). This new construction will greatly increase traffic on Custer Rd., which is already highly travelled. Custer is only a two lane road with no shoulder, median, or turn lane. Also, there are no traffic signals at any of the entrances to our neighborhood. We feel that the increased traffic an apartment complex would bring to this narrow road would pose dangerous driving conditions.

We appreciate your consideration of the above points.

Sincerely,

James and Stephanie Crutchmer
James A Crutchmer
Stephanie Crutchmer

RECEIVED
JAN -4 2002
EXECUTIVE

8700 Aviary Drive
McKinney, TX 75070

4 Jan 02

Texas Department of Housing and Community Affairs

Ms. Ruth Cedillo-

We want to state, for the record, that we are opposed to the Stonebrook Villas Housing being built at the intersection of Peregrine and Virginia Parkway. Our school, C.T. Eddins is overcrowded now and the traffic in this area is congested already. Building the Villas at this location would only add to our problems.

Sincerely,

Marla & Charles DeGilio

Marla & Charles DeGilio

RECEIVED
JAN -4 2002
EXECUTIVE

RECEIVED

JAN -4 2002

EXECUTIVE

TO: Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RE: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Dear Ms. Cedillo:

We are opposed to any new multi-family in the area due to the fact that our schools are already overcrowded. Currently, MISD has had to place portable classrooms at the current schools to accommodate the families already living in this area. Allowing these multi-family projects without planning to accommodate the children in the schools is negligent.

Additionally, we need to mention how our traffic will be impacted with the addition of 250 more families at that location (there are no one bedroom units - only 2, 3, & 4) and the fact that Custer Road (FM 2478) is only a two lane road with no shoulders. Custer Road is already overcrowded, a hazard to motorists and pedestrians alike, as development has accelerated in the area of the proposed multi-family units. Custer Road adjoins this property (Stonebrook Villas) to the west.

Please accept this letter as our formal objection to the proposed multi-family housing project named Stonebrook Villas at W. Virginia Parkway and Peregrine Drive.

Respectfully,

Richard & Gloria DeOreo
8701 Falcon View Drive
McKinney, TX 75070-6701

To: Texas Dept. of housing & community affairs
Atten: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

From: Mr & Mrs. Patrick DeRiso
7900 south Ballantrae Drive
McKinney, Texas

We are opposed to any new multi-family housing in our area due to the fact that our schools are already overcrowed. Traffic will also be impacted due to Custer being a 2 lane road and no shoulders.

Your attention to this matter would be greatly appreciated.

Thank you,

Mrs Patrick DeRiso

Mrs. Patrick DeRiso

RECEIVED
JAN -4 2002
EXECUTIVE

Re: Stonebrook Villas
A Multi-Family Project Proposed
To Be located @ Peregrine Dr. + Virginia Pkwy.
McKinney, Texas

Heather K. and Daniel P. Doyle
200 Peregrine Dr.
McKinney, Texas 75070
972-562-8081
hkdoyle@attbi.com

RECEIVED
JAN -4 2002
EXECUTIVE

Texas Department of Housing & Community Affairs
Attention: Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs

Ms. Cedillo,

We are faxing this letter to express our opposition to the planned Stonebrook Villas Housing, L.P. that is proposed for the corner of Virginia Parkway and Custer Road. As we understand the need for such housing, we believe any more multi-family housing in this area would be detrimental. Custer Road, as well as, Virginia Parkway are not prepared to accommodate such traffic flow, as this development would bring, with the already completed areas, in addition to the areas currently under development and in planning. Eddins Elementary, which is already beyond its capacity, in addition could not handle such a load. Especially with the existence of the portable building already in place that are to be "temporary". Finally, as we have stated that we understand the need for such housing, we do not feel it should be disadvantageous to the property owners in the area who are paying the tax dollars to support such a property. We appreciate you taking the time to hear our concerns and look forward to an agreeable resolution.

Sincerely,
Heather K. Doyle
Heather K. Doyle

January 4th, 2002

To: Texas Department of Housing & Community Affairs

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

Re: Stonebrook Villas
Multi Famiy Project @ Peregrine Dr. & Virginia Pkwy
McKinney, Texas

I am opposed to any new multi-family in the area due to the fact that our schools are already overcrowded.

Secondly, our traffic will be impacted greatly with the addition of 250 more families at that location. Custer Road is only a two lane road with no shoulders.

Sincerely,
Julie Durbin
Julie Durbin
Resident of Falcon Creek

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Ruth Cedillo
Acting Coordinator of Housing and Community Affairs
Texas Department of Housing and Community Affairs

Harvey and Kristen Ewing
712 Coralberry Drive
McKinney, Texas 75070

RECEIVED
JAN -4 2002
EXECUTIVE

Ms. Cedillo,

I would like to express my apprehension and opposition concerning the construction of Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. As a resident in close proximity to the proposed development, I do not feel that McKinney has sufficient roadway infrastructure to support yet another substantial residential development at this location. FM 2478 the primary highway for this area is only a two lane road and is considerably overloaded with existing traffic from nearby neighborhoods. I also would like to express concern over the negative impact this may have to existing property value.

Respectfully,

Harvey Ewing

Robbie and Martha Farquharson
8401 Garnet Way
McKinney, TX 75070

January 4, 2002

Texas Department of Housing & Community Affairs

Attn: Ruth Cedillo
Acting Coordinator of Housing & Community Affairs

Dear Ms. Cedillo:

It is with great concern that I write to you. I recently learned through a legal notice published in the paper as well as through many of my neighbors of the proposed Multi-Family Project (Stonebrook Villas) located at W. Virginia Parkway and Peregrine Drive in McKinney, TX.

As I understand it, the project will contain a total of 250 units – which basically amounts to 250 families. This intersection where this project is to be developed is not a safe one even at the present time. I'm sure you can research records and see the many accidents that have occurred at this intersection. At night, it could be considered a "blind" intersection because it is often to see the traffic that is traveling south on FM 2478 (Custer Road). This thoroughfare also does not have a shoulder on either the west or the east side of the road. The additional traffic that will obviously come with the addition of 250 families could very possibly prove hazardous.

In addition, I am concerned about the overcrowding of the neighborhood elementary school already located on Peregrine. There have already been placed portable building on that site to take care of a degree of overcrowding. There are new elementary schools being built throughout McKinney that could better handle the additional families that will be sending their children to school. Sites closer to these schools would be better choices to build this proposed apartment complex.

We already have two apartment communities located in Stonebridge located on Virginia Parkway. We do not need a third. This additional complex very definitely will lower the property value of our homesteads that we work hard to preserve. Our children can play in our neighborhoods and even take short trips to the local convenience store (Norby's) without us, as parents, being overly concerned. The additional traffic that this project will bring with it will require our kids to lose a large part of their freedom that they have come to enjoy.

Please take our thoughts and concerns to heart and work with us to not allow this project to be approved or to proceed.

Sincerely,

Robbie and Martha Farquharson

To: Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo,

Dear Ruth, I want to voice my opposition to Stonebrook Villas, a proposed Multi-Family Project at Peregrine Dr. and Virginia Parkway, in McKinney Texas. The amount of apartments that have recently been built in the immediate area have already overloaded the streets and schools. We currently have children who must be moved to other schools in the McKinney area. A high density apartment would, in my opinion, put the schools in a position that would be impossible to get out of. The traffic is already a nightmare. Please find another location that will not negatively impact an area as much as this.

Sincerely,

Mark Farris Mark Farris

RECEIVED
JAN -4 2002
EXECUTIVE

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Ruth Cedillo
Acting Coordinator of
Housing & Community Affairs
TX Department of
Housing & Community Affairs
Post Box 13941
Austin, TX 78711

Re: Affordable Housing Development W. Virginia Pkwy and Peregrine Drive McKinney, TX; Stonebrook Villas

Ms Cedillo:

I am opposed to the proposed plan to build Stonebrook Villas for three reasons: density, traffic, and impact on local schools.

Our community is becoming overbuilt with apartment complexes to such a degree that the City of McKinney has restricted multi-family dwelling zoning. As I understand, the city has place a freeze on new zoning. In addition, the project may exceed zoning requirements for our area. I believe the limit is 24 units per acre. Please check into this – is the project's density in compliance with the city's zoning requirement for multi-family dwellings? There may be room in other less dense areas of McKinney for the project.

A great deal of development is taking place along the west end of Virginia Parkway, which will substantially increase traffic flow through our residential neighborhood. If a 250 unit project is also added to the mix, this will certainly exacerbate the traffic situation. Because of the residential nature of Stonebridge, children walk and ride bikes to school along the streets. The traffic load will be a definite problem for them

Schools: School resources for pupils are already stressed by the tax base because the community has a high density of residential use and a low density of commercial property. The school board has been opposed to high-density projects because the tax base has not been adequate to support the schools. As an example, 90 town homes are planned for the corner of Virginia Pkwy and Stonebridge drive. The project has not yet broken ground and the school board is already very concern. I would certainly suggest your staff speak with the school board chairperson before going forward with 250 units.

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JAN -4 2002
EXECUTIVE

Thank you for listening. You can reach me at my office: 972.713.7476.

Ronald Gossling
821 Creekline Way
McKinney, TX 75070

January 4, 2002

Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs

(via Fax 1.512.472.8526)

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JAN -4 2002
EXECUTIVE

Re: **Stonebrook Villas Multi-family Project**
W. Virginia Parkway & Peregrine Drive
McKinney, Texas

Dear Ms. Cedillo:

My wife, Jennifer, and I reside at 8901 Aplamado Drive in Falcon Creek Village of Stonebridge Ranch in McKinney, Texas and are constituents of State Representative Mary Denny's district. We are strongly opposed to the aforementioned proposed multi-family project immediately north of us, near the intersection of W. Virginia Parkway and Peregrine Drive.

This proposed housing project would introduce children from over 250 new families into an already overcrowded school system. Also, Custer Road, which is the north/south collector immediately west of Peregrine, is a 2-lane asphalt road without shoulders and already carries a dangerous volume of vehicles, including a high percentage of large trucks and construction equipment. This type of development is better suited near the fringe of higher density residential zoning and/or commercial zoning, not in the middle of low-density, single-family zoning.

Thank you for the opportunity to express our concerns. Please contact us if you have any questions.

Sincerely,

Paul M. Hames

Paul M. Hames

January 4, 2002

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing and Community Affairs
VIA FAX 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Re: Stonebrook Villas
A Proposed 250-Unit Multi-Family Apartment Complex
To Be Located at Peregrine Drive & W. Virginia Parkway
McKinney, Texas

Dear Ms. Cedillo,

I am writing to you with my concerns regarding the proposed Stonebrook Villas development at the intersection of W. Virginia Parkway and Peregrine Drive in McKinney, Texas. I am very much opposed to the development of a multi-family development at this particular location in McKinney for several reasons.

C.T. Eddins Elementary School is already over-crowded and the entire 3rd grade is receiving their education in portable classrooms with no running water or bathroom facilities provided to these portable buildings. This proposed complex will contain only two to four bedroom apartments that will house families with multiple children. As our schools pass the capacity rate, it becomes a very difficult task to provide our children with a good education.

This proposed development will be located very near an intersection that is already dangerous and has caused residents much concern. The intersection of Virginia Parkway and Custer Road (FM 2478) is already very busy. Custer Road is a 2-lane road with no shoulder or emergency lane. It is already a very busy road with normal traffic as well as large truck traffic that is inherent on major roads. Additionally, the children of this development will have to cross Virginia Parkway (1 4 lane roadway) on foot on bicycle very close to its intersection with Custer Road. Again, this is not safe.

As a resident of this community, I very much oppose the construction of Stonebrook Villas. It is my opinion that this development will only further compound the over-crowding problems at our school.

I truly appreciate your consideration on this matter.

SH Hart

Sylvia Hart
106 Sparrow Hawk Drive
McKinney, Texas 75070

TO: Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

FROM: Jim & Wendi Hartwig
Property Owners, 103 Falcon Creek Drive
McKinney, TX 75070
Phone/Fax 972-529-2785

RE: **Opposition to Stonebrook Villas**, A Proposed Multi-Family
Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

DATE: January 4, 2002

This letter is to state that we are vehemently opposed to any additional multi-family properties in the area mainly due to that fact that our **schools are already overcrowded.** The aforementioned property would be zoned to attend Eddins elementary school which **already has temporary outbuildings for the students.**

Additionally, our **traffic will be seriously impacted** at this sight with the addition of 250 more families at the location (there are no one bedroom units, only 2,3& 4) and the fact that Custer Road (FM 2478), which is the **main intersecting road, is only a 2 lane road with no shoulders.** This alone has been a traffic hazard for some time.

We would like our opposition put on record and we are extremely disappointed and outraged as tax payers that a property like Stonebrook Villas could come to fruition and there be little to no publicity or notification to the neighboring homeowners. These are our tax dollars and we are **not in favor of the aforementioned property** being built to the detriment of our own property.

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January 4, 2002

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JAN -4 2002

EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Re: Stonebrook Villas, A proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Dear Ms. Cedillo,

In regards to the above referenced project, I would like to state my concern & opposition. I am opposed to any new multi-family project in the area due to the fact that our schools, and the school specific to this project have an existing overcrowding issue. In this particular area where the project is proposed, there is C.T. Eddins Elementary, which is within our subdivision. This school is already at capacity, and is having trouble accommodating the already existing families. It will not be able to accommodate 250 new families should this project go through. In addition, the overcrowding has posed many traffic safety issues. Each school year, the problem increases due to more families moving into the area. This school year has been the worst. Adding more families will only make this dangerous situation worse. This school has done it's best to assure the children are safe despite the traffic problems, but this situation is already about to explode. Although there have been new schools opening and more new schools to follow, the overcrowding situation has not improved, nor do I believe will improve, especially if this project or new developments goes through. Schools that are being built to ease the overcrowding just cannot be built fast enough to keep up with the fast-paced growth. To give you an idea of the overcrowding situation, children, including my own, who have a school nearby, have to be bused across town to other elementary and middle schools.

Second, my concern is how traffic will be impacted with the addition of 250 more families at this proposed location. Custer Road (FM2478) is a high traffic two-lane road with no shoulders. There have been numerous traffic accidents at the intersection where the proposed project is planned. There has been no talk of widening this road in the future. I am very concerned that this will also pose a traffic safety issue.

In closing, I certainly would like to see continued growth in our community, however, at this point in time, our schools and area roads are having enough trouble accommodating the fast-paced growth that we are already experiencing. I believe this area would be better suited for something other than Multi-Family projects.

Thank you for your time.

Sincerely,

Debra M. Heap

Debra M. Heap
8701 Aviary Drive
McKinney, TX 75070
972-562-2161

Bo Henk
8529 Spectrum Drive
McKinney, Texas 75070
Ph/Fax: 972-529-6630

06 January 2002

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JAN -4 2002
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To: Ruth Cedillo, Acting Coordinator
Texas Department of Housing and Community Affairs
Fax: 512-472-8526

Subject: Proposed State Funded Housing Project in McKinney, Texas

Dear Ms Cedillo-

It has come to my attention that an enormous State Funded Housing Project is proposed for a site located near my neighborhood in McKinney, Texas. The project is the Multi-Family Project located at Peregrine Drive and Virginia Parkway.
As a home owner with three elementary school-age children in an existing neighborhood located approximately one-half mile from this proposed project site I would like to voice my objection to this project location.

Our schools in McKinney are already overcrowded and the city is growing at an alarming rate: over 10,000 new residents arrive yearly with the existing growth plans in our neighborhoods. The school most affected by this new project site is the CT Eddins Elementary School which my children attend. We are already overcrowded and lack the teachers and facilities needed for the number of students currently enrolled. We are already faced with having our children attend class in outdoor annexes built this past year for the third grade – this is already unacceptable.

To place a huge multifamily state-funded complex within one-quarter mile of this school would require massive additional construction costs to the school – a burden on all the existing families and children attending the school and strain the small grounds left available for recreation and physical education.
The road system in this part of McKinney is already inadequate and antiquated for the burden of current development and residents. A two lane road is all that feeds numerous neighborhoods adjacent to the propsed Project Site. Custer Road cannot handle any more traffic than it already has.

Please take this as a vote of no-confidence in the States decision to locate a Multi-Family Housing Project at the Peregrine Drive and Virginia Parkway Location.
There are many other areas in the Southern McKinney, North Allen area which is currently in early phases of development that could handle the burden of such a large new housing project – provided the State does it's homework in finding out the planned infrastructure.

It appears obvious to me that the State did not do its' homework to the fullest when selecting the Peregrine Dr and Virginia Parkway location.

Sincerely
Bo Henk, McKinney Resident

B. Hk

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EXECUTIVE

January 4, 2002

Ms. Ruth Cedillo
Coordinator
Texas Department of Housing & Community Affairs
Fax: 512-472-8526

Re: **Stonebrook Villas Multi-Family Project**
W. Virginia Parkway & Peregrine Dr.
McKinney, Texas 75070

Dear Ms. Cedillo,

This letter is written to express our opposition to the proposed multi-family project referenced. We are opposed to this project due to the already overcrowded schools in our area. Also, the addition of 250 more families at this location would increase the traffic in the area, which the present road system could not handle the added volume. Currently, Custer Road (FM 2478) is only a two lane undivided road with no shoulders. The intersection of Custer Road and Virginia Parkway already has its share of accidents since it's only controlled via a two-way stop sign for Virginia Parkway.

Best regards,

Joseph L. Hilliard, AIA
Bobette J. Hilliard

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

I would like to express my concerns and opposition to the proposal to build additional multi-family housing by Stonebrook Villas Housing, L.P. near Peregrine Dr. and Virginia Parkway, McKinney, Texas. The area **can not** support the additional population growth without first improving the infrastructure in the form of roadways and class rooms to accommodate the increase in both traffic and children. Custer road is currently a two lane farm road that is heavily burdened with ongoing construction traffic. I have requested planning information about improvement plans but have not received any information from the city of McKinney. I do not have the actual numbers from the McKinney ISD about school capacity (C.T. Eddins Elementary), however from observation it seems to be at its limits.

Growth in our city is appreciated and anticipated, however our city planners must control the growth at the rate to which infrastructure can either exceed or minimally keep pace.

Respectfully

Lauri G. Horton

Lauri Horton
8431 Spectrum Dr.
McKinney, Texas 75070

Work: 972.344.1918

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Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

I would like to express my concerns and opposition to the proposal to build additional multi-family housing by Stonebrook Villas Housing, L.P. near Peregrine Dr. and Virginia Parkway, McKinney, Texas. The area **can not** support the additional population growth without first improving the infrastructure in the form of roadways and class rooms to accommodate the increase in both traffic and children. Custer road is currently a two lane farm road that is heavily burdened with ongoing construction traffic. I have requested planning information about improvement plans but have not received any information from the city of McKinney. I do not have the actual numbers from the McKinney ISD about school capacity (C.T. Eddins Elementary), however from observation it seems to be at its limits.

Growth in our city is appreciated and anticipated, however our city planners must control the growth at the rate to which infrastructure can either exceed or minimally keep pace.

Respectfully

Tim M. H

Tim Horton
8431 Spectrum Dr.
McKinney, Texas 75070

Work: 972.344.2141

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To: Tex. Dept. of Housing + Community Affairs
Attn: Ruth Cedillo, Acting Comr.
RE: STONEBROOK Villas - McKinney

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Dear Ms Cedillo, 1/4/02

I am opposed to the proposed Multifamily project located at W Virginia Pkwy + Peregrine Dr. in McKinney. (Stonebrook Villas)

In addition to there being no room for more children, at this time in the public school district, there is no public transportation and no businesses in the area for new residents to work at. McKinney is still quit rural and the cost outwieghs the benefits to taxpayers + future residents.

Darlene Howell
613 Fallen Branch Dr McKinney
75070

972
7350090

Date: Jan. 4, 2002
TO: Ruth Cedillo
Fax #: 512-472-8526

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This letter is to let you know that my husband and I are opposed to the Housing Development going in at Peregrine Dr. and Virginia Pkwy. in the City of McKinney. Our schools are extremely over crowded now!

I just found out about this deadline (4pm) at 3:30 p.m. today, Jan. 4, 2002.

Sincerely,
Judy Jensen
Hackberry Ridge
McKinney, TX

January 4, 2002

Mr. and Mrs. Christopher Jessen
107 Ledgenest Drive
McKinney, TX 75070

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Texas Department of Housing & Community Affairs
Ruth Cedillo
Fax:512 472-8526

My family and I are opposed to the multi-family Stonebrook Villas in our area. Our neighborhood school is already overcrowded at this time. The children from the Stonebrook Villas would be attending our neighborhood school. My family moved out to McKinney to have our child attend an elementary school where the class size would be reasonable. Due to all the homes and apartments being constructed, C.T. Eddins is now an overcrowded elementary school.

In addition, our neighborhood traffic will be increased due to more students being driven to school. We moved to this neighborhood thinking it would be safe for our children to walk to school. There is already a problem with traffic along 2478 since it is only two lanes and further traffic would make it even worse.

Please consider not building the Stonebrook Villas. They would be located at W.Virginia Parkway and Peregrine Drive in McKinney, Texas.

Thank You,

Christopher & Denise Jessen

Christopher and Denise Jessen

January 4th, 2002

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To: Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Hello Ruth,

My wife and I are residents in Falcon Creek, which is directly across the street from the proposed 'Stonebrook Villas', a proposed Multi-Family Project located at West Virginia Parkway & Peregrine Drive, in McKinney, Texas, north of Dallas.

Like many families in Stonebridge Ranch, we moved north of Dallas to escape over-crowded schools and the "city-ness" in general. We are Christian, very compassionate, and not interested in creating an obstacle here for the sake of socio-economic reasons- or contributing to stereotypes. But this project does threaten the very reasons we all moved to a *planned community*.

The fact is we oppose this development because of our concern over what will happen with 1) school overcrowding, 2) heavier traffic on streets not designed to handle it, and 3) our property value.

Like virtually every family here, we made a decision to invest in a home in a community where the schools are well-regarded (by quality and child/teacher ratio), and the reputation for a "small town" culture has created a place where our children are safe, and we don't have to lock our doors.

The "choice" we made 2 years ago for where we want to live is being taken away from us. This land in question was intended for homes, or for retail stores. If we had been told that it was designed for a low-income apartment property, we would not have moved to this location. It would *not* have come from a predisposition toward elitism, or attitudes about "low-income" families. Risk is risk, crime is crime, and our choice was to move to, and build from scratch, a home that would be a safe, long-term reward for our family- based on what developers told us would be built there. Believe me, I don't drive to work 40 miles a day one way for any other reason. McKinney is our home and it was a destination for us.

A house is one of the few things that you can rest assured will appreciate in value. Our concern is about the attitudes of a *potential buyer* of our home. Heaven forbid that this proposed property might detract from the value of Stonebridge homes- but this is not about bias, this is about reality. Skipping ahead, if our concerns turn out to be valid, it's nothing personal toward the folks who would live in that complex- but we just got shafted. Why? Because future potential buyers might fear a rise in crime, for example, and choose to avoid that possible risk- and not consider buying our home, and the homes around us.

Our belief is that every family should have the means and the resources to live in the best way they can, but we also believe that from a zoning standpoint, it's not a "win" for just anyone to plant this project wherever the land happens to be- what kind of analysis measures whether the long term effects on the community are positive or negative? It would seem more appropriate to *blend in* this proposed property with a part of West McKinney that protects ALL parties involved, *certainly including the families who would live in this complex*. They're no less important. We're talking about a high-profile cornerstone intersection, it's just the wrong spot that's all. It's not about *people*, it's about the *number* of people, and it's about building a neighborhood with pieces that fit smoothly, not forced together.

Our tax dollars, tied to property values, are being used to support this project- and ultimately it will overstress the infrastructure that's here. Our roads are already a minefield. Our schools are already using temporary units.

If a crystal ball told us that there is absolutely NO possibility of an adverse effect on our schools, roads/traffic, property values, or crime rate, we would support this project wholly. But no one knows the answer to that question.

We urge you to block this project until a solution can be found that creates a "win/win" for ALL of the families affected.

Very Sincerely,
The Johnsons

January 4, 2002

To: The Texas Department of Housing and Community Affairs
ATTN: RUTH CEDILLO, Acting Coordinator of Housing and Community Affairs

I am one of the many families writing to oppose Stonebrook Villas, a proposed Multi-Family Project to be located at West Virginia Parkway and Peregrine Drive in McKinney, Texas. The following are a couple of the concerns of the surrounding community opposed to Stonebrook Villas.

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The children of this project would be attending C.T. Eddins Elementary School. At this time, Eddins is already very overcrowded; many portable classrooms are already surrounding the building. As an educator, I have first hand knowledge that this is not the conductive environment for students to learn in, as they are cold, noisy, and isolated from the rest of the school. Although there are new schools scheduled to open in the surrounding area within the next several years, it must also be taken into consideration the several large communities already in progress in this area.

A second concern is the nearby supporting infrastructure. The project will be located just next to the intersection of West Virginia Parkway and Custer Road (FM 2478). Said intersection is extremely busy and is already becoming the most dangerous in the area. Compiled with Custer Road (FM 2478) consisting of only two, narrow lanes with no shoulder on either side, the infrastructure simply cannot support the existing traffic, let alone 250 more homes located in the exact trouble spot.

Probably of most concern to us surrounding communities is the effect Stonebrook Villas will have on the immediate economy. With all terrible recent events, coupled with the slowest economy in years and the contracts already in place to build up surrounding areas with very large homes, the legitimate fear arises that low-income housing will dramatically affect the development of this emerging and long-planned community. The surrounding area is already saturated with new and slightly used homes, as well as numerous more currently in construction. Unfortunately, low-income housing has a negative stigma surrounding it. This combined with the stale economy will irreparably damage the development of the west side of McKinney, Texas and furthermore drive new buyers to other areas.

In conclusion, for the above reasons my family and I are vehemently opposed to the building of Stonebrook Villas.

Sincerely,

Erica and Bradley Jones
8418 Falconet Circle
McKinney, Texas 75070

Norman and Carrie L. Klass
200 Peregrine Dr.
McKinney, Texas 75070
972-562-8081
hkdoyle@attbi.com

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Texas Department of Housing & Community Affairs
Attention: Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs

Ms. Cedillo,

As future homeowners in Stonebridge Ranch we are faxing this letter to express our opposition to the planned Stonebrook Villas Housing, L.P. that is proposed for the corner of Virginia Parkway and Custer Road. We currently reside with my daughter and son in-law upon the completion of our new home. We understand the need for such housing, but believe any more multi-family housing in this area would be detrimental. Custer Road, as well as, Virginia Parkway are not prepared to accommodate such traffic flow, as this development would bring, with the already completed areas, in addition to the areas currently under development and in planning. Eddins Elementary, which is already beyond its capacity, in addition could not handle such a load. Especially with the existence of the portable building already in place that are to be "temporary". Finally, as we have stated that we understand the need for such housing, we do not feel it should be disadvantageous to the property owners in Stonebridge Ranch who are paying the tax dollars to support such a property. We appreciate you taking the time to hear our concerns and look forward to an agreeable resolution.

Sincerely,

Carrie L. Klass

Carrie L. Klass

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January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Re: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Ms.Cedillo

I am writing this letter to show our concern about the proposed Muli-Family Project which would be located at W. Virginia Parkway and Peregrine Dr. in Mckinney Tx. We live in an area of already over crowded schools requiring portable buildings. I cannot see how adding a proposed Multi-Family apartment complex of 250 units can help our situation with our already over populated schools. The area where this proposed complex of 250 units would be situated is on a very busy corner of Custer Rd. and Virginia Pkwy, this corner is not only extremely busy from the residents who currently live in this area, but it is also laden with construction vehicles. This issue is not only an extreme concern to my family but to the majority of families who live in this area.

Concerned residents

Craig and Mary Kobren
8806 Merlin Ct.
Mckinney Tx, 75070

Telefax

To: Texas Department of Housing & Community Affairs Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs	Telefax: FAX: 512/472-8526
Date: January 4, 2002	Number of pages (inc. cover):
From: J. David & Joanne Kurtz 8413 Beech Lane McKinney, TX 75070	
Telephone: (972) 542-8997	Telefax: (972) 542-8986

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs

Subject: Proposed Multi-Family Project at W. Virgina Parkway and Peregrine Dr. McKinney, TX

Dear Ms. Cedillo,

For the record, I am opposed to any new multi-family housing projects located at W. Virgina Parkway and Peregrine Dr. McKinney, TX 75070, due to the fact that our schools are already overcrowded. Furthermore, the view out my back door now includes classroom trailers due to the overcrowded schools.

Additionally, our traffic will be impacted with the addition of 250 more families at that location (there are no one bedroom units - only 2, 3, & 4) and the fact that Custer Road (FM 2478) is only a two lane road with no shoulders.

My wife and I are in favor of providing low income housing to those who need it; however, we do not feel it should be done at the detriment of the property owners in the area.

Sincerely,

J. David Kurtz
8413 Beech Lane
McKinney, TX 75070

Joanne D Kurtz
Joanne Kurtz

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January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RE: Stonebrook Villas, A Proposed Multi-Family
Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

I am opposed to any new multi-family housing in our area due to the fact our schools are already at capacity even with two new elementary schools due to open this fall.

Additionally, traffic would be impacted with the addition of 250 more families at this location. One of the main roads near the above intersection is Custer Road (FM 2478) and it is only a two lane road with no shoulders.

Again I am opposed to the above referenced project and would appreciate any help you can offer with this matter.

Sincerely,

Sheryl Laudenslager

Sheryl Laudenslager
8520 Spectrum Drive
McKinney, TX 75070

FAX COVER SHEET

John LeGrand
8708 Falcon View Drive
McKinney, TX 75070
(214) 726-0140 - h
(214) 704-7071 - c

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URGENT URGENT URGENT

Send to: Texas Department of Housing & Community Affairs	**From:** JOHN LEGRAND, Property owner of 8708 Falcon View Drive (Falcon Creek Addition – Stonebrige Ranch Community)
Attention: Ruth Cedillo	**Date:** 01/04/02
Office location:	**Office location:**
Fax number: 512-472-8526	**Phone number:** 214-726-0140

Total pages, including cover: 01

Comments:

Dear Ms. Cedillo:

Please allow me this occasion to introduce myself as John LeGrand. I am one of the many concerned homeowners in the Falcon Creek Addition in the Stonebridge Ranch Community (located at Virginia Parkway and Custer Rd.), who is opposed to future development of the Stonebrook Villas Apartments that has been proposed at the intersection of Virginia Parkway and Perigrine Dr. (which parallels Custer Rd.).

I truly believe that this development will have a negative impact on our already over-crowded CT Edins Elementary School with the influx of additional children. Furthermore, I am confident that this type of development will have a long-term negative impact on our property values in Falcon Creek.

Again, I am very opposed to this new development and am planning to continue my support of those individuals and community leaders who are also in opposition of the Stonebrook Villas Development.

Thank you for your time and consideration of this matter.

Sincerely,

John T. LeGrand

CC: Lisa Owens

Fax : 405-359-9072 Jan 04 '02 04:36 P01

January 4th, 2002

Cheryl LeGrand
8708 Falcon View Drive
McKinney, TX 75070
(214) 726-0140

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EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
(512) 472-8526

Regarding: Future development of Stonebrook Villas Apartments in McKinney, Texas

To whom it may concern:

I would like to express opposition to the planned development of the Stonebrook Villas Multi-Dwelling Apartment project to be located near the Falcon Creek Addition in McKinney, Texas. I believe that this type of complex will have a negative impact on our community and will decrease the property values of all of our homes in the Falcon Creek Addition.

In addition to this, our CT Edins Elementary School has already had its share of over-crowding; furthermore, this will only place a larger burden on our over-crowed school in our neighborhood. This is one of my biggest concerns, as our son will be attending the CT Edins Elementary School.

In closing, our family is against any future development of this type, and we are hopeful that the Stonebrook Villas developers will look for another location to build this complex.

We are in full support of our local community leaders and those individuals that are also opposed to this development.

Respectfully,

Cheryl G. LeGrand

Cheryl G. LeGrand

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To: Texas Department of Housing and Community Affairs
Atten. Ruth Cedillo

I am opposed to the multi-family housing project planned for StoneBrook Villas located at Virginia Parkway & Peregrine Dr. I reside on the corner of Peregrine Dr. and would live directly across from the development. Our Schools are already overcrowded. Custer road is a two Lane road. Virginia Parkway had a heavy traffic load. Traffic on Peregrine in front of my home to get to the school in the morning and afternoon causes difficulty for residents with no Children. This will add 250 more families of which many will have children. This is of serious concern to and other residents.

Cordially

Brenda Massey
101 Peregrine Dr.
McKinney, Tx.
972-540-6142

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JAN -4 2002
EXECUTIVE

1-04-02

To: Ruth Cedillo
Acting Coordinator Of Housing & Community Affairs
Texas Department of Housing & Community Affairs

My name is Sam Massey, I am responding to the new Housing Project proposed at Virginia Parkway & Peregrine Dr. Stonebridge Ranch.

I am opposed to any multiple-family complexes in our school district. Eddington School installed 3 Trailers this summer to accomodate overcrowding classrooms.

With the additions of 200 or more families, I hate to imagine the next step.

I live on Peregrine Dr. & the traffic will increase drastically.

Preston Rd. is very busy also.

Not to mention property values.

Please consider an alernate site.

Sam Massey Brenda Massey

Sam Massey
Brenda Massey
101 Peregrine Dr.
McKinney, TX.
75070
972-540-6142
lasjm@attbi.com

FAX
TRANSMISSION

RECEIVED
JAN -4 2002
EXECUTIVE

To:
Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

512/472-8526

From:
Scott and Kim McCraw

Date and Time
Friday, January 04, 2002 at 4:08PM

Number of Pages
1, including this cover page.

❖

If you have any problems or questions regarding this transmission, please call 972 529 1312

Subject: **Stonebrook Villas, A Proposed Multi-Family Project to be located at Peregrine Drive and Virginia Parkway in McKinney**

As a homeowner, concerned citizen and parent I am absolutely opposed to the aforementioned project. I am appalled at the idea that is being proposed. This will have a detrimental impact on the value of my house, a detrimental impact on the schools that my children attend, and I have extreme concerns over the impact that it will have on the safety of my family. Please immediately reconsider.

Scott P. McCraw

Kimberly A. McCraw.

❖

FROM ERICSSON INC. 972+583+1826 (FRI)01.04'02 15:19/ST.15:11/NO.3561067099 P 1/1

RECEIVED

JAN -4 2002

EXECUTIVE

01/04/02

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Dear Ms. Cedillo

I write this letter to express my concern for a construction project I have recently been made aware of.

I am opposed to any new multi-family housing complex in the area of W. Virginia Parkway & Peregrine Dr. in McKinney near Falcon Creek. This area of McKinney is already woefully short of space for students at the elementary and middle school level and due to the fact that our schools are already overcrowded this project would only add to the strain on resources. Additionally, it would appear to me that the access roads and outlets for this area are inadequate to support this type of multi-family project. The simple fact that Custer Road (FM 2478) is only a two lane road with no shoulders makes it challenging enough today without much housing, it would be a nightmare upon completion of a multi-family facility.

In summary, I am vehemently opposed to Stonebrook Villas, the Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas and will be closely watching to see how our elected and appointed representatives handle this situation.

With sincere concern,

Bryan Miller Bryan Miller
1112 Bristlewood Drive
McKinney TX 75070

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Fax: 512-472-8526

Jan. 9, 2002

Dear Ms. Cedillo,

I am writing to oppose the multi-family housing project that is being proposed for the intersection of Virginia Parkway and Peregrine in McKinney, Texas.

An addition of 250 family units will negatively impact the already over crowded school and the increasingly heavy traffic on Custer Road (FM 2478) and Virginia Parkway. Since there is not public transportation in this area and it would be within 2 blocks of the school, there would be an increasing amount of both vehicular and pedestrian traffic and the potential for accidents. The children from this new complex would have to cross a major thoroughfare in already heavy traffic. During the times of school drop off and pick up, the congestion in this area is already very heavy and the potential for this to increase is extremely high if this project is approved.

One of the reasons why my husband and I moved to McKinney and selected the Stonebridge Ranch was because of the amenities of this community. We pay homeowner association dues for the upkeep of the common areas, parks, playgrounds, biking/hiking trails and other amenities. With the addition of this multi-family unit directly across the street from some of these common play areas and directly next to the school, many non-paying visitors would have access to these areas. While we don't mind sharing the cost of the upkeep for these areas along with other paying members, our association dues would probably increase if there were additional wear and tear on these areas caused by the non-paying visitors.

Please reconsider this proposed site for the multi-family unit.

Sincerely,

Julie A. Miller

Julie A. Miller & Melvin J. Miller
8412 Arbor Creek Lane
McKinney, TX 75070

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Re: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

Dear Ms. Cedillo,

We are writing this letter to voice our opposition to the multi-family project proposed for the intersection of W. Virginia Parkway and Peregrine Dr. in McKinney, TX. As a parent of a child who will be attending the same elementary school as the children from the multi-family project, I am very concerned about the overcrowding in the school. We already have portable buildings to accommodate the overflow of students, and I can not imagine trying to make room for another 250 families' children.

Also, the apartment complex will border on Custer Road, which is a very small two-lane road with no shoulders. It is already very congested with numerous construction vehicles and regular residential traffic.

Sincerely,

Mr. and Mrs. Kelly G. Molton
8808 Merlin Ct.
McKinney, TX 75070

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Texas Dept. of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Fax: 512/472-8526

Re: Stonebrook Villas, A proposed multi-family project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

My wife and I are voicing our opposition to the above referenced project. The infrastructure that would be necessary is not currently available, nor is it slated to be. The main road (Custer-FM 2478) is a two-lane road that currently has a heavy load of construction vehicles utilizing it. The intersection of Custer and Virginia has been the scene of numerous accidents and I can only see that matter worsening with this project. There is no public transportation in this area. There are no shopping centers within walking distance. The elementary school the children would be attending is already filled to capacity and expected to stay that way with the new housing that is already scheduled. The northwest section of Stonebridge Ranch has recently opened two new apartment complexes. I believe that we have our quota of apartment housing met in this area. I can see absolutely no benefits to bringing in the type of housing that you are proposing to this area- nothing beneficial to the tenants and nothing beneficial to the current homeowners. We ask that you reconsider your proposal for the need of this housing in this area at this time.

Sincerely,

Rick & Theresa Moore
8803 Merlin Ct.
McKinney, TX 75070

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
Texas Department of Housing and Community Affairs
Austin, Texas

Ms Cedillo,

My wife and I are strongly opposed to the construction of the proposed Stonebrook Villas, located at W. Virginia Parkway and Custer road in McKinney, Texas. For several reasons, we feel the construction of this multi-family project or any other multi-family project in this area will affect the quality of life that we paid for when we moved into this area.

First, Eddins Elementary School is already over flowing and is using portable buildings for extra room. It appears this will continue with all of the new single-family housing construction going on in the area and would get even worse with any multi-family project going up on Virginia Parkway.

Second, the increased traffic in and around the area will cause additional risk to drivers. Custer road is a two-lane farm road with no shoulders. It is already very difficult to access Custer Road.

Third, we feel any multi-family housing built on this corner will affect the value of our home. We paid a premium to move our family out to this neighborhood with the security of a planned community and high performing schools. We are already upset that the school is using portable buildings. We do not feel that it is right for an owner or builder to be able to come in and construct a facility, be it a multi-family housing or a commercial building, which will negatively affect the value of the surrounding area. I thought that was the purpose of zoning areas.

Ms Cedillo, my wife and I are very concerned with the education and up-bringing of our two children. We are sacrificing a lot to raise our children in this neighborhood and feel this multi-family project will affect our children's quality of life and the investment we are making in them. Please reconsider the construction of this or any other multi-family housing project on this property.

Sincerely,

Vincent and Tamra O'Hanlon
8407 Lanners Drive
McKinney, Texas 75070

Cc; Steve Bell, McKinney City Council

FROM : FAX NO. : Jul. 21 2000 11:24AM P2

Texas Department of Housing & Community Affairs

Benito Orsini
408 Crabapple Way
McKinney, TX 75024

January 4, 2002

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

Dear Ruth:

I would like to express my deep concern about the proposed multi-family housing project – Stonebrook Villas, to be located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. As a homeowner, a parent, and a member of this community, I am deeply concerned that this project will create such a high CONCENTRATION of people in the local area that our school system, road system, and community will become over crowded. Over crowded schools produce LESS educated students. Over crowded roads, especially roads that today are inadequate, result in significantly more traffic accidents and delays. Over crowded communities result in less privacy. IN SHORT, I BELIEVE THE NET EFFECT OF THIS PROJECT WILL BE TO LOWER THE QUALITY OF LIFE FOR EVERYONE INVOLVED

One of the reasons we chose to live in Stonebridge Ranch was that the ratio of single-family units to multi-family units was high. We wanted to be a part of a community where people were NOT packed in like sardines. If this project is completed – we will most likely reconsider our decision to live here.

Sincerely,

Benito Orsini
Kelly Orsini
[Click here and type job title]

RECEIVED
JAN -4 2002
EXECUTIVE

LISA M. OWENS

RECEIVED
JAN 4 2002
EXECUTIVE

January 4, 2002

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo, Acting Coordinator
VIA FAX: 512/472-8526

Re: Stonebrook Villas
A Multi-Family Housing Project @ W. Virginia Parkway & Peregrine Dr.
McKinney, Texas

Dear Ms. Cedillo:

I am writing to have my opposition placed on record to the proposed multi-family project located at W. Virginia Parkway and Peregrine Drive in McKinney, Texas. I am involved with a large group of residents who are concerned about the impact of this project on our schools and neighborhood. Given the current overcrowding of all elementary schools within the McKinney ISD, I feel that this project will place an unfair burden on existing residents and our children. At this time, C. T. Eddins, which would serve this development, must house the entire 3rd grade in portable buildings (without running water or bathroom facilities). Similar over-crowding is present throughout the district.

This overcrowding and the impact of any new multi-family development was confirmed in my correspondence with MISD Superintendent, Dr. David Anthony. Dr. Anthony indicated that the district has one new school coming on-line in the area for the 2002-2003 school year. Although this will relieve the overcrowding in the near term, these schools are anticipated to be full for the 2003-2004 school year based upon current growth. The growth projections do not take into account the added demand generated by additional multi-family development. Finally, Dr. Anthony indicated that only one other school site is available in the area. This site is in an area which is just now beginning to be developed and the school site will not be available for at least two years.

I also contend that demand for subsidized housing in this area is not warranted. The site of the proposed development is 5+ miles from the nearest grocery store, and over 10 miles from the nearest employment center of any significance. I have always been in favor of assisting those less fortunate than myself; however, I do not see how this property furthers this cause. Please note that until the city and school district's infrastructure has been improved, I am opposed to *any* new multi-family development in McKinney.

As a final note, the increased traffic congestion in our area has many concerned. Between SH 380 to the north and Stonebridge Drive to the south, Custer Road (FM 2478) is a two-lane roadway with open ditch drainage and no shoulders. There have been numerous serious accidents as well as at least one fatality on this roadway in the past four years. With all of the new residential construction occurring off of this roadway, this danger will increase. We have been told that it is the State's responsibility to widen this roadway and that the state has no more money for roadway projects. Therefore, it appears that this roadway will remain a danger into the foreseeable future.

Thank you for your consideration in this matter,

Lisa M. Owens

RECEIVED
JAN -4 2002
EXECUTIVE

Lisa M. Owens
8914 Aplamado Drive
McKinney, Texas 75070
lisa@owens-home.net
972/529-2757

Michael & Regina Paley
8405 Kestrel Ct.
McKinney, TX 75070
(972) 529-5714
www.mpaley14@aol.com

Via Facsimile 512-472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

January 6, 2002

Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs

Dear Ms. Cedillo:

I am writing in reference to Stonebrook Villas, a proposed multi-family project located at W. Virginia Parkway & Peregrine Dr. in McKinney, TX.

My wife and I are opposed to any new multi-family housing in the area for a variety of reasons. First off, our community schools are already overcrowded and many have resorted to portable classrooms. We realize there are plans to build new schools; however, the additional schools are already projected to be overcrowded and unable to accommodate our rapidly rising population growth in the community. In addition, we are extremely concerned about the impact a housing project that will house over 250 families will have on traffic flow. Custer Road (FM 2478), the major thoroughfare adjacent to this proposed housing project, is only a two-lane road with no shoulders. This road is the primary route from this area of McKinney to the Dallas Tollway. Custer road already has significant problems accommodating traffic flow, especially during morning and evening commutes.

My wife and I moved to McKinney from Dallas to get away from the exact challenges stated above. We have lived at our current address for the last 2 ½ years and already experienced unprecedented growth in our community and have lived through the trials and tribulations of trying to accommodate this growth. Based on our experiences over the last two years, we are strongly opposed to the Stonebrook Villas project or any project similar in size or nature. Please feel free to contact me with any questions or comments via e-mail at www.mpaley14@aol.com. Thank you in advance for your consideration.

Sincerely,

Michael Paley

Michael H. Paley

Tim & Tomi Patterson
700 Hackberry Ridge Drive
McKinney, TX 75070

January 8, 2002

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo, Acting Coordinator
VIA FAX: 512/472-8526

Re: Stonebrook Villas
A Multi-Family Housing Project @ W. Virginia Parkway & Peregrine Dr.
McKinney, Texas

Dear Ms. Cedillo:

I am writing to have my opposition placed on record to the proposed multi-family project located at W. Virginia Parkway and Peregrine Drive in McKinney, Texas. As residents of Stonebridge Ranch we are concerned about the impact of this project on our schools, neighborhood and property.

We feel this is a poorly chosen area for subsidized housing. The site of the proposed development is 5+ miles from the nearest grocery store. We are in favor of these types of projects however, do not see how this property furthers the cause. Please note that until the city and school district's infrastructure has been improved, we are opposed to any new multi-family development in McKinney.

In addition, the increased traffic congestion in our area is of large concern. Between 380 and Stonebridge Drive, Custer Road (FM 2478) is a two-lane road with open ditches and no shoulders. We feel this will be a very hazardous area for people to be trafficking.

Thank you for your consideration in this matter.

Tomi Patterson
Tim Patterson

Tim & Tomi Patterson
Tntpatterson@attbi.com

RECEIVED
JAN -4 2002
EXECUTIVE

Fax

To:	Ruth Cedillo, Acting Coordinator of Housing & Community Affairs	**From:**	Chris Paul
Fax:	512/472-8526	**Date:**	January 4, 2002
Phone:		**Pages:**	1
Re:	Stonebrook Villas, A Proposed Multi-Family Project	**CC:**	

☐ **Urgent** ☑ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

•Comments:

Dear Ruth,

This message is to voice my opposition to the proposed construction of Stonebrook Villas, a Multi-Family Project located at W. Virginia Parkway & Peregrine Drive in McKinney, Texas.

I am opposed to any new multi-family construction in the area due to the fact that our schools are already overcrowded. My son attends C.T. Eddins elementary school just blocks from our home and the proposed construction site. Eddins has recently added portable classrooms on the school grounds, yet my son is a student in **one of six** Kindergarten classes now housed at the school.

Additionally, traffic in the immediate area of the school and our neighborhood will be negatively affected by the addition of ~250 more families at that location (there are no one bedroom units in the proposed multi-family project - only 2, 3, & 4 bedrooms) and the fact that Custer Road (FM 2478) is only a two lane road with no shoulders.

Thank you for your consideration.

Regards,

Chris Paul

Resident, McKinney, Texas
8414 Falconet Circle
McKinney, Texas 75070
972-858-4892

Dave Isabelle

SANDE & DAVE ISABELLE
8509 FALCONET CIRCLE
MCKINNEY, TX 75070
972-529-1931

RECEIVED
January 4, 2002
JAN -4 2002
EXECUTIVE

Dear Ms. Cedillo,

Recently we were notified via a notice in our local paper about the Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. As we understand it, this is planned to be a 250 unit apartment complex consisting of 2, 3, and 4 bedroom units. It is also understood that 100% of these units will be categorized as subsidized housing with graduated rental fees.

We are opposed to such a development for several reasons. First, this development is proposed to be included in the Eddins school zone. In just 4 short years, this new school has gone from its opening to over capacity due to development in our area. Today the entire third grade meets in portable classrooms adjacent to the school. The addition of a new school, proposed to open in the fall of 2002, is intended to alleviate a portion of the overcrowding, but it cannot offset the increase in students that would be associated with the equivalent of 250 new homes being built within the school zone. Just as anyone else, we are very much interested in our children receiving a quality education and we firmly believe that this proposed development would put that quality education in jeopardy. C. T. Eddins is not designed to accommodate the number of students that it currently has let alone the number that would result from the addition of 250 multi-bedroom units.

Secondly, the proposed location for this project is not readily accessed by public transportation. We believe that it is a reasonable assumption that a large number, if not the majority, of the families that would occupy such a complex would not have access to personal transportation; this is based on the fact that they would be residing in subsidized housing. The lack of available public transportation would limit these families access to stores, medical facilities, and jobs.

Third, the opportunity for employment in the local area has dropped. The number of houses being sold and built has dropped. It was also recently noted that the employment opportunities for lower skilled and lower trained people had dropped. This limits the chances of finding gainful employment in our immediate area. The lack of public transportation exacerbates this problem since it limits the area in which employment can be sought.

Fourth, one of the reasons we found the Stonebridge area attractive was the limits placed on waste light at night. Limits are imposed on the residents and businesses as to the amount of outside lighting they can have. This is done to permit an unobstructed view of the nighttime sky. We have often gone outside to watch meteor showers or other events. This is a quality of life that we value and share with our children. We believe that this facet of where we live would be reduced if not eliminated by the creation of a large apartment complex along with all of the lighting that is included to illuminate the parking lots.

We understand that the lights are intended to illuminate the parking areas of the complex. It is also understood that these lights act as a deterrent of criminal activity (e.g., vandalism, theft). We believe that the addition of these 250 apartments will increase our risk to criminal activity. We are located some distance from the police and fire departments. This places our families and our homes at greater risk. We believe that this risk is increased when the lack of employment and transportation is factored into the picture.

Lastly, the location of this development is adjacent to the Virginia Parkway Custer Road intersection. This intersection has a blind hill just to the north. There have been several accidents at this intersection in the past. The increase in traffic that would be result, be it from public or private transportation, would increase the danger of this intersection since it would be the major artery to Plano.

It is for these reasons that we are opposed to the Stonebrook Villas, A Proposed Multi-Family Project. We believe that it will reduce our quality of life. This project will also reduce the desirability of our home as a result in the drop in quality of life, which translates into reduced property values, and increased difficulty in selling homes in the area.

Sincerely,

David and Kathy Paulsen

Texas Department of Housing and Community Affairs

Housing Resource Center

Consumer Complaint System

Complaint No.:	2002-14	**Phone Number**	(214) 726-1424
Complainant	Paul Davis	**Fax Number**	214 726 1412
Organization		**Email**	phdavistx@aol.com
Address	8605 Spectrum Drive McKinney, TX 75070	**Program**	BOND
Date Received	03/06/2002		
Respond Date			
Action Deadline	03/27/2002		

Forwarded To:
Robert Onion

Prior Complaints By Same Party:
None.

Summary of Complaint:
10 days ago I moved into my new home in Stonebridge Ranch in McKinney. 2 days ago I read your notice regarding multi-family housing going up across the street (Virginia Pkwy @ Custer) As a new home owner I have several concerns regarding my property values, neighborhood schools, and the security of my family and community. I am not in favor of this and will not vote for any bond issue supporting such action. We are currently in the process of making as many people aware of this as we can. A member of my family will be at the public hearing and we are willing to take all legal and political action necessary to stop this development from happening.

Action Taken:
3/11/02-Forwarded complaint to Robert Onion w/Multifamily Bond Program. HRC will send Mr. Davis email letting him know matter is being investigated.

Resolution Date:

Summary of Resolution:

Texas Department of Housing & Community Affairs
Attention: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Friday, January 04, 2002

Dear Ms. Cedillo,

I am writing to state my opposition to any new multi-family housing in our area. We live very near the intersection of Custer Road (FM 2478) and Virginia Parkway in the Stonebridge Ranch Development in McKinney, Texas. The neighborhood school here is Eddins Elementary. Eddins is already an overcrowded school; in fact, we are building a new school nearby to handle the current school-age population. I must oppose additional housing which will increase the severity of the situation for the children already in this school.

Additionally, Custer Road (FM 2478) is a two-lane country road with no shoulders. The traffic situation will be horribly affected with such a significant increase in vehicles in such a small area.

Thank you for you attention.

Sincerely,

W. Kenneth Paxton

W. Kenneth Paxton, Jr.
307 Scarlet Drive
McKinney, TX 75070
972.540.1038

Texas Department of Housing & Community Affairs
Attention: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Friday, January 04, 2002

Dear Ms. Cedillo,

I am writing to state my opposition to any new multi-family housing in our area. We live very near the intersection of Custer Road (FM 2478) and Virginia Parkway in the Stonebridge Ranch Development in McKinney, Texas. The neighborhood school here is Eddins Elementary. Eddins is already an overcrowded school; in fact, we are building a new school nearby to handle the current school-age population. I must oppose additional housing which will increase the severity of the situation for the children already in this school.

Additionally, Custer Road (FM 2478) is a two-lane country road with no shoulders. The traffic situation will be horribly affected with such a significant increase in vehicles in such a small area.

Thank you for you attention.

Sincerely,

Angela S. Paxton
307 Scarlet Drive
McKinney, TX 75070
972.540.1038

RECEIVED
JAN 0 9 2002
LIHTC

January 7, 2002

To Whom it may concern:

Re: Stonebrook Villas
Multi-Family Project @
Peregrine Dr. & Virginia Pkwy
McKinney, TX

We are opposed to any new multi-family project in this area North of Virginia Parkway. We feel this multi-family housing should not be done at the detriment of the property owners in the area living in Stonebridge Ranch, who are paying top dollar that build these properties.

Please reject the additional traffic conditions these projects will lend to the Custer Road, only two lanes without shoulders, carrying already many 18 wheelers, SUV's, trucks, & automobiles. This does not mention the fact that the school is already over-crowded. Our children already in classrooms need the smaller ratio to teacher they desired when locating in S.R. Settlements area.

Sincerely,

Charles & Lori Pittman
8408 Oakmont Circle
McKinney, TX 75070

RECEIVED

JAN -4 2002

EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

4 January 2002

Ms. Cedillo:

This letter is in opposition to Stonebrook Villas, a proposed Multi-Family Project located at W. Virginia Parkway and Peregrine Drive in McKinney, Texas.

I, along with a few hundred other homeowners in our community, have been working with the city to decrease the number of multi-family dwellings and to spread them out throughout the city. Our district already has its capacity of apartment buildings as the new city regulations states. I believe there is still room for apartment buildings in each of the other districts in McKinney.

Not only would Stonebrook Villas be another apartment complex, each unit has 2, 3, 4 bedrooms – meaning there will be families, not single folks or empty-nesters. This goes to the community's concern which led to our multi-family policy – the impact and stress on the infrastructure, especially the schools and police force.

This is not the place for another apartment complex – especially one with 250 family units! It is not needed, and it is not wanted.

We just heard about this 4pm deadline within the past hour – so you will not get as many letters as you should be getting. We communicate by email, and most of our residents read their email at night, which will be past your deadline. Please do not assume the few letters you get today are all who are opposed! Hold a meeting in our community and see how many show up in opposition!

If you wish to discuss my opposition, please feel free to call me: office = 972.713.7474 and home=972.529.9074.

Nancie Poppema
821 Creekline Way
McKinney, Texas 75070

Lisa M. Renfro
8532 Spectrum Drive
McKinney, Texas 75070
(972) 529-2744

RECEIVED
JAN 10 2002
EXECUTIVE

January 7, 2002

Texas Department of Housing & Community Affairs
Austin, Texas
Attn: Ruth Cedillo, Acting Coordinator of H&CA

Re: 250 units multi-family housing at Virginia Pkwy & Peregine Dr., McKinney, TX

To Whom It May Concern:

This letter is being written to inform your department of my opposition to the proposed contruction. I did not know the letter had to be filed by Friday and wish to have my opposition considered.

The area that has been proposed is a residential area with homes. We are already congested with traffic, and our schools are horribly overcrowded. Adding 250 families to this would only inflate an already insufferable condition. Custer Road is only a two-lane highway and has horrible traffic crowding already. Please do not put this property in this location. It is a terrible idea and will not benefit the community as a whole in any manner! It is also apparent that the proposed construction would not enhance the property values in this area.

Our names are Chris and Lisa Renfro. Our home address is 8532 Spectrum Drive, McKinney, Texas 75070. Our phone number is (972) 529-2744.

Thank you for your consideration in this matter.

Sincerely,

Lisa M. Renfro

Lisa M. Renfro

RECEIVED
JAN 0 8 2002
LIHTC

January 4, 2001

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -7 2002
EXECUTIVE

RE: Stonebrook Villas (Low Income Housing Project)
Corner of Custer Rd. & Virginia Parkway, McKinney TX. 75070

Dear Mrs. Cedillo,

We are faxing this letter to you and the TDHCA as notice of formal opposition to the planned addition of Stonebrook Villas as an approved Low Income Tax Abatement Housing provider. Please find the reasons for opposition as the following:

- **School overcrowding** is currently a problem at C.T. Eddins Eliminatory. C.T.Eddins has 4 portable buildings that cannot handle the current overcrowding. I submit that spreading low-income families throughout the community would have a less detrimental impact on this school.
- The **traffic congestion** at Custer Rd. and Virginia is already difficult at best. This complex will put an undo strain on an inadequate highway system.
- The City of McKinney has **no mass transit system** and locating this complex 7 miles from major services (postal and medical) or businesses (grocery and retail) makes very little sense. The residents of this facility will have to go the same distance for any kind of service work and 12 miles for any type of major production employment.
- A **100% concentration** of low-income families in one area defeats the purpose of integrating. A reasonable number of 10 to 20 % is more than welcome in one area. These families need to be spread through out the community, not segregated into one pocket or unit as in this case.
- The current number of **three multifamily (200+) dwellings** in less than a two-mile strip of Virginia is already deflating property values to the current homeowners.
- The **lack of formal notice** and response time is not adequate. The community that is being impacted was not given proper time to respond to this action due to the holidays. The citizens of the community being impacted should be given an opportunity to help design a plan that would be mutually agreeable by all parties involved.

Please let us know how we can obtain more information on the laws that govern this matter, because we are sure that there is some required literature for all parties involved.

Sincerely Concerned Citizens,

Michelle & Shane Robinson
8605 Falcon Crest Dr.
McKinney, TX. 75070

Cc: Steve Bell, City Councilman
Dick Army, State Rep.
Rick Perry, Governor

Wayne Harless

From: Lisa Owens [lisa@owens-home.net]
Sent: Thursday, February 14, 2002 9:55 AM
To: Jim Buie
Cc: Brooke Boston; Jim Anderson; Tom Gouris; Florence Shapiro; Mary Denny; Don Dozier; Thad Helsley; Steven Bell; Brad Wysong; Rick Perry; Bill Ratliff; Carole Keeton Rylander; James Laney; Warren Chisum; Eddie Lucio; Tim Roth; Pete Gallego; Bill Darling; Stephen Apple; Shannon Roth; Wayne Harless; Burt Solomons; Steve Mitas; Robert Onion
Subject: TEFRA Hearing & TDHCA Info

McKinney Citizens for Balanced Growth

image001.gif

Feb. 13, 2002

Mr. Jim Buie
Executive Director
The Texas Bond Review Board
P.O. Box 13292
Austin, TX 78711-3292

RE: Stonebrook Villas
A Proposed 224-Unit LIHTC Apartment Complex
Located at Peregrine Dr. & W. Virginia Parkway
McKinney, Texas

Dear Mr. Buie:

You may be aware from conversations with Monica Kasparek of your staff, that our citizens group is reviewing the above referenced apartment project at this time. As relayed to Ms. Kasparek, TDHCA has set the TEFRA hearing date for this project for March 14th. Please be advised this date falls in the middle of the spring break for McKinney schools, and many families will be on vacation.

I think it is easily understandable to a reasonable person why this presents a hardship, and prevents a full and fair opportunity for our citizens to participate in the hearing. While I am fully aware that the absent citizens can submit opinions to the TDHCA for inclusion in their board approval package, this does not afford the same fair opportunity for citizen comment. The residents not present will not have the opportunity to view visual aids, see the TDHCA and developer presentations, or hear other questions from other participants that may prompt their own inquiries. In summary, because the hearing is scheduled in the middle of both a work week and spring break, many of our involved residents who would normally be in attendance will not get a fair chance to review relevant information or participate in the "real" process.

The hearing date is problematic for other reasons. MCBG has been diligently, patiently, and courteously working with the TDHCA and the developer to obtain a number of items of critical information for our review of this project (and can document our requests if you require same). Regrettably, after several weeks or in some cases nearly 2 months of inquiry, we still have not received answers or requested information on a number of issues, most particularly items promised by the developer. Examples include the revised project budget (the unit count was changed several weeks ago), construction schedule, and operating pro forma, among others. The developer has finally responded today to indicate that the promised materials will be relayed to us by month end, only 2 weeks from the hearing date, which is unreasonable. Adequate submission of all materials by the developer to support project underwriting should have been effected by early January, and would have afforded citizens at least 2 months to review, and/or engage a professional specialist to review.

Note that this information is critical to MCBG's review, and to that of the third party independent review we have engaged from an MAI appraiser who specializes in low income housing. As you may have already seen, our preliminary analysis indicates there were very serious errors, omissions, and problems in logic and conclusions in the Market Study commissioned by the developer for this project. It was our conclusion that if only the mathematical errors alone were corrected, the Study would clearly demonstrate insufficient demand to support this project in order to satisfy TDHCA underwriting criteria. In fact, it illustrates an oversupply of such units in McKinney over the next several years, and that McKinney has one of the highest concentrations of LIHTC units in the Dallas/Fort Worth area. Note, for example, that 58,000 resident McKinney has the same number of LIHTC complexes as does Dallas, a city 21 times the size of McKinney. Our math corrections (only) of the analysts' calculations reflect at minimum a 28% capture rate. Mr. Jim Anderson, Underwriter for TDHCA, relayed to us that TDHCA required no more than a 25% capture rate to qualify their properties. Additionally, the actual capture rate would be much higher due to the analyst's failure to include competitive non-low income private multi-family which is competitive based on price point, especially in complexes in North Plano with access to public transportation (McKinney has none and will not for some time), are walking distance to groceries (Stonebrook Villas would not), or have other amenities the subject does not.

Our MAI consultant is also currently reviewing this market study, which incorporates a feasibility analysis including an evaluation of the project budget. As our consultant does not yet have the revised budget and may not for some weeks, this will severely delay completion of his review. Therefore, through no fault of our own but due to delays by the developer in providing basic information that should have been available weeks ago, we may not receive or have an opportunity to review our consultant's report prior to the TEFRA hearing.

We have requested on numerous occasions that the TEFRA be rescheduled to some date past Spring Break and on a Saturday, to facilitate a full and fair community involvement in this process. It is my understanding that TBRB actually sets the date based on recommendations from TDHCA. Therefore, I respectfully request that TBRB consider and approve a later date for the TEFRA hearing, say by the first week in April instead of March 14th.

We have also requested that we be notified of any public hearings or meetings that might be held by any involved agencies in Austin regarding this property. To date, we have not been made aware of any such meetings.

Because we are all homeowners who need time to review this information outside of our professional responsibilities, we would like to request that we have all of this information by Monday, Feb. 18th or sooner, if possible.

We appreciate your consideration and appreciate your efforts on behalf of the citizens of Texas.

Sincerely,

Roger C. Davis
President

cc: Mr. Robert Onion
Ms. Brooke Boston
Mr. Jim Anderson
Mr. Tom Gouris
Senator Florence Shapiro
Representative Mary Denny
Ms. Stacey Schiff
Ms. Orinda Spikes (via fax)
Ms. Shannon Roth
Mr. Stephen Apple
Mr. Wayne Harless
Steve Mitas, McKinney HFC
Bill Darling, McKinney HFC
The Hon. Don Dozier, Mayor
The Hon. Thad Helsley, Mayor Pro Tem
The Hon. Gilda Garza, City Council (via fax)
The Hon. Gabe Nesbitt, City Council (via fax)
The Hon. Steve Bell, City Council
The Hon. Bill Whitfield, City Council (via fax)
The Hon. Brad Wysong, City Council

Texas Bond Review Board Members

Governor Rick Perry
Lt. Governor Bill Ratliff
Comptroller Carole Keeton Rylander
Speaker James Laney

McKinney Citizens for Balanced Growth

Post-it® Fax Note 7671		Date	# of pages ▶
To	Robert	From	Leslie
Co./Dept.		Co.	
Phone #		Phone #	463-5855
Fax #	475-3085	Fax #	

February 11, 2002

Speaker James Laney
Texas Bond Review Board
c/o Leslie Lemon
VIA FACSIMILE: 512/463-0921
VIA EMAIL: leslie.lemon@speaker.state.tx.us

Re: Stonebrook Villas
A Proposed 224-Unit LIHTC Apartment Complex
Located at Peregrine Drive & W. Virginia Parkway
McKinney, Texas

Dear Speaker Laney,

We are a group of local citizens formed to monitor the impact of the rapid growth in the City of McKinney, Texas on our schools, infrastructure, employment and other quality of life factors. We are writing today to urgently request your review of an application for tax credits for a proposed TDHCA - LIHTC property called Stonebrook Villas in our city.

Stonebrook Villas is a proposed 224-unit LIHTC property to be developed by Southwest Housing Development under the Texas Bond Lottery and incorporates federal tax credits issued by the TDHCA. We are requesting the state deny the bond and tax credits based on lack of demand, poor economics and project feasibility, and failure to meet TDHCA guidelines and policies, as demonstrated in the information attached.

In reviewing the Market Study performed by Butler-Burgher of Dallas and provided to the State by the developer, we found numerous mathematical errors, errors of omitting data, and an unusual definition of a 10-mile market area instead of the 3- to 5-mile norm for the apartment industry. We found serious problems in the Market Study's demand analysis, a costly project budget which is exorbitant compared to industry norms, and very thin financial operating projections which indicate a poor ability to service the bond debt. In fact, our analysis revealed this project would have a negative cash flow unless it was granted an abatement of <u>nearly all</u> local property taxes, which local officials have stated would not be permitted. (Note that McKinney already has one of the highest tax rates in the state at a combined rate of $2.725843 per $100/valuation, a problem which would be even more egregious if the subject project were to be granted an exemption). In addition, because of the city's extremely rapid growth at present, the project will further exacerbate an existing overcrowding problem in our local schools and contribute to the overloading of existing and planned infrastructure such as roads and municipal services.

To summarize our analysis issues, the Butler-Burgher Market Study's demand analysis has a number of very serious flaws. These include simple mathematical errors, which once corrected actually illustrate the fact that sufficient demand for a new LIHTC **project does not exist, and will not exist in the immediate future** in McKinney, Texas. Further, the capture rate (new units divided by existing demand) greatly exceeds the criteria set forth by TDHCA's own policies.

Please also note our analysis' detail on concentration issues of LIHTC projects within McKinney compared to surrounding cities, including Dallas. In addition to the project's failure to meet TDHCA demand criteria, in researching this project we discovered that McKinney has other proposed low-income projects. Two additional low-income-qualifying projects are under construction and eight are in the planning stages (all are LIHTC, two by the McKinney Housing Finance Corp., three by the Collin County Housing Finance Corp., and three under TDHCA). Construction of this new supply will severely exacerbate the current oversupply of low-income apartment units in our area. In fact, our review found that our 58,000 resident town has more housing classified as "affordable" by TDHCA than all of the larger neighboring suburbs *combined* -- Plano, Frisco, Allen and Richardson. **Note the startling fact that McKinney has the same amount of LIHTC housing projects as the City of Dallas, a city 21 times larger than our town.** While we are still researching the statistics, my current formative opinion is that McKinney probably has among the highest concentrations of low-income units on a percentage basis of cities in the Dallas/Fort Worth area, if not Texas as a whole. Consider also that none of these supply figures include any existing non-low income program housing, which while not classified as "affordable housing," is nonetheless affordable by price point and competes directly with state and federal program low-income housing within our market.

Though our analysis incorporates my extensive professional expertise (as a commercial estate appraiser, analyst, regulator, and commercial banker for 14 years), it was performed as an interested citizen. In the interest of objectivity, MCBG has engaged an independent professional review of the Market Study by an LIHTC expert (who is a Member of the Appraisal Institute or MAI) and expect to have those results by month end.

As a member of the Texas Bond Review Board, we request you consider our review comments and recommend rejection of this bond due to a lack of demand and its failure to meet the approval criteria set forth by the TDHCA.

We would like express our appreciation for your time in reviewing this very important request. We would be more than happy to discuss this issue further with you and your staff at any convenient time. Thank you for your consideration.

Respectfully,

Roger Davis '84

Roger Davis '84
President
boots_davis@yahoo.com
214/209-9505 (o)
972/540-1883

Enclosures: Market Study Review
Excel Spreadsheet

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JAN -4 2002
EXECUTIVE

Gerald and Marybeth Scarcia
213 Lodgenest Drive
McKinney, TX 75070
972-540-1790

January 4, 2002

Texas Department of Housing & Community Affairs
Via Facsimile: 512-472-8526
ATTN: Ruth Cedillo, Acting Coordinator

RE: Stonebrook Villas; Proposed Multi-Family Housing Project
Location: West Virginia Parkway and Peregrine Drive, McKinney, Texas

Dear Ms. Cedillo:

We are writing this letter to express our ***opposition*** to the above-mentioned housing project.

We have been residing in Stonebridge Ranch for six years and appreciate the progress and growth which has been taking place since we moved here. While we do not wish to oppose further development, we do wish to keep our schools from becoming over-crowded and our local roadways safe and sensible in relation to traffic conditions.

Currently, we have two large multi-family complexes - one on Virginia Parkway near the intersection of Ridge Road, and another one on the corner of Virginia Parkway and Stonebridge Drive. We have heard that another apartment complex is underway ("The Mansions"), which we believe is to be located on Custer Road near Cotton Ridge Road. If The Mansions and Stonebrook Villas are built, this will put four very large apartment complexes within a three-mile radius of each other (two of which will be only three blocks from each other - The Mansions and Stonebrook Villas), increasing the elementary schools' population by enormous volume, and producing a detrimental impact on traffic conditions.

Our school zone area is already over-crowded and being forced to utilize trailers to house many students. While I understand that a new elementary school is being built on Coronado and is expected to open in August of 2002, I do not see how C.T. Eddins and the new elementary school will be able to accommodate all the children that potentially could move into this area. ***(Please keep in mind that several single-family developments are being constructed in this immediate area as well.)***

We are seriously concerned at how the demographics are being calculated for our school zones. We were recently informed that part of the equation in determining how many children will reside in a given area include counting one apartment unit as housing only .02 children. In other words, it takes five apartment units to represent the population of one child. I find this equation extremely miscalculating. ***(If this is a fair and just calculation, why are all these apartment buildings providing 2, 3 and 4 bedroom units. Also, of these existing units, how many of them***

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EXECUTIVE

Ruth Cedillo, Acting Coordinator
Texas Department of Housing & Community Affairs
January 4, 2002
Page 2

are occupied by single parents with one or more children?) It is has been our experience in life that not all apartment units are rented by single adults and elderly couples. It is very common for single parents with one or more children to rent an apartment.

Of utmost importance, as I am sure you are aware, elementary schools in Texas are required by law to keep the ratio of teacher/student below or at a ***maximum*** of 1 to 22. However, it has been my experience over the past several years that every elementary school in McKinney did, or still does, utilize trailers to assist in over-crowding conditions. Although this letter is not intended to dispute the issue of trailers on school campuses, it is offered in light of the possibility that this resolution may be offered once again to our growing district, temporary or not. (I personally feel our tax dollars are paid for our children to attend school in a "school building," not a "trailer." Especially in this area of Texas when weather conditions can change in a second's notice during spring and fall months.)

At present, Custer Road is a two-lane road with no existing shoulder. There have been several accidents at the corner of Custer Road and W. Virginia Parkway - a few of which have caused fatalities. If two large apartment complexes are constructed prior to expanding Custer Road and Virginia Parkway into four-lane roadways (once crossing over Custer Road heading west, W. Virginia Parkway is still two lanes), I foresee a dangerous traffic situation becoming only more dangerous. ***Why not build the roads before building any more multi-family developments?***

In this letter, we have tried to implement our concerns and oppositions to more multi-family developments in our resident location. However, we were notified only a couple of hours ago that we had a deadline of 4:00 p.m. today, January 4, 2002 to submit our opposition. Therefore, due to the lack of notice and having to rush this correspondence, we are certain other issues of concern may have been inadvertently left out.

Your careful consideration to the opposition of the construction of Stonebrook Villas as expressed herein is greatly appreciated. If you have any questions or would like to speak with us further regarding our concerns, please feel free to contact us at the phone number indicated above.

Sincerely,

Marybeth and Gerald Scarcia

Rec'd
1-4-01
area o/b.

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EXECUTIVE

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LIHTC

Texas Department of Housing & Community Affairs

Attn: Ruth Cedillo
Acting Coordinator of Housing & Community Affairs

Dear Ms. Cedillo,

My husband and I are extremely concerned with the possibility of an apartment complex going in on the corner of Peregrine Dr. and Virginia Pkwy. There are many reasons why this community would be negatively impacted by the construction of this complex but the most distressing would be the already extremely overcrowded school and the traffic congestion this complex would bring in to an already troubled area.

There are already two large apartment complexes on this section of Virginia Parkway and the addition of a third in this area is unwarranted. There are many other areas in West McKinney that are completely developed for increased traffic and with schools that wouldn't be so severely stressed.

We would appreciate any help you could give to us in this matter. The fact that two apartment complexes already exist within a couple of miles of the proposed site seems to me to show that this complex would be better situated in a different area.

Sincerely,

Barbara E. Schmuck

Barbara E. Schmuck
8605 Arbor Creek Lane
McKinney, TX

January 4, 2002

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JAN -4 2002
EXECUTIVE

Texas Department of Housing & Community Affairs
Attn. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
Fax: 512-472-8526

Referencing: [Stonebrook Villas] The proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

I am absolutely opposed to the future plans of another Multi-Family [apartment complex] living community in this area.

The impact of an additional 250 unit complex [with no one bedroom units – only 2, 3, and 4] at the referenced location will overcrowd an already highly populated schools system, not to mention our ability to handle the additional traffic congestion. Custer Road (FM 2478) is a two lane road with no shoulders.

I would like to reiterate my disapproval for this proposed project.

Thank you for your time and understanding.

David Schmid
8405 Lanners Drive
McKinney, TX 75070
214-726-0997

January 4, 2002

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

Dear Ms. Cedillo,

I am writing you to oppose the proposed construction of Stonebrook Villas in McKinney, Texas. The construction of these 250 multi-family dwellings at the intersection of W. Virginia Parkway and Peregrine Drive at the present time seems detrimental to our community for the following reasons:

- School overcrowding - The Stonebrook Villa plan calls for 250 two to four bedroom apartments. The number of bedrooms is significant because I believe this is a prime indicator of the population of children. Eddins Elementary School is over-crowded today. To compound the present problem, construction continues on several single family developments (i.e. Virginia Hills, Hackberry Ridge, Woodhaven, Waterbury, Canterbury, Ballantrae, and one yet to be named development) near the multi-family site. Every community is seeking educational excellence for their children. I ask that you consider the negative impact of injecting a minimum of 150 children into a school which is already past maximum capacity. No child can possibly win.

- Safety/Insufficient roads – Residents who travel west on Virginia Parkway a couple of hundred yards will find Custer Road (FM 2478). At this intersection, (and for several miles both north and south) Custer is a two-lane farm to market road in desperate need of repair. Custer is a highly traveled road that also carries significant large truck traffic. The fact that Custer Road is in need of immediate repair/expansion and no shoulders or turn lanes exist makes additional concentrated housing seem ill-advised. Appropriate road infrastructure should be in place before any additional construction is allowed in this area. The additional traffic generated by the proposed Stonebrook Villas so close to this intersection will greatly increase congestion at an already dangerous and congested intersection (limited visibility at stop sign on a significant grade).

Presently, we have a great community. We realize that we are facing very real challenges regarding school overcrowding and infrastructure of main roads. I submit to you that no construction should be approved in this area until these basic concerns have been addressed. The priority on educating our children has lured many residents in the past. Expansion has occurred at an unbelievable pace. I simply ask that you consider the benefits of "right-sized" schools and the safety of our neighbors and children on our roads before further expansion is allowed.

Thank you for your consideration and Happy New Year!

Sincerely,

Wilbur Sheets
100 Fuchia Court
McKinney, TX 75070
(972)540-5710

JAN-7-2002 11:21A FROM:CHRISTIAN ALLRED 2147269231 TO:15124728526 P:1/1

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JAN 0 8 2002
LIHTC

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs
FAX: 512/472-8526

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EXECUTIVE

RE: Opposition to Stonebrook Villas, McKinney, Texas

January 5, 2002

This letter is to register my opposition to the construction of Stonebrook Villas, a Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

We are opposed to any new multi-family housing projects in this area. The proposed Stonebrook Villas apartment complex only includes two, three, and four bedroom units. NW McKinney cannot support this high concentration of residents due to the following facts:

- Both currently operating and under-construction schools are already overcrowded.
- The infrastructure is not adequate as Custer Road (FM 2478) is only a two-lane road with no shoulders.

Thank you for your time and consideration of our opposition to this proposal.

Regards,

Kelly Simmons
McKinney, Texas

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LIHTC

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Texas Department of Housing & Community Affairs
FAX: 512/472-8526

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JAN -7 2002
EXECUTIVE

RE: Opposition to Stonebrook Villas, McKinney, Texas

January 5, 2002

This letter is to register my opposition to the construction of Stonebrook Villas, a Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas.

We are opposed to any new multi-family housing projects in this area. The proposed Stonebrook Villas apartment complex only includes two, three, and four bedroom units. NW McKinney cannot support this high concentration of residents due to the following facts:

- Both currently operating and under-construction schools are already overcrowded.
- The infrastructure is not adequate as Custer Road (FM 2478) is only a two-lane road with no shoulders.

Thank you for your time and consideration of our opposition to this proposal.

Regards,

Nelson X. Simmons
McKinney, Texas

OPPOSITION MEMORANDUM

TO: RUTH CEDILLO

FROM: RICHARD SINE

SUBJECT: OPPOSITION FOR STONEBROOK VILLAS

DATE: 1/4/2002

cc:

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JAN -4 2002
EXECUTIVE

Dear Ruth Cedillo,

I am sending this memo to document my opposition for Stonebrook Villas, a proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. I feel there are a great deal of deterrents for such a decision relative to our over crowding of school systems, utilities, roads and community living. The community school benefit when buying my home has been changed and threatened each year I have lived here and this will make it exponentially worse. I also feel our road system is inadequate. We have an opportunity to build a community of greatness and instead we are attempting a great population volume that takes away from a community. I would like to be notified of any meeting held for general public to oppose or discuss this proposal.

Yours truly,

Richard Sine

January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Dear Ms. Cedillo,

We are writing you this letter to express our opposition to Stonebrook Villas, a proposed multi-family project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. We feel that by adding 250 more families to are already overcrowded elementary school, CT Eddins, will only jeopardize our daughter's value of education. Most classes are already at the State's legal limit and there are already three portable classrooms that house the entire third grade. We do understand that there will be two new schools added to the district that will pull some students, but this west end of McKinney is growing daily with new housing that will most likely be zoned to our already overtaxed school.

Secondly, we oppose the project due to the increased traffic flow on W. Virginia Parkway and Custer Road (FM 2478). This intersection is already very dangerous with a fatality a few years ago. There is no light and accidents occur when traffic tries to cross over Custer Road. Also Custer Road is only a two-lane road with no shoulders, uneven pavement and lots of fast moving large construction vehicles.

Thank you for taking the time to listen to our concerns.

Ken & Pam Smith
8707 Merlin Court
Falcon Creek

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JAN 0 8 2002
LIHTC

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
Fax: 512/ 472-8526

This letter is opposing the proposed Stonebrook Villas, Mutli- Family Project to be located Peregrine Drive and Virginia Parkway in McKinney, Texas.

I have concerns for increased population in already over-crowded schools and the increased traffic problems the new multi- housing development will bring.

Thank you,
Lisa & Jason Snow
(972) 529-2728

Attention: Texas Department of Housing and Community Affairs
Ruth Cedillo, Acting Coordinator of Housing and Community Affairs

I am writing to you to express my deep concern over the planned multi-family housing project planned by Stonebrook Villas. This is a proposed multi-family project to be located at W. Virginia Parkway and Peregrine Dr. in McKinney.

I have several concerns about this project going forward. Among them, our schools are too overcrowded as it is. Traffic in this area, especially on Custer Road, is dangerous enough now. It is a two-lane road with no shoulder and poor visibility. It is also a very high traffic area. Adding 250 additional families in the mix would be detrimental at this point. There has been two new multi-family complexes built on Virginia Parkway in the past two years. I don't think it is the right thing to do to add 500 more cars to our streets and 500-1000 more children to our schools.

Thank you,

Scott Staton

Scott Staton

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EXECUTIVE

January 4, 2002

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JAN -4 2002

EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

Re: Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas

My husband and I are voicing our opposition to the above referenced project. The infrastructure that would be necessary is not currently available, nor is it slated to be. The main road (Custer – FM 2478) is a two-lane road that currently has a heavy load of construction vehicles utilizing it. The intersection of Custer and Virginia has been the scene of numerous accidents and I can only see that matter worsening with this project. There is no public transportation in this area. There are no shopping centers within walking distance. The elementary school the children would be attending is already filled to capacity and expected to stay that way with the new housing that is already scheduled. The northwest section of Stonebridge Ranch has recently opened two new apartment complexes. I believe that we have our quota of apartments to housing met in this area. I can see absolutely no benefits to bringing in the type of housing that you are proposing to this area - nothing beneficial to the tenants and nothing beneficial to the current homeowners. We ask that you reconsider your proposal for the need of this housing in this area at this time.

Respectfully,

Joy and Nathan Turpin
8702 Merlin Ct.
McKinney, TX 75070

FROM : THE VANBUSKIRK'S FAX NO. : 972-529-2602 Jan. 04 2002 04:58PM P1

Michael & Trish VanBuskirk

8506 Falconet Circle, McKinney, Texas
75070
972-529-2602

January 4, 2002

RECEIVED
JAN -4 2002
EXECUTIVE

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo , Acting Coordinator of Housing & Affairs

Dear Ms. Cedillo :

RE: Proposed Multi-family Project located at W. Virginia Parkway and Peregrine Drive in McKinney (Stonebrook Villas)

I am writing to let you know that I am opposed to any future Multi-family development in our area. This proposed development would cause increased traffic on both Virginia Parkway and FM 2478 (a two lane road). The elementary school in our neighborhood is already overcrowded and with the addition of 250 units, this would create more overcrowding.

With two multifamily complexes in our area already, I feel we have ample space for those wishing to lease an apartment. I understand that the rental rates the proposed apartments are lower than those already on our area. Checking the McKinney Apartment market, I found vacancies at a variety of complexes with rental rates of $695, $659, $625 and $550.

Please consider the impact on the community affected by the proposed development.

Sincerely,

Michael D. VanBuskirk

Michael D. VanBuskirk

Alex Villarreal
116 Peregrine Drive
McKinney, Texas 75070

Texas Department of Housing & Community Affairs
Attention: Ms. Ruth Cedillo
Acting Coordinator of Housing & Community Affairs

Ms. Cedillo,

I am sending this letter to express my opposition to the proposed Stonebrook Villas Housing L.P. As I understand the need for such housing, I believe that any more multi-family housing in this area would be detrimental. Custer Road, as well as, Virginia Parkway are not prepared to accommodate such traffic flow, as this development would bring, with the already completed areas, in addition to the areas currently under development and in planning. Eddins Elementary, which is already beyond its capacity, in addition could not handle such a load. Especially with the existence of the portable building already in place that are to be "temporary". Finally, as I have stated that I understand the need for such housing, I do not feel it should be disadvantageous to the property owners in Stonebridge Ranch. We appreciate you taking the time to hear our concerns and look forward to an agreeable resolution.

Sincerely,

Alex Villarreal

January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo
Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Dear Ms. Cedillo,

We are writing you this letter to express our opposition to Stonebrook Villas, a proposed multi-family project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. We feel that by adding 250 more families to are already overcrowded elementary school, CT Eddins, will only jeopardize our daughter's value of education. Most classes are already at the State's legal limit and there are already three portable classrooms that house the entire third grade. We do understand that there will be two new schools added to the district that will pull some students, but this west end of McKinney is growing daily with new housing that will most likely be zoned to our already overtaxed school.

Secondly, we oppose the project due to the increased traffic flow on W. Virginia Parkway and Custer Road (FM 2478). This intersection is already very dangerous with a fatality a few years ago. There is no light and accidents occur when traffic tries to cross over Custer Road. Also Custer Road is only a two-lane road with no shoulders, uneven pavement and lots of fast moving large construction vehicles.

Thank you for taking the time to listen to our concerns.

Derek & Tracey Walsh
317 Prism Lane
McKinney, Texas

To: Ruth Cedillo

CC: Mary Denny

From: Tom & Angel Davis

Date: 1/4/01

Re: StoneBrook Villas, Multi-Family Project

RECEIVED
JAN -4 2002
EXECUTIVE

Ruth Cedillo,

This letter is stating my opposition to any new multi-family development in our area. We currently have two apartment complexes within 3 miles of our home. This new Multi-family project would be directly next to our subdivision with homes ranging in price from $200,000 to $250,000. This project would also be directly next to a $400,000+ subdivision.

This would severely jeopardize our property values, as well as overcrowd our schools, which I am told as of today 1/4/02, are currently overloaded and looking for alternate building to educate our elementary children.

We are opposed to any type of development that puts our children's education at risk and lowers our property values.

Kindest Regards,

Tom Davis

216 Adonis Circle

McKinney, Texas 75070

972 529 2623

January 4, 2002

Ruth Cedillo
Texas Department of Housing and Community Affairs
Fax 512-472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

Dear Ms. Cedillo,

I am a resident of McKinney Texas and am writing to you to make formal notice of my opposition to the multi family housing project proposed on W. Virginia Pkwy. and Peregrine Dr. in McKinney. I feel that allowing another multi family housing facility within our district will only make our school even more crowded. Our school, Eddins Elementary is at capacity and six portable buildings(without bathrooms and water) have been added to our school this past year. Even with the addition of new elementary schools in McKinney, we will still be full because of the rapid growth of new homes in our district. Within the past 2-3 years, two new multi family housing projects have been built in our school district and another one is estimated to be ready next fall. I do not think there is a demand for multi family housing in our district.

My child's education is of great importance to me and that is why we selected McKinney when we moved here from Virginia four years ago. I do not want my child to go to school where there are over crowded classrooms because the teachers cannot spend their time focusing on the learning needs of the children.

I also have a concern for the way in which the residents would walk to our school since there would not be bus transportation for them. I hope our city and state officials seriously review this proposed multi family project and the real need for it prior to allowing the developer to begin building in this area.

Sincerely,

Laurie J. Watts
A concerned resident

RECEIVED
JAN -4 2002
EXECUTIVE

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

I would like to register my family's opposition to the proposed affordable housing development in McKinney, on Virginia Parkway across from the Falcon Creek subdivision of Stonebridge Ranch. Our schools are already struggling to keep up with the rapid growth in this area, and our school taxes continue to rise as a result of apartment development which does not support the tax base in proportion to the number of students added. In addition, I question the need for this type of development in the McKinney area, where housing costs remain modest and apartments are plentiful. It seems to be an unnecessary risk to the property values of nearby residents.

Jean Weingarten
6906 Edgewater Dr.
McKinney, TX

04 January 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526

RECEIVED
JAN -4 2002
EXECUTIVE

John Wesloski
8409 Beech Lane
McKinney, TX 75070
469.247.2422

Ms. Cedillo-

I am writing you to voice my opposition regarding the newly proposed multi-tenant development near Virginia Parkway and Custer Road (FM 2478) in McKinney Texas. The basis for my opposition is that the schools in the area are already above their capacity and the city infrastructure (roads, water, sewer…etc.) is not in place to support such a project. Having a new development in this location would cause a severe detriment to the existing traffic problems that the current residents incur daily. Custer Road (FM 2478) is only a two-lane road that is in very poor condition. There are no traffic lights and there is no mass transit in the area. To add a multi dwelling complex with two, three and four bedroom units would cause a negative impact on the existing property values.

Adding this complex in this area would provide an extremely negative impact towards the schools, transportation and the future of this community.

Sincerely,

John Wesloski

January 4, 2002

Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

RECEIVED
JAN -4 2002
EXECUTIVE

Dear Ruth Cedillo,

SUBJECT: STONEBROOK VILLAS, A PROPOSED MULTI-FAMILY PROJECT LOCATED AT W. VIRGINIA PARKWAY & PEREGRINE DR. IN MCKINNEY, TEXAS

I am writing to you to express my disapproval to the Stonebrook Villas, A Proposed Multi-Family Project located at W. Virginia Parkway & Peregrine Dr. in McKinney, Texas. My wife and I opposed any new multi-family in the area due to the fact that our schools are already overcrowded. Additionally, the traffic impact with the additional 250 families at that location and that Custer Road (FM2478) is only a two-lane road with no shoulders will be huge. I hope that you consider the impact to the existing homeowners, taxpayers, and children in our communities.

Sincerely,

Scott E. Wible

Friday, January 04, 2002

RECEIVED
JAN -4 2002
EXECUTIVE

TO: Texas Department of Housing & Community Affairs
ATTN: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526
RE: STONEBROOK VILLAS AFFORDABLE HOUSING PROJECT
VIRGINIA PARKWAY & PEREGRINE DRIVE – MCKINNEY, TEXAS

Dear Ms. Cedillo,

We recently became aware of the above-proposed multi-family housing project. We would like to express our concern and opposition about the addition of such a dense amount of homes to this area of McKinney.

Our primary opposition is the fact that the nearest school is currently serving over 750 students. This is even after four new elementary schools were added to the district in the past two years. The students who attend Eddins Elementary currently cross Peregrine drive. That neighborhood road has become very difficult to cross. There are not any lights and the school district does not provide for the crossing of the children to the school. The school relies on unpaid volunteers to ensure the safety of the students coming to the school.

There is not a major intersection at the proposed Virginia Parkway and Peregrine Drive location. West of the location the intersection is FM 2478 (Custer Rd.) and Virginia Parkway. FM 2478 can not currently handle the present traffic. It is a very treacherous, fastly driven two-lane road with ever decreasing shoulders due to erosion and lack of city or county maintenance. We are very concerned about the lack of infrastructure improvements to that intersection. The addition of 250 2,3, & 4 bedroom units and the associated traffic will add to the unmanageable and dangerous road conditions in that area. In addition, the increased population density will have a detrimental impact on the property values of the area.

Another concern is that the proposed area for this development is at the very fringe of the McKinney City limits. It is actually more that 5 miles from any city center. There are not any transportation services in this area. There are not any shopping centers. There are not any community or social centers or services in this area. We do not think that the needs of the proposed residents of such a housing complex would be served so far from any city center.

Thank you for allowing us to voice our concerns and opposition of this project to you.

Sincerely,

Susan Willcox
Frank Willcox

Frank and Susan Willcox
8806 Falcon View Drive
McKinney, TX 75070 (972) 540-0895

Chuck and Bobbie Worsham
8903 Aplamado Drive
McKinney, Texas 75070

RECEIVED
JAN -4 2002
EXECUTIVE

January 4, 2002

Texas Department of Housing and Community Affairs
Attn: Ruth Cedillo
Acting Coordinator of Housing and Community Affairs
Fax # 512-472-8526

RE: Stonebrook Villas located at Peregrine Drive and Virginia Parkway, McKinney, Texas

Dear Ms. Cedillo:

It has come to our recent attention of the intended building of a multi-family development located at the entrance to the subdivision of Falcon Creek located in McKinney. This sub-division has caused great concern to our family, neighborhood and the school, which our son attends.

Our neighborhood of Falcon Creek located in the Stonebridge Community is currently flooded with two multi-family developments. This would exceed our approved multi-family unit percentage in this area. Not to mention, Custer Road is a two-lane road at the intersection of Virginia Parkway. The increased number of people that would reside in the development would heavily increase the traffic in an already over populated area.

Bobbie is currently serving as a vice-president to the C.T. Eddins' PTA. As you are well aware, our school is currently over crowded and not able to accept new students. (Depending on grade level some applicants have been sent to other schools) This year we installed portable buildings for our third graders to have classrooms. Should there be another multi-family unit located with in our school boundaries our school would be severely over-crowded. The new two schools proposed and under construction will elevate over crowding temporarily. However, with the continued growth of Stonebridge and the new subdivisions to our south, new children will be added.

The proposed development is also located in an area where grocery stores, pharmacies, employment, as well as, childcare are not reasonably accessible. Without public or reliable transportation for tenants, another multi-family subdivision would only be beneficial for the education of the school, which as previously stated, is currently over-crowded.

Sincerely,

Chuck & Bobbie Worsham

Chuck and Bobbie Worsham

January 8, 2002

To: Texas Department of Housing & Community Affairs

Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs

Re: Stonebrook Villas, A Proposed Multi-Family Project to be located at Peregrine Drive and Virginia Parkway in McKinney, Texas

Ms. Cedillo,

I am a resident in the Falcon Creek subdivision of Stonebridge Ranch in McKinney, Texas. I noticed in the McKinney Courier Gazette a Legal Notice announcing that a 250 unit, 622-bedroom apartment complex is being considered for construction directly across from the entrance to Falcon Creek. I am very concerned about this and I am sending you this letter today to voice my strong opposition to this project.

The proposed construction of Stonebrook Villas in this area of McKinney can only be described as short sited and ill advised. Development plans for McKinney simply must be managed with thoughtful consideration of 1) the limited resources available to support our rapidly growing population, and 2) the aspects of community development necessary to make an area comfortable, safe, and attractive to potential residents. These considerations are being lost in a frenzy of construction that has reduced our landscape into a sea of rooftops and street lamps. Anyone driving down Highway 121 through Frisco, or south on Custer Road from Highway 380 can see that things have gotten completely out of hand.

It is simply unacceptable to continue to develop McKinney in a way that maximizes population and profits at the expense of offering people a community free from over development. Packing the horizon with single family homes is hard enough on the area's resources and aesthetic. Add to this the construction of apartment complexes which are specifically designed to maximize the number of people who can live in a given area, and our community suffers even more.

I am asking for your help in averting this proposed construction for the sake of our community. Our schools cannot support the added population. Our roads cannot bear the added traffic. Our children and community members do not deserve to be swallowed up by over development.

Sincerely yours,

Jack C. Winburn

RECEIVED
JAN -4 2002
EXECUTIVE

TO: RUTH CEDILLO, COOD. OF HOUSING AND COMMUNITY AFFAIRS
TEXAS DEPT. OF HOUSING AND COMMUNITY AFFAIRS
FAX: 512-472-8526
FROM: SCOTT AND KERRIN WYLIE
FAX: 214 –544-7635
RE: STONEBROOK VILLAS MULTIFAMILY PROJECT PROPOSAL LOCATED IN MCKINNEY TEXAS AT PEREGRINE DR. AND VIRGINIA PKWY.

WE WOULD LIKE TO GO ON RECORD IN OPPOSITION TO A MULTIFAMILY PROJECT BEING PROPOSED NEAR OUR HOME AND NEIGHBORHOOD. A MORE THOROUGH EXAMINATION WILL SHOW THAT WE ARE ALREADY STRUGGLING TO KEEP UP WITH THE NEEDS OF THE RESIDENTS WHO PAY THE TAXES TO HAVE ADEQUATE ROADS, SERVICES, AND PARTICULARY SCHOOLS. MY SON IS ALREADY BEING BUSSED TO A MIDDLE SCHOOL VERY FAR FROM OUR NEIGHBORHOOD SCHOOL DUE TO OVERCROWDING. I AM DISAPPOINTED THAT HE CANNOT ATTEND THE SCHOOL THAT MOST OF HIS FRIENDS AND NEIGHBORS DO. IT SEEMS OUR ELEMENTARY SCHOOLS ARE SUFFERING FROM OVERCROWDING AND EVER INCREASING CLASS SIZES AS WELL. IT SEEMS UNWISE TO FURTHER EXACERBATE THESE PROBLEMS WHEN TAXPAYER DOLLARS COULD BE BETTER SPENT BY LOCATING THIS TYPE OF PROJECT IN AN AREA WITH MORE SERVICES, SCHOOLS, AND ADEQUATE ROADS. I AM ALSO CONCERNED THAT OUR PROPERTY TAXES WILL RISE AS WE STRUGGLE TO MEET HIGHER DEMANDS ON PUBLIC SERVICES WITH A LOWER PROPERTY TAX BASE. THIS PROJECT IS POORLY LOCATED, AND THE NECESSITY TO CREATE MULTIFAMILY HOUSING IN THIS AREA IS NOT JUSTIFIABLE. THOSE OF US WHO ARE ALREADY FEELING THE CRUNCH AND ARE BEING PERSONALLY AFFECTED, PARTICULARLY IN THE AREA OF EDUCATION, NEED TO BE CONSIDERED IN A RESPONSIBLE AND REALISTIC WAY. WE ARE ALREADY HERE, AND THIS WILL HURT US.

SINCERELY,

SCOTT AND KERRIN WYLIE

03/25/2002 12:10 9-817-978-5569 REGIONAL DIRECTOR SW PAGE 03

#916
TDHCA

Author: Laura McDonald <cm4lm@aol.com> at Internet
Date: 3/12/02 8:44 PM
Subject: Housing

MAR 18 2002

Laura McDonald
804 Hackberry Ridge
McKinney, TX 75070-6746

March 12, 2002

RECEIVED
MAR 25 2002
Multifamily Finance

The Honorable Phil Gramm
United States Senate
370 Russell Senate Office Building
Washington, D.C. 20510-4302

Dear Sen. Gramm:

RE: Stonebrook Villas, McKinney Texas
TDHCA Application #2002-056

I am a single mom who recently moved to McKinney because it was a quiet place, minimum traffic, good schools with quality programs for my daughter. It is a financial stretch for us to make ends meet but we do. A developer now wants to add high-density, low-income housing projects in our area. We already have 1500 units in place. The developer says the tenant base would draw from Plano, Allen and Frisco who have VERY LITTLE low-income housing. (We have more units that all 3 of these cities combined!) I cannot afford a tax increase to support these projects. It is unfair to ask McKinney residents to fund this kind of project when the cities "in need" refuse to step up to the plate. Please help us defeat this application.

Sincerely,

Laura McDonald

March 14, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Dear Mr. Onion:

I have prepared the attached statement on behalf of the proposed 224-unit Stonebrook Villas Apartments, to developed on Peregrine Drive in McKinney, Texas. The developer is Southwest Housing of Dallas, Texas.

I would like to present this statement at one or both of the public hearings to be held on March 14trh and March 20th, if time allows. If not, please accept this statement as my written statement of support for both the project and the issuance of bonds to finance such project.

Thank you, Mr. Onion, for the opportunity to express my support for this project. I look forward to meeting you in McKinney.

Sincerely,

Jacqueline Bromley
1809 Buckingham Street
McKinney, Texas 75070
972-540-2511
aditzichic@prodigy.net (email)

copies: Brian Potashnik, President, and Bill Fischer, VP
Southwest Housing Development, Inc.

Statement of Support for Stonebrook Villas Apartments
(To be delivered at the public hearing(s) in McKinney, Texas, March 14th and/or 20th, 2002)

My name is Jackie Bromley, and I have lived in the Stonebridge Ranch section of McKinney since May of 2001. I relocated to Texas from Colorado with my husband who relocated here for a new job.

In Colorado, I worked in the area of affordable housing and public housing for over a decade. I worked for the U.S. Department of Housing and Urban Development (HUD) as a public housing development specialist, and then for a faith-based organization called Mercy Housing in Denver. In addition, I have served on several boards of organizations serving the homeless and providing financial support for struggling families. Mercy Housing is a developer, management company and non-profit lender for properties of the same type and quality that are developed by Southwest Housing Development of Dallas.

I know from experience that anytime a neighborhood is asked to welcome a new type of community into its living space, people have concerns - just like you do. ***"What will it look like?" "Who will live there?" "What will it do to my property value?"***

But I will also tell you that with respect to the properties I was involved with through Mercy Housing, the neighborhood was no worse off (other than a few bruised egos) after the property opened, and everyone got along just fine!

Southwest Housing Development is a wonderful builder, and has a few properties in Colorado where I lived and worked. They are excellent builders and managers, and produce excellent housing communities. Like Mercy, the residents are given a host of opportunities to excel in school, improve computer skills and learn how to budget and save for a home to buy. Southwest Housing has beautiful properties around north Texas that they have built and manage. I'm sure they would be happy to show them off.

There has been a significant amount of erroneous information in Stonebridge where I live, and around McKinney about this project. One person I met at a meeting recently asked me how I felt about having "public housing" residents living in Stonebridge. This is NOT public housing. Public housing is developed by a Housing Authority with funds from HUD. People who qualify for public housing units are extremely down on their luck (bless their hearts), earning no more than 30% of the area median income. Thank God McKinney has a good Public Housing Authority to meet their needs so that they can get back on their feet.

The people who will reside at Stonebrook Villas are the folks we interact with every day. Some examples are –

Beginning teachers with families to support;
Paraprofessional workers with the school district;
Clerical and administrative workers in all types of public and private sector jobs;
Public safety professionals such as fire and police officers with families to support;
Dispatch (911) operators;
The folks who serve you in restaurants and assist you when purchasing clothing, food and other necessities;
The medical and dental office staff who take care of your billing and setting up your visits;
The folks who cut your hair, manicure your nails and work at your fitness centers;
How about the pastoral interns in your churches, part-time pastors, education & youth ministers?

Would you really consider these people unacceptable as neighbors and friends?

North Texas has more big churches than I've seen anywhere, but some of the comments that have been made about low income people since this project was publicized make me wonder "what happened to teaching the Gospels?" I think we have a terrific opportunity with this project to be good neighbors and share the <u>western</u> part of McKinney with households whose only issue may be that they earn a little less money at this time in their lives than others who live in this community.

Thank you.

-----Original Message-----
From: Phdavistx@aol.com [mailto:Phdavistx@aol.com]
Sent: Wednesday, March 06, 2002 8:22 PM
To: ronion@tdhca.state.tx.us
Subject: Tax-Exempt Multi-Family Housing Property - Protest

10 days ago I moved into my new home in Stonebridge Ranch in McKinney. 2 days ago I read your notice regarding multi-family housing going up across the street (Virginia Pkwy @ Custer) As a new home owner I have several concerns regarding my property values, neighborhood schools, and the security of my family and community. I am not in favor of this and will not vote for any bond issue supporting such action. We are currently in the process of making as many people aware of your actions as possible. A member of my family will be at the public hearing and we are willing to take all legal and political action necessary to stop this development from happening. Remember this is an election year!

-----Original Message-----
From: JUNE BROWNE [mailto:GRANT8B@msn.com]
Sent: Tuesday, March 05, 2002 10:38 AM
To: tdhca1; tdhca2; tdhca3; tdhca4
Subject:

Dear Sirs:
I am writing this note to let you know that my husband and I, as well as many of our friends and neighbors, are extremely upset about the proposed Stonebrook Villa apartments. Based on McKinney's current available low income housing, the problems we are already facing as a city and school distrct due to "too-fast" growth, and the tax burden falling to us we are strongly opposed to these proposed low income apartments. I ask each of you to do all you can to defeat the approval for this project.
I hope we can keep McKinney's reputation as a good place for families to raise their kids and avoid people moving away, not moving here or home-schooling children due to declining educational opportunities.
Thank you for you help,
June and Gary Browne
G Browne
Grant8B@MSN.Com

-----Original Message-----
From: HBrowncow@aol.com [mailto:HBrowncow@aol.com]
Sent: Monday, March 04, 2002 10:57 PM
To: ronion@tdhca.state.tx.us
Cc: mcbghome@yahoo.com
Subject: Public Hearing

Mr. Onion,
Our names are Richard and Bobbi Hanna and we pay taxes and live in McKinney, Texas. We are outraged to hear about MORE low-income housing coming into our area. We already have more of this housing than we need. Our taxes are outrageous here and will only continue to get worse. I do not understand why the City of McKinney doesn't work alot harder to get more industry in our city, to help us as citizens with our taxes.
It also appears they do not care about us or our schools, their schools. The MISD is already challanged to keep our children in classrooms with 24 kids in them.
Why doesn't the City of McKinney change their bad reputation of, not working with people who would like to bring their businesses here, to WELCOME, what can we do to get your business to come to our great city.
Please add our names to the list of taxpayers, and parents who do not want anymore of this housing in our beautiful city.
Sincerely,
Richard and Bobbi Hanna

-----Original Message-----
From: Ian Dickson [mailto:iandickson@attbi.com]
Sent: Thursday, February 28, 2002 8:58 PM
To: rcedillo@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com
Subject: Low Income housing in McKinney

Dear Ms. Credillo:

It has recently come to our attention that a number of new low income housing developments are being planned in McKinney. While I fully understand the need to such developments, I am deeply concerned with imbalance in their distribution within the surrounding communities. McKinney already hosts a disproportionate share of existing low income developments compared to Allen, Frisco, Plano, and Richardson. The new proposed developments add an even greater burden on the community, and further increase the disparity. I ask that you carefully consider the full financial and social impact of a large concentration of low income housing units within a single community. You will find that such an imbalance is detrimental to the well being of everyone except the developers who stand to profit from the construction.
Sincerely,
Ian & Diane Dickson

-----Original Message-----
From: Julie_Williams@Dell.com [mailto:Julie_Williams@Dell.com]
Sent: Wednesday, February 20, 2002 1:46 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us; dburrell@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com
Subject: Low-income housing project in McKinney on Virginia Parkway

I am opposed to the proposed project to build low-income housing on Virginia Parkway in McKinney. This is a congested area and this project will contribute more traffic, it will overcrowd the schools and a low-income housing project could possibly reduce
our homes' value. Please do not approve this project.

Julie Williams
8513 Falconet Circle
McKinney, TX 75070

-----Original Message-----
From: Bud Johnson [mailto:buddeej@attbi.com]
Sent: Sunday, March 03, 2002 12:35 AM
To: Robert Onion
Subject: Re:McKinney "affordable" housing

Director Onion,

My wife and I are hard working Americans with about 7 years left before retirement. We worked our whole life, nothing has ever been handed to us. The City of McKinney was to be our choice of where we wanted to live the rest of our lives. Watch our grandchildren grow up. Well we don't see that happening anymore.There are several reasons why we feel this way, and the following are just some of our thoughts:

1. We moved here in 1994 from Dallas to get away from the problems that Dallas, Richardson and Plano had, well it looks like the way McKinney is building apartments and strip centers, we should have stayed in Dallas. Everywhere we turn, a new apartment, a free standing store, a strip center and two more food stores. WHERE are the thoughts and reasoning behind them? Traffic is worse than ever. This new project ought to make Custer and Virginia a real bottle neck and an even more dangerous intersection than it already is.
Last we heard, there are many vacant apartments and the apartment managers must offer free rent in an attempt to fill them. And then there is the drug problems we are being told that are getting worse. Wouldn't you like to live here? We don't anymore.

2. Because of this over building with out a commercial tax base, our real estate taxes keep going up. This new apartment project will not pay any city or county taxes, yet city and county services are going to be supplied, so we get to fund another problem. This current effort seems so well funded and politically supported by one local builder and developer. WONDER WHY? One of the backers supporting this venture does not even live in Stonebridge/McKinney anymore and he even moved his business out of town. WHY? Word has it that it was a payback for a previous favor. Who knows.

3. What we do know is that the unwarranted turning of raw dirt into mega profits without any concern for the average citizen, who ends up paying the tax bills, has got to STOP!

4. If my wife and I thought we could sell our home right now and leave McKinney we would. But it looks like we will never be able to sell our property for what the tax authority says it is worth, much less what we owe on it, now that the signs are up on Virginia Parkway for this newest McKinney "Landgate" fraud! We feel we were duped when we purchased our home. But since we don't count, who cares what happens to us. Do you?

Mr. Onion, I have a question for you and for the rest of the commission. *Why do the big developers and builders always have to win*. They pocket millions upon millions of dollars, while all the little tax payer citizens end up paying the bill. It seems that these folks just thought we would roll over, like all the times before, well we are very upset and very tired of letting them steal our hard earned money just to line their pockets!
CAN YOU PLEASE HELP US?
PLEASE DO NOT LET THIS PROJECT GO FORWARD. STOP IT NOW!
Thank you for your time,
Bud and Deanna Johnson
105 Peregrine Drive
McKinney, TX 75070-5828
972-562-4527-Home
214-734-8276-Cell

-----Original Message-----
From: Forcher, Suzanne M [PVTC] [mailto:suzanne.m.forcher@rssmb.com]
Sent: Wednesday, February 20, 2002 1:57 PM
To: 'rcedillo@tdhca.state.tx.us'
Subject:

David Burrell- Director, Housing Programs Division-TDHCA

Mr. Burrell,

First of all I want you to know, I am not against Affordable Housing as long as it is warranted. From what I have heard and read, it is not warranted in McKinney. We have enough to cover of bases. My main concern is for my children who attend C.T. Eddins currently. The school is already over-crowded and I can't see that you would want to make it more crowded. I feel that my son is already not getting enough attention to his needs for learning and if there are more kids added to the school the quality and quantity of learning will be greatly affected. My son is only in kindergarten. If the overcrowding is affecting his learning now, imagine what it will do if the affordable housing is built and those children are added to our school. This concerns me very much. I want my kids to have a good education and learning experience. I don't want it affected because of politics. If McKinney already has enough affordable housing, and The Colony, Frisco and Allen don't - build it in one of those cities. I moved to McKinney because I felt the schools were good and it's a beautiful place to live. I won't stay due to overgrowth and having to pay higher taxes to cover something that I don't believe is needed. Would you want your child to have to go to an over crowded school and not be able to get the education you feel he/she deserves? Think about it. The future is theirs, let's let them have one by giving them the education they deserve to support their future.

I know you probably don't really care about my opinion, but I had to say something - not for myself, but for my children.

Concerned Resident

Suzy Forcher

-----Original Message-----
From: tana nelson [mailto:tanabeth@attbi.com]
Sent: Saturday, February 23, 2002 5:33 AM
To: dburrell@tdhca.state.tx.us; mcbgtefra@yahoo.com
Subject: Low income housing on Virginia

McKinney is a growing community. It seems as though everyone wants a piece of it. We need a moratorium on growth NOT an influx of more. The citizens of this community are very concerned about the rapid growth in our city. Our schools are scrambling to build and find a place for a all the new kids moving in go. Unlike Plano and Frisco, McKinney residents came for a quality of life including a small town feel. We do not need a low income housing project in this city - there are plenty of other places that don't seem concerned about too many people BUT WE ARE!

-----Original Message-----
From: MSPFlier@aol.com [mailto:MSPFlier@aol.com]
Sent: Wednesday, February 20, 2002 8:20 AM
To: dburrell@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com
Subject: Opposition to the Stonebrook Villas on Virginia; McKinney, TX

I have several concerns about the proposed Stonebrook Villas low income housing project on Virgina Parkway in Mckinney.

1) There is no demand -- the city of McKinney has more than its share of low income housing for its citizenry -- about 2.5 -3 times more low income units per capita than the entire city of Dallas -- and there are about 7-8 more complexes planned in McKinney. There are none or only one low income facility in each of the neighboring cities (Plano, Frisco, Allen, The Colony, Richardson, Lewisville, etc.). In fact, McKinney has more than all the cities (excluding Dallas) put together! If you look at the numbers just for McKinney, we are overbuilt already on low income. So, if there is no demand in McKinney, we're apparently drawing from these other towns.

2) These facilities do not have to pay taxes -- yet the people use city services (which we have to pay for) like firefighters, police, emergency teams, etc. As an example, the city of Arlington is right now in a terrible bind financially because they have more low income and not enough commercial base . . . . pretty much the way McKinney appears to be going. So the bottom-line is: these are complexes which do not add to but take quite a bit out of the city's tax base. We already are paying pretty high taxes on our property.

3) Apartments are not the appropriate places for low income. Helping families get into a home and ownership is more appropriate. They are building the complex for about $93,000 per unit -- they stated that would go a long way to getting a family into a single family home.

4) It puts a big burden on the schools. Eddins school already has 6 portable classrooms due to overcrowding. And the list goes on.

While I support providing for people in need, I strongly oppose this project as an inefficient use of funding and undue burden on all impacted people.
Sincerely,
Emery Hirvela
6912 Shoreview Drive
McKinney, TX 75070

From: Boyd Tasker [mailto:tallgirls4@attbi.com]
Sent: Friday, February 22, 2002 2:24 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us; dburrell@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com
Subject: Public Hearing

Dear Ms. Cedillo, Mr. Onion and Mr. Burrell,
I am a concerned citizen from McKinney, TX.
I understand that a public hearing has been called for March 14, 2002. That is during our schools' spring break and I, like many, will be unable to attend. However, I would like my concerns known and put on record regarding the low-income housing project that has been proposed for our town. This multi-family project is not needed. We already have many apartment buildings that can't be filled and many more slated for construction. This town can not afford this many apartment complexes. The revenue they bring in taxes no way covers the expense that the residents incur. Our schools are bursting at the seams. This project will only further burden an already over-crowded system. The need for low-income housing just doesn't exist. We already have many low-income apartment complexes that aren't full. This project simply is not needed and we are relying on the state to do the right thing. Thank you. Cynthia Tasker 708 Coralberry Dr. McKinney, TX 75070

-----Original Message-----
From: rroberts00@attbi.com [mailto:rroberts00@attbi.com]
Sent: Tuesday, February 19, 2002 12:55 PM
To: ronion@tdhca.state.tx.us; dburrell@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com
Subject: TEFRA scheduled for March 14th re: McKinney, Texas

We would like to request a different date for this meeting. It is McKinney's spring break and we would not be able to attend. We would like to take this opportunity to voice our concerns about the proposed low income housing for McKinney, Texas. We are opposed to the developers coming into McKinney for a number of reasons. McKinney has it's fair share of low income housing already. We are growing at such a fast pace, we cannot keep up with providing adequate space in our schools. Our roads are not prepared for the additional traffic this would create, expecially at the corner of Virginia and Custer. Custer is a two lane county road at this time. The surrounding cities have ample space to build low income housing. We have the same number of low income housing projects as city of Dallas. We do not need more. We contribute to Habitat for Humanity and support balanced residential growth. High density housing is not balanced growth and McKinney residents cannot afford to grow at the pace these eight projects would create. Sincerely, Rick and Vicki Roberts, McKinney, Texas

-----Original Message-----
From: WMeg3@aol.com [mailto:WMeg3@aol.com]
Sent: Monday, February 18, 2002 2:07 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us; dgroneck@tdhca.state.tx.us; bboston@tdhca.state.tx.us
Subject: Re: Protest Low Income Housing in McKinney

I am writing to let you know that I am opposed to the building of additional low-income housing in McKinney. The city of McKinney already has sufficient low-income housing. In addition, our school system is already over burdened by our explosive growth! Since this housing would not be generating tax dollars, it would put an additional, and unfair burden on our schools.
CJ Megelich

-----Original Message-----
From: PReed111tx@aol.com [mailto:PReed111tx@aol.com]
Sent: Monday, February 18, 2002 10:08 AM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us; dgroneck@tdhca.state.tx.us; bboston@tdhca.state.tx.us
Cc: mcbgtefra@yahoo.com; rickperry@rickperry.org
Subject: Protest of the State of Texas Decision to Place Additional/Un-Needed

Dear Ms. Cedillo, Mr. Onion and Mr. Burrell,

I am writing this email to your attention in protest of the recent decision to place eight additional low-income housing developments in McKinney, Texas, on top of the others already in the city. I believe this decision to place this housing in McKinney is not only unfair, it also reflects either a lack of understanding on the part of those having made the decision or a behind-the-scenes influence the taxpayers of McKinney are stuck paying for.

In case you are not aware, please consider the following:

1. These developments will add approximately +1,700 more new families to our overburdened schools along with an estimated 5,000 more people to McKinney. That equates to a +10% growth to our city's population in less than one year. As these developments are going to be built via ***Federal Funds*** given to the state of Texas and the developments will contribute NO taxes to McKinney's already soaring tax base, who bears the brunt of this decision? My fellow taxpayers and I do!

2. And who will bear the financial burden of not only the new school facilities discussed in #1, but, the infrastructures for new utilities as well as new police and firefighter support? Not the developers, not the residents of the developments nor the state. No, it is we, the taxpayers of McKinney who will pick up this tab. The average McKinney homeowner already pays $4,380 in property taxes; homeowners in Plano by comparison pay $3,880. With our taxes being increased on the order of +5% per year, a 10% increase in our city's population will most likely push this closer to the 10% mark to keep up with the new demands on our schools as well as police and fire departments.
Did those of you making this decision ever think to ask us if we were interested in adding additional taxes to what we are already paying??

3. ...and think about the 'Robin Hood' laws and the current property taxes paid by the city of McKinney. McKinney pays, proportionately, some of the highest percentages in the state to Robin Hood and our property taxes are the currently the highest in Collin County. Yet the state felt it wise to add to our tax burden?

4. Perhaps the most ludicrous point in this whole fiasco (decision?): McKinney already has an overabundance of affordable, low-income housing. Again, studies in the article prove that McKinney has more than Plano, Allen, Richardson and Frisco combined and equal that of Dallas. Yet, in its vision the state bureaucracy wants to add more?

And if one were to add up #1, #2 and #3, this hidden form of double-taxation via my federal taxes and then property taxes is purely unjust and unconstitutional.

As the great F.A.Hayek implied in the *The Road to Serfdom*, "…socialistic governmental decisions…" must not be allowed to be "fettered by democratic procedure". It appears this decision is a clear reflection of Mr. Hayek's prediction--state decision makers laying down decrees with no feedback from the citizens. And as a native Texan and +16 year McKinney resident, it disappoints me to see this sort of government decision-making evolving in Austin.

I implore you to cancel this decision that unfairly impacts my taxes and personal income. Should this decision be important to those deciding to put eight more low income housing developments on the map, may I suggest you start by looking in your own backyards and neighborhoods?

Parker Reed

-----Original Message-----
From: Beverly Covington [mailto:bcovington@mckinneytexas.org]
Sent: Tuesday, January 15, 2002 2:03 PM
To: 'bpotashnik@southwesthousing.com'
Subject: FW: IMPORTANT AFFORDABLE HOUSING INFORMATION

3 e-mail are combined into this one.
Beverly Covington
Deputy City Secretary
P O Box 517
McKinney, TX 75070
(972) 547-7504
(972) 562-6080 X 7504
Fax: (972) 542-0436
bcovington@mckinneytexas.org

-----Original Message-----
From: Steven Bell [mailto:rsbell@AltusInvestments.com]
Sent: Friday, January 04, 2002 11:00 AM
To: 'rneff@mckinneytexas.org'
Subject: FW: IMPORTANT AFFORDABLE HOUSING INFORMATION

-----Original Message-----
From: Lisa Owens [mailto:lisa@owens-home.net]
Sent: Friday, January 04, 2002 11:05 AM
To: Steven Bell
Subject: IMPORTANT AFFORDABLE HOUSING INFORMATION

I just received a phone call from Avie Raburn of State Representative Mary Denny's office and she said that we ALL need to FAX our opposition to this project to:
Texas Department of Housing & Community Affairs
Attn: Ruth Cedillo, Acting Coordinator of Housing & Community Affairs
FAX: 512/472-8526
BY 4:00PM THIS AFTERNOON!!! FRIDAY, JANUARY 4, 2002 IS THE DEADLINE TO HAVE OUR OPPOSITION PUT ON RECORD!
If you do not have a fax machine, bring your letter to my house at 8914 Aplamado Drive in Phase II of Falcon Creek. My house butts up to the farm on Virginia Parkway. I will fax it for you. PLEASE BE SURE TO BE POLITICALLY CORRECT AND RESPECTFUL IN YOUR COMMUNICATION! I am actually not going to mention anything about low income housing. My letter will state that I am opposed to any new multi-family in the area due to the fact that our schools are already overcrowded. I am going to call MISD today to see if I can get information on how our school will be capacity-wise after the two new schools open, but at this point, I do not have that information. Additionally, we need to mention how our traffic will be impacted with the addition of 250 more families at that location (there are no one bedroom units - only 2, 3, & 4) and the fact that Custer Road (FM 2478) is only a two lane road with no shoulders. At this point, I feel we need to be careful when speaking about "low-income" because we will appear discriminatory. My husband and I are in favor of providing low income housing to those who need it; however, we do not feel it should be done at the detriment of the property owners in the area who are actually paying the tax dollars that build those properties. I still don't know that we can say that without looking bad, so I am staying away from that at this point. Please contact everyone you can about faxing these letters today. I am not sure that everyone will check their e-mail in time to get this done, so word of mouth will be necessary today and I cannot call everyone. So I am depending on those of you on my list to help spread the word by calling your friends and neighbors and asking them to do this. Thanks again to all of you! Have a great day...I will forward the MISD information as soon as I receive it. If you have any questions, please try to communicate with me via e-mail. Phone conversations are really hard for me right now and I check my e-mail all day long!
Lisa M. Owens
Lisa@owens-home.net
phone: 972-529-2757
fax: 972-540-1768

-----Original Message-----
From: Chznarf@aol.com [mailto:Chznarf@aol.com]
Sent: Thursday, January 10, 2002 9:11 AM
To: gnesbitt@mckinneytexas.org
Subject: Expansion

Dear Mr. Nesbitt,
A few days ago, a neighbor showed me an e-mail about some folks that are all upset about a plan to build assisted housing not far from the corner of Virginia and Custer Road. My response to them was that they should be far more concerned with the mindless expansion of new housing construction that the city of McKinney is permitting.
Sir, with all due respect, I have lived in many places in this country and have not experienced this type of wild and unplanned expansion. Examples, the subdivision we live in is less than 5 years old and the school already has auxiliary trailers. Custer road is overburdened, too narrow and will not be capable of supporting the increased traffic that will come with all the housing that is due to go up. I wonder what kind of "plans" the city has for schools and other municipal support functions? Further, I reminded the same neighbors that because of this mindless expansion, the existing property values are DECREASING by about 5% per year. I lost my job with the aftereffects of 9/11 and because McKinney really has nothing to offer in terms of employment, we're planning to move out. However, I'm looking at more financial losses partly due to greedy politics, greedy developers and greedy builders. My hope is that someone will wake up to reality, slow down and perhaps put a little more thought into the future planning.
Thanks,
Frank J. Suter

[Beverly Covington]

-----Original Message-----
From: Kristen Roberts
Sent: Thursday, January 10, 2002 1:20 PM
To: Regie Neff; Larry Robinson
Subject: FW: Virginia & Custer Housing Development

Importance: High
FYI - Kristen
-----Original Message-----
From: Beth Bentley
Sent: Wednesday, January 09, 2002 12:09 PM
To: Jennifer Sproull; Beverly Covington

Cc: Kristen Roberts

Subject: Virginia & Custer Housing Development

Importance: High
The Mayor has asked that I assist the developers of the proposed multi-family development at Virginia & Custer by providing copies of letters or written comments that have been received in opposition of the development. The Mayor met with them this morning, and the developer completed a Request for Public Records form (Beverly's desk). I believe Regie would be a good resource for this information. As the information will be needed for the January 14 work session, the developer has asked that it be faxed to: Mr. Brian Potashnik SouthWest Housing Development 214-987-3507

Should you need to contact Mr. Potashnik directly, his number is 214-891-1402.
Thank you in advance!
Beth Bentley
City of McKinney
Housing Services Coordinator
222 N. Tennessee
McKinney, Texas 75069
972-547-7519 (direct)
972-562-6080, 7519 (metro)
972-542-0436 (fax)

-----Original Message-----
From: Rick Kieffer [mailto:rkieffer@ultimaterelocation.com]
Sent: Wednesday, March 13, 2002 10:52 AM
To: ronion@tdhca.state.tx.us
Cc: Marsha Hope; Danette Kieffer
Subject: McKinney Low income housing

Mr. Onion, we are very much opposed to putting low income housing in McKinney given that McKinney has an over supply of low income housing and Plano, Allen and Frisco has next to none. Our tax dollars and reputation in the metro plex will be adversely effected if this plan goes into effect.

Last year we moved from Addison to McKinney and are shocked at the high rate of taxes we now endure. We do not want to increase this tax even more with low income housing where the residents do not pay taxes. Please look at the other areas of Collin County to put these complexes in, it is the only fair thing to do.

Rick Kieffer
6709 Stony Hill Rd.
McKinney, TX 75070

Metro 972.569.8550
Wats 888.757.7540
Fax 1.972.540.7969
Web www.ultimaterelocation.com

-----Original Message-----
From: mpetrena@attbi.com [mailto:mpetrena@attbi.com]
Sent: Tuesday, March 19, 2002 3:50 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrooke Villas in McKinney

Mr. Onion-

The statistics are so clear in this case, I find it hard to believe there is even a debate on this issue. McKinney is clearly carrying too much of the low income housing in our county (62% among the cities of Frisco, Plano and mckinney, yet we have only 12% of the population). I'm not sure what political issues or influence is driving this incorrect action, but I would appreciate if you would voice your opinion against it and do all that you can to stop it.

Sincerely,
Michael Petrena
Citizen of McKinney, TX

-----Original Message-----
From: Kateflies8@aol.com [mailto:Kateflies8@aol.com]
Sent: Tuesday, March 19, 2002 4:08 PM
To: ronion@tdhca.state.tx.us; florence.shapiro@senate.state.tx.us; mary.denny@house.state.tx.us; ddozier@mckinneytexas.org; ggarza@mckinneytexas.org; bwhitfield@mckinneytexas.org; gnesbitt@mckinneytexas.org; rsbell@altusinvestments.com; thelsley@mckinneytexas.org; bwysong@mckinneytexas.org
Subject: Stonebrook Villas project in McKinney, TX

As homeowners and voters in the City of McKinney, we fully support the McKinney Citizens for Balanced Growth and object strongly to the construction of Stonebrook Villas apartment complex. Listed below are some very compelling reasons:

Remember the facts:·
McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties·
McKinney -- 1,512 units, one low-income unit for every 36 residents·
Allen -- 120, one for every 363 residents·
Frisco -- 216, one for every 156 residents·
Garland -- 632, one for every 341 residents·
Plano -- 609, one for every 365 residents·
Carrollton -- 388, one for every 282 residents·
Grapevine -- 224, one for every 188 residents ·

The project is funded by the Texas Department of Housing and Community Affairs (TDHCA). Each application is judged on several criteria, including "the level of need for affordable housing in the community." ·

The state does not clearly define the term "community" but does say it should take into account natural geographic or political boundaries. This study was run on a 10-mile radius from the property and includes all of Frisco, Allen, half of Plano and several other municipalities and school district areas. We believe this ignores the state's provision regarding political or geographic boundaries. ·

Yet even with this 300+ square mile market area (for a single apartment complex!) there is still no demand if you correct inaccuracies in the developer's market study. ·

The developer is the one who pays an outside company to do a "market study" which evaluates whether or not there is demand for such a complex in a certain area. In the market study for Stonebrook Villas, there were several errors which need to be corrected in order to accurately reflect the lack of demand for this location – things like not including existing complexes.

Kate & Pat Kyer

-----Original Message-----
From: UARD7@aol.com [mailto:UARD7@aol.com]
Sent: Tuesday, March 19, 2002 4:39 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

I'm opposed to this project being built in McKinney for two reasons.

1. There is no remaining demand for such a project in McKinney.

2. State law say's that all of these type properties cannot be concentrated in one community.

McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties. The facts are as follows.

McKinney -- 1,512 units, one low-income unit for every 36 residents·
Allen -- 120, one for every 363 residents·
Frisco -- 216, one for every 156 residents·
Garland -- 632, one for every 341 residents·
Plano -- 609, one for every 365 residents·
Carrollton -- 388, one for every 282 residents·
Grapevine -- 224, one for every 188 residents

This is a valuable program, but it does place a financial burden on the municipalities and school districts where these properties are located.

I ask you to call for the detailed review of the concentration of these properties in McKinney and the surrounding cities to ensure no single municipality or school district is unduly burdened.

Thank you for your consideration.

Andy Laudenslager
United American Insurance
Regional Director
214-403-7873
email - UARD7@AOL.COM

-----Original Message-----
From: Diane O'Neal [mailto:doneal783@yahoo.com]
Sent: Tuesday, March 19, 2002 4:46 PM
To: ronion@tdhca.state.tx.us
Subject: proposed housing

Mr. Onion,
I am greatly opposed to the proposed low income housing development. Our city already has more than our share of such housing. Our city and schools cannot handle the additional tax burden. McKinney has enough---please build somewhere else.
Thank you,
Diane O'Neal
Concerned citizen of McKinney

-----Original Message-----
From: DianeDeRiso [mailto:dianederiso@attbi.com]
Sent: Tuesday, March 19, 2002 6:38 PM
To: ronion@tdhca.state.tx.us; Florence.shapiro@senate.state.tx.us; Mary.Denny@house.state.tx.us
Subject: Mckinney Low Income Housing

Having moved from Chicago area a year and a half ago ...we love the McKinney area. But our first tax bill was a shocker....the housing in the Chicago area is more costly, the cost of living is higher yet our tax bill in McKinney is $3,000 more than in Chicago......why???? We will not be able to stay in McKinney if we have to assume the cost of schooling children who do not help pay for their education. McKinney has an overabundance of low income housing now.... why here..other areas should share the cost. Please take this into consideration....Thank you, Diane DeRiso-Mckinney, Tx.

-----Original Message-----
From: jack matz [mailto:jmatz@swbell.net]
Sent: Thursday, March 21, 2002 11:07 AM
To: ronion@tdhca.state.tx.us; Florence.Shapiro@senate.state.tx.us; Mary.Denny@house.state.tx.us; ddozier@mckinneytexas.org; ggarza@mckinneytexas.org; bwhitfield@mckinneytexas.org; gnesbitt@mckinneytexas.org; thelsley@mckinneytexas.org; bwysong@mckinneytexas.org
Cc: rsbell@altusinvestments.com; moibev@earthlink.net
Subject: FW: Wednesday, March 20th Public Hearing: 6:00 PM - C.T. Eddins Elementary

My name is Jack Matz. I live in Wellington pt, in Stonebridge, a development in McKinney, TX.

For the record I oppose the current project called STONEBROOK VILLAS and would ask that you all voice your opinion on this and the other like projects being considered for McKinney, so we might know where our elected officials stand.

There is a great deal of conversation about the concentration of state assisted apartment housing in McKinney. Myself and 5 of my neighbors were trying to understand how our elected officials could allow such a concentration of future tax, and infrastructure expenses to be heaped upon such a small homeowner base of taxpayers.

We are already aware that our neighbor cities have a far greater commercial tax base to spread this time bomb over yet" **their Leadership** "has managed to have avoided this potential tax time bomb.

The facts as I understand them:

· McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income
- housing tax-credit properties
· McKinney -- 1,512 units, one low-income unit for every 36 residents
· Allen -- 120, one for every 363 residents
· Frisco -- 216, one for every 156 residents
· Garland -- 632, one for every 341 residents
· Plano -- 609, one for every 365 residents
· Carrollton -- 388, one for every 282 residents
· Grapevine -- 224, one for every 188 residents

The six of us currently paid approximately $78,000 in combined city, county, and school taxes on our homes (all ready one of the highest tax burdens in Texas). If our current rapid growth truly costs what many of you have said it will publicly, without this burden, then we were wondering why the silence of the majority of our elected officials over the increased burden of carrying such a high concentration of what appears to be very costly population that contributes very little tax revenue toward the increased school, city and county infrastructure expenses that will be needed to service this population in addition to our current rapid growth of homes. Only Councilman Bell has openly objected.

One other question. Why is the McKinney Housing Finance Corp. involved when, as we understood it, it was not formed primarily to fund this type of a low future tax revenue return? Can the investment return really pay for the cost of the funding it requires, and does the costs also consider the costs of the other agencies burdened for the services needed. Since it ultimately takes tax revenues to pay for everything, it seems like we might be robbing Peter to pay for Paul's investment return.

It also seems like substantially more time might be needed to adequately evaluate these projects, otherwise one might conclude that such a rush to approve and build these projects in such short order, might be considered a gross negligence breach of fiduciary duty on the part of our elected leaders, who should be in the position of evaluating such project's TOTAL impact on the city they were elected to govern.

Jack W. Matz

-----Original Message-----
From: Conant, Sean [mailto:SConant@generalcable.com]
Sent: Thursday, March 21, 2002 12:21 AM
To: 'ronion@tdhca.state.tx.us'
Subject: low-income housing tax-credit properties in McKinney

As a McKinney resident I am oppose this project and question its demand due to the overconcentration of low-income housing tax-credit properties in McKinney. I would like to request that the state employ an independent review of the data to ensure its accuracy before approving or denying this application. I am also concerned that the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. Please thoroughly review the concentrations throughout our area before approving or denying this application. Although this is a valuable program, it places a enormous financial burden on the municipalities and school districts where these properties are located (McKinney, TX). I would like the state to review the concentration of these properties in McKinney and the surrounding cities to ensure no single municipality or school district is unduly burdened.

M.Sean Conant
2214 Wisteria Way
McKinney Texas, 75071

-----Original Message-----
From: RJH [mailto:RJHRJJR@prodigy.net]
Sent: Wednesday, March 20, 2002 10:41 PM
To: ronion@tdhca.state.tx.us
Subject: Opposition to Proposed Funding/Approval for Stonebrook Villas at Virgina Parkway and Custer Road in McKinney, TX

Mr. Robert Onion, TDHCA, P.O. Box 13941, 507 Sabine, Suite #800, Austin, TX. 78711-3941

Dear Mr. Onion,

I am writing you in regard to the low income housing project that is currently being considered for the area at the corner of Virginia Parkway and Custer Road in McKinney referred to as Stonebrook Villas. As a resident of this area who lives directly across the street for its proposed location, I am very interested in this matter and in general the economic development of McKinney. Let me be clear from the start-----I oppose this project and I would hope that you would strongly consider my views in taking appropriate action with regard to this matter.

The facts, I believe, are clear. There is no demand for this type of housing project and our city has an over-concentration of this type of housing, especially when compared with our population and the lack of such proprieties in our cities/communities in Collin County. It is my understanding that the under the facts as I have presented them, that the TDHCA should reject this developer's plan for funding/tax exempt status and refuse to allow such a project to be built.

These are the facts as I understand them:

· McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties

· McKinney -- 1,512 units, one low-income unit for every 36 residents

· Allen -- 120, one for every 363 residents

· Frisco -- 216, one for every 156 residents

· Garland -- 632, one for every 341 residents

· Plano -- 609, one for every 365 residents

· Carrollton -- 388, one for every 282 residents

· Grapevine -- 224, one for every 188 residents

· The project is funded by the Texas Department of Housing and Community Affairs (TDHCA). Each application is judged on several criteria, including "the level of need for affordable housing in the community."

· The state does not clearly define the term "community" but does say it should take into account natural geographic or political boundaries. This study was run on a 10-mile radius from the property and includes all of Frisco, Allen, half of Plano and several other municipalities and school district areas. We believe this ignores the state's provision regarding political or geographic boundaries.

· Yet even with this 300+ square mile market area (for a single apartment complex!) there is still no demand if you correct inaccuracies in the developer's market study.

· The developer is the one who pays an outside company to do a "market study" which evaluates whether or not there is demand for such a complex in a certain area. In the market study for Stonebrook Villas, several errors need to be corrected in order to accurately reflect the lack of demand for this location - things like not including existing complexes.

I would ask that you take note that you have received letters and comments from numerous interested parties who believe that the facts show there is no demand and that there is an overconcentration of this type of housing in our community and that under state law this project should not be approved.

At the outset of my inquires regarding this project, I was told by developer representatives that there was a demand for this type of housing and that there was no oveconcentration in our community. Now, after several other residents have questioned these representations with local and state officials, I understand that the response now being given by developer representatives and housing authority representatives is that "the community has one for one more project like this". The implication of this is apparent to many residents and that implications is that indeed when confronted with the facts of how many of these types of properties are already located in McKinney, that the emphasis is now on "well maybe we can get one more in".

One More? Our neighboring communities have nowhere near the number or concentration that our city already supports. Is there any one who would argue-with a straight face--that our community does not have the highest concentration of these tax-credit properties north of LBJ-635?

I am asking that you review the demand issue and the overconcentration in our area.

In addition, based upon information I have reviewed, it appears that this project will cost the city of McKinney over $500,000 a year in taxes-- that ultimately are made up from tax payers like me. It will cost the school district even more, at time when the school district is under a tremendous strain to meet current needs and is facing a statutory cap on it ability to raise taxes any further due to "Robin Hood" legislation.

Your agency plays an important role in a valuable program, but because this program does place a financial burden on the municipalities and school districts where these properties are located, I would urge you to review the concentration of these properties in our city and the surrounding cities to ensure no single municipality or school district is unduly burdened.

Sincerely,

R. J. Hobby, 9300 Chesapeake Lane, McKinney, TX, 75070

-----Original Message-----
From: Brenda N Massey [mailto:bmassey@jcpenney.com]
Sent: Wednesday, March 20, 2002 8:30 PM
To: ronion@tdhca.state.tx.us
Subject: Affordable housing project in Mckinney Tx.

Mckinney is over built for affordable housing compared to other cities. Please consider spreading this out among other cities. It will be an unfair tax burden on the residents of Mckinney.

-----Original Message-----
From: Russell, Stan [mailto:Stan.Russell@pizzahut.com]
Sent: Wednesday, March 20, 2002 3:31 PM
To: 'ronion@tdhca.state.tx.us'
Subject: Stonebrook Villas Housing Project in McKinney

Mr. Robert Onion
TDHCA

Dear Sir,

I wish to express my opposition to the proposed Stonebrook Villas Housing Project in McKinney. McKinney has an overabundance of Low Income Housing Units already. Why is McKinney being forced shoulder an unfair proportion of these low income properties?. My taxes are already too high! If there is a need for more low income housing in Collin county they should be spread out among the surrounding towns so that the tax burden is shared by others.

* McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties

* McKinney -- 1,512 units, one low-income unit for every 36 residents

* Allen -- 120, one for every 363 residents

* Frisco -- 216, one for every 156 residents

* Garland -- 632, one for every 341 residents

* Plano -- 609, one for every 365 residents

* Carrollton -- 388, one for every 282 residents

* Grapevine -- 224, one for every 188 residents

I understand that the criteria used in the market study that determines the need for this type of housing contains several errors that, left uncorrected, DO NOT ACCURATELY REFLECT THE LACK OF DEMAND FOR THIS TYPE OF HOUSING IN MCKINNEY.

Please recheck your information before making any final decision about overburdening McKinney with more unneeded Low Income Housing Units.

Sincerely,

Stan Russell
5113 Highlands Dr
McKinney, Texas 75070

-----Original Message-----
From: Kay Peters [mailto:kpete10@jcpenney.com]
Sent: Wednesday, March 20, 2002 1:53 PM
To: ronion@tdhca.state.tx.us
Subject: URGENT
Importance: High

As a McKinney resident I am oppose to the Stone Brook Villas project and question its demand due to the over concentration of low-income housing tax-credit properties in McKinney. I would like to request that the state employ an independent review of the data to ensure its accuracy before approving or denying this application. I am also concerned that the state is allowing an over concentration of low-income housing tax-credit properties in McKinney. Please thoroughly review the concentrations throughout our area before approving or denying this application. Although this is a valuable program, it places a enormous financial burden on the municipalities and school districts where these properties are located (McKinney, TX). I would like the state to review the concentration of these properties in McKinney and the surrounding cities to ensure no single municipality or school district is unduly burdened.

-----Original Message-----
From: jnjcraig@aol.com [mailto:jnjcraig@aol.com]
Sent: Wednesday, March 20, 2002 1:35 PM
To: ronion@tdhca.state.tx.us
Cc: Florence.Shapiro@senate.state.tx.us; MaryDenny@house.state.tx.us
Subject: Stonebrook Villas, Mckinney,Texas.

Dear Mr. Onion,

Please allow be to make a few comment over the subject properties.

I am a citizen in Mckinney, Texas, and wish to voice a few comments and to ask the questions WHY?

I keep coming back to WHY is there such a huge campaign to make this project fit here, when the facts show me that as a city we are overbuilt on these tax-credit properties.

Our neighboring cities are underbuilt in this type of property and that there is no remaining demand for such a project in our city. Why is the proposed application being considered?
We are asking you as a representative of the state to thoroughly review the study which the developer has submitted to document the demand for this complex, I believe you will find that there is no demand for a project like this in McKinney, or in the huge market area defined by the developer. Why is this being considered?

We the citizens of McKinney stand to lose several hundred thousand dollars a year in taxes. We need these dollars to help build our schools, fire stations, and to assist in other needed programs to meet the needs of a growing community.

The facts remain that McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low income housing tax-credits properties. This means that we, the citizens, of this community have an overconcertation of this type of properties. Why?

Issues that our community are faced with:
1- We are over built on low income housing.
2-Our schools and other services are growing quicker than our tax base.
3-Properties such as the subject bring in little or no tax.
4-In addition there are no social support programs in place to meet new demands, such as Stonebrook Villas.

I would ask the state to thoroughly review these issues before approving or denying the proposed application.

Thank you for listening.

John & Joan Craig
805 Lake Point Circle
McKinney, Texas, 75070

-----Original Message-----
From: Dorothy Stayton [mailto:dstayton30@attbi.com]
Sent: Wednesday, March 20, 2002 12:40 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Project in McKinney

Dear Mr. Onion:
I am asking you to review the demand issue for the Stonebrook Villas project. I find there is no demand for this complex in McKinney as we already have an overconcentration of low income housing tax-credit properties.
I request that you thoroughly review the concentrations throughout our area before approxing. Why does McKinney, with 15% of the population of Allen, Frisco, McKinney and Plano, have 62% of the low income housing tax-credit properties.
This is a valuable program, but will place a financial burden on the municipalities and school districts where these properties are located. PLEASE review the concentration of these properties in our city and the surrounding cities to ensure no single municipality or school district is unduly burdened. McKinney has the right to expect other cities in our area to foot some of the bill for this type of housing.
Please look into this issue for our citizens and our city. Thank you.
Dorothy A. Stayton

-----Original Message-----
From: Timothy P. Dooley [mailto:Timothy.Dooley@alcatel.com]
Sent: Wednesday, March 20, 2002 11:53 AM
To: ronion@tdhca.state.tx.us; Florence.Shapiro@senate.state.tx.us; Mary.Denny@house.state.tx.us; ddozier@mckinneytexas.org; ggarza@mckinneytexas.org; bwhitfield@mckinneytexas.org; gnesbitt@mckinneytexas.org; rsbell@altusinvestments.com; thelsley@mckinneytexas.org; bwysong@mckinneytexas.org
Cc: lisa@owens-home.net
Subject: Opposition to Stonebrook Villas in McKinney, TX

Please review the enclosed information regarding the "Stonebrook Villas" project in McKinney, TX.

Please be advised that my wife and I strongly oppose this project and that we are looking to our government representation to assist us in our opposition.

Thank you.

Timothy P. Dooley
Amye B. Dooley
8708 Merlin Ct.
McKinney, TX 75070

-----Original Message-----
From: Gerald Scarcia [mailto:gerald_scarcia@fanniemae.com]
Sent: Wednesday, March 20, 2002 11:42 AM
To: florence.shapiro@senate.state.tx.us; mary.denny@house.statetx.us; ddozier@mckinneytexas.org; ggarza@mckinneytexas.org; bwhitfield@mckinneytexas.org; gnesbitt@mckinneytexas.org; rsbell@altusinvestments.com; thelsley@mckinneytexas.org; bwysong@mckinneytexas.org
Cc: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

I would like to express my concerns and disappointments involving the proposed project known as Stonebook Villas. Apparently this subsidized apartment complex is for some reason, being forced on the taxpayers of Mckinney by the Texas Department of Housing and Community Affairs and the Mckinney Housing Finance Corp.(devloper). The Stonebook Villas project, if approved, will be one of many similar developments now operating in the City of McKinney.

I am a resident and a taxpayer in the city of McKinney. I am also a Fannie Mae employee that understands the importance and need for low to moderate income housing. Fannie Mae is dedicated to provide such housing and to revitalize cities throughout the country. With this in mind, I would like to express my opinion about the Stonebrook Villas project.

This type of project has a place and should be a part of our city's plans to assist the citizens of Mckinney. Low to moderate income projects should compliment a cities' makeup, not create a detriment. McKinney has been very generous in the past assisting their residents and, at this point, we feel we must concentrate on a more balanced growth for our city. McKinney far surpasses the majority of the surrounding cities with this type of project, therefore, a need does not exist for the Stonebrook Villas project.

There are many other factors that prove this type of project will cause a hardship on the taxpayers of McKinney and their children. McKinney is growing and has been experiencing overcrowded schools - we cannot built schools quick enough to support our children. As soon as a new school is built, it becomes overcrowded and is then required to bring in temporary trailers for additional classrooms. The Stonebook Villas project will further add to an already significant problem the citizens of McKinney are currently trying to coop with.

Also the Stonebook Villas project will put more burden on the already concerned taxpayer. This project will pay virtually limited taxes but still produce a drain on the city's services and school system. McKinney needs growth that generates taxable income for the city. It is important to ensure a stable economy and create a city that supports the needs of every man, woman and child; the Stonebook Villas project does not accomplish this task.

McKinney is a great town and, as citizens, we are dedicated to preserve it's greatness for our future and our children's future. McKinney has done its part providing low to moderate income housing for its citizens well beyond the city's capacity. We have shown our neighboring cities that we are leaders in the fight to provide housing for folks that are less fortunate than others. We as citizens are proud of this accomplishment but it's time to focus on the city as whole and create a city that will ensure our future.

I am opposed to the Stonebrook Villas project. The developers know as Mckinney Housing Finance Corp. has not demonstrated a need for this type of project and, in my opinion, has provided misleading information to attain their goals. I, as a citizen of the State of Texas and City of McKinney authorize you as my elected officials, to contact Mr. Robert Onion to voice my concerns. The Stonebrook Villas project and any funding must NOT be approved. Please unite behind me and the many other citizens of Mckinney that do not support the Stonebrook Villas project.

Robert Onion
TDHCA
po box 13941
507Sabine, Suite #800
Austin, Texas 78711-3941
ronion@tdhca.state.tx.us

Respectfully

Gerald John Scarcia

-----Original Message-----
From: Rjk0698@aol.com [mailto:Rjk0698@aol.com]
Sent: Wednesday, March 20, 2002 11:00 AM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas, Virginia Parkway, McKinney, Texas

Dear Mr. Onion:
This is to advise you that I oppose construction of the subject project. McKinney has more than met its citizens' needs for low income housing. Stonebrook Villas will create more oversupply and draw residents from neighboring cities. This oversupply will place an undue burden on already highly taxed residents of McKinney.
Thank you for your consideration of this problem.
R J Kinsley, 1322 Lakewood Drive, McKinney, TX 75070

-----Original Message-----
From: Michele Oberlin [mailto:moberlin@mckinneyisd.net]
Sent: Wednesday, March 20, 2002 10:17 AM
To: ronion@tdhca.state.tx.us
Subject: Low-Income for McKinney

Based on the facts, I strongly oppose the construction of more low-income housing in McKinney Texas!

Michele Oberlin
6th Grade Language Arts
Dowell Middle School

-----Original Message-----
From: Nafyawle@aol.com [mailto:Nafyawle@aol.com]
Sent: Wednesday, March 20, 2002 9:58 AM
To: ronion@tdhca.state.tx.us
Subject: McKinney, Texas

Dear Mr. Onion

I have a very ill feeling about the Stonebrook Villas that are proposed to be located at the corner of Virginia Pkwy. and Custer Rd. in McKinney, Texas. Although, this might be a valuable program, it will place a huge financial burden on the municipalities and school districts where these properties are located.

I desperately urge you and other State Officials to please, take another look at this project and consider all the facts. Our schools are so over crowed now, I feel our children are not receiving the proper attention they should have in the classroom. Our children are our future.

Thank you.

Sincerely,
Judy Jensen
Hackberry Ridge
McKinney, Texas

-----Original Message-----
From: C. T. Sutton [mailto:ctspfg@attbi.com]
Sent: Wednesday, March 20, 2002 9:14 AM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

I am McKinney citizen. I want to state my opposition to the Stonebrook Villas Low Income Housing project. These facts show that such projects should be built in other cities.
·McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties
·McKinney -- 1,512 units, one low-income unit for every 36 residents
·Allen -- 120, one for every 363 residents
·Frisco -- 216, one for every 156 residents
·Garland -- 632, one for every 341 residents
·Plano -- 609, one for every 365 residents
·Carrollton -- 388, one for every 282 residents
·Grapevine -- 224, one for every 188 residents

C. T. Sutton
ph 214 364 4663
fax 972 529 6846
8104 Oakcrest Drive
McKinney, TX 75070

-----Original Message-----
From: Gerald Lewis [mailto:gerald_lewis@usa.net]
Sent: Wednesday, March 20, 2002 8:22 AM
To: ronion@tdhca.state.tx.us
Cc: lisa@owens-home.net; citycouncil@mckinneytexas.com
Subject: STONEBROOK VILLAS, McKinney, TX
Importance: High

I am a resident of McKinney, Texas and I am solidly opposed to this project!

I am steadfast in my belief that IF the state thoroughly reviews the study which the developer has submitted to document the demand for this complex, the state will find, as I did, that there is no remaining demand for such a project in McKinney -- or in the gigantic market area defined by the developer.
· McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties
· McKinney -- 1,512 units, one low-income unit for every 36 residents
· Allen -- 120, one for every 363 residents
· Frisco -- 216, one for every 156 residents
· Garland -- 632, one for every 341 residents
· Plano -- 609, one for every 365 residents
· Carrollton -- 388, one for every 282 residents
· Grapevine -- 224, one for every 188 residents

Why has McKinney been singled out as the best location for this project, when it is so heavily overbuilt already? Why is there this huge campaign to force this project to fit here, when the facts show we are clearly overbuilt compared to our neighbors. Why? There is no debate that ANY other community north of 635 is overconcentrated in these tax-credit properties.

This developer is bringing in a project that could cost the city over $500,000 a year in taxes. This is grossly unfair to the citizens of McKinney and is a burden they should not be forced to endure.

For these reasons I find it difficult to believe any responsible official of the state of Texas could support this ill-conceived project.

Regards,
Gerald R. Lewis
McKinney Citizen

-----Original Message-----
From: Van & Deanna Smith [mailto:smithgang5@attbi.com]
Sent: Wednesday, March 20, 2002 7:17 AM
To: ronion@tdhca.state.tx.us
Subject: Two more citizens opposed to the Stonebrook Villas, McKinney, Texas

We live in McKinney, Texas and are opposed to the Stonebrook Villas being built in McKinney. We are asking that you take a look at the numbers and facts and we know you will agree with us that it is not necessary, fair, or a smart thing to build. Our City does not need this and cannot handle another property like this one.
Please look at the numbers and see if we are right. Ideally, we'd like for the city to commission an independent review of the developer's market study to verify whether there is demand.

To quote some facts again from The McKinney Citizens for Balanced Growth who have dedicated many many man hours:

> We are concerned that (or we believe that) the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. We request that the state thoroughly review the concentrations throughout our area before approving or denying this application.
>
> This is a valuable program, but because it does place a financial burden on the municipalities and school districts where these properties are located, we ask the state to review the concentration of these properties in our city and the surrounding cities to ensure no single municipality or school district is unduly burdened.

Remember the facts:

- McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties
- McKinney -- 1,512 units, one low-income unit for every 36 residents
- Allen -- 120, one for every 363 residents
- Frisco -- 216, one for every 156 residents
- Garland -- 632, one for every 341 residents
- Plano -- 609, one for every 365 residents
- Carrollton -- 388, one for every 282 residents
- Grapevine -- 224, one for every 188 residents

- The project is funded by the Texas Department of Housing and Community Affairs (TDHCA). Each application is judged on several criteria, including "the level of need for affordable housing in the community."

- The state does not clearly define the term "community" but does say it should take into account natural geographic or political boundaries. This study was run on a 10-mile radius from the property and includes all of Frisco, Allen, half of Plano and several other municipalities and school district areas. We believe this ignores the state's provision regarding political or geographic boundaries.

- Yet even with this 300+ square mile market area (for a single apartment complex!) there is still no demand if you correct inaccuracies in the developer's market study.

- The developer is the one who pays an outside company to do a "market study" which evaluates whether or not there is demand for such a complex in a certain area. In the market study for Stonebrook Villas, there were several errors which need to be corrected in order to accurately reflect the LACK of demand for this location – things like not including existing complexes.

SO PLEASE, if nothing else take a look at this and check out the numbers and we know you will agree that this is NOT NEEDED. Thank you, in advance, for your time!

Deanna & Van Smith
8009 Abbot Court
McKinney, Texas 75070

-----Original Message-----
From: Bud Johnson [mailto:buddeej@attbi.com]
Sent: Tuesday, March 19, 2002 10:31 PM
To: Robert Onion
Cc: David Burrell; McKinney Citizens for Balanced Growth; Ruth Cedillo
Subject: Fw: Stonebrook Villas

----- Original Message -----
From: Bud Johnson
To: bwysong@mckinneytexas.org
Sent: Tuesday, March 19, 2002 10:26 PM
Subject: Re: Stonebrook Villas

Dr. Wysong,
We need your help. STOP THIS PROJECT NOW! Our city has done so much more than the cities of Plano, Frisco and Allen combined. I am all for helping people in need. I don't think the developer is in need. They adjusted the survey to fit their need, not the need of the community. Fair is fair. I don't think that Southwest is a concerned McKinney tax paying resident. Once funded, built and turned over to the Housing Authority, they are history. Along with how many millions of dollars. Then we get to pay for the short falls with ncreased taxes. I have had enough! PLEASE HELP US!

Bud Johnson
105 Peregrine Dr.
McKinney, TX 75070
214-734-8276

-----Original Message-----
From: Brian Voigt [mailto:bcvoigt@attbi.com]
Sent: Tuesday, March 19, 2002 9:22 PM
To: ronion@tdhca.state.tx.us
Subject: I Request Your Assistance

I am a resident in McKinney, TX. I live at 8507 Falconet Circle in the 75070 zip code.

I STRONGLY RECOMMEND THAT YOU OPPOSE THE FOLLOWING SITUATION. I am asking you to review the information below and take any actions possible to prohibit the development in McKinney, TX by **Stonebrook Villas (TDHCA Application # 2002-056) and any future developments also listed below for the same reasons.**

WHAT IS "STONEBROOK VILLAS"?

- Stonebrook Villas is a high-density 224-unit apartment complex planned for Virginia Parkway and Peregrine. It has 2, 3 and 4-bedroom units – no one-bedrooms, and is open to families. Peregrine Road will be extended north, and the entrance will be on Peregrine.
- There are SEVEN more properties like this one being applied for – one right next door to Stonebrook Villas with an additional 270 units. If we beat this one, we may have a better chance of stopping the other ones.
- MISD estimates 112 students from this property, approximately 56 of whom would be grade-school aged and would attend Eddins.
- Under the government program, the developer doesn't have to pay *any* taxes. He has verbally offered to pay a very small amount of school taxes, about 10% of the cost to the district of educating the students, but he has put nothing in writing. It will cost MISD $560,000 per year to educate these 112 kids.
- This property will add 8% of the 1400 new kids expected to be added to our district this year, with little or no taxes to pay for them.
- The city will also lose tax revenues from this property. Total loss to the city and school district is about $770,000 EVERY YEAR. Multiply that times 8 and you've got a big problem.

This shows how many apartment units of Low-Income Housing Tax Credits there are CURRENTLY in McKinney and our neighboring cities:

- McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties
- McKinney -- 1,512 units, **one low-income unit for every 36 residents**
- Allen -- 120, one for every 363 residents
- Frisco -- 216, one for every 156 residents
- Garland -- 632, one for every 341 residents
- Plano -- 609, one for every 365 residents
- Carrollton -- 388, one for every 282 residents
- Grapevine -- 224, one for every 188 residents

Below are the proposed properties that I request your **ASSISTANCE BY OPPOSING THE DEVELOPMENTS.**

Total Proposed properties for McKinney (source: TDHCA):

1. Stonebrook Villas, Virginia at Peregrine, 224 units. Developer: Southwest Housing.
2. Stonebrook Courtyards, Virginia at Peregrine, 270 units. Developer: Southwest Housing
3. Frisco Estates Housing (in McKinney), South of W. University near Skyline, 260 units. Developer: Southwest Housing.
4. Primrose Village, North of Frisco Rd. between Medical Center Drive and Hwy. 5, 250 units. Developer: Southwest Housing and the McKinney Housing Finance Corp.
5. Primrose Broadway, North of Frisco Rd. between Medical Center Drive and Hwy. 5, 250 units. Developer: Southwest Housing and the McKinney Housing Finance Corp.
6. Oxford Heights, East of Hwy. 5, south of Country View Lane, 248 units. Developer: Ken Mitchell and the Collin County Housing Finance Corp. Seniors
7. Grand Reserve, East of Hwy. 5 and south of Enterprise Dr., 239 units. Developer: Ken Mitchell and the Collin County Housing Finance Corp. Seniors
8. One Southern Pines. East of Hwy. 5 and south of Plateau Drive, 230 units. Developer: Ken Mitchell and the Collin County Housing Finance Corp. Seniors

I appreciate your assistance to this matter. Should you have any questions, please feel free to contact me at 972-529-5565.

Brian Voigt

-----Original Message-----
From: Marsha Hope [mailto:mdhope@swbell.net]
Sent: Thursday, March 21, 2002 1:08 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

March 21, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
507 Sabine, Suite #800
Austin, TX 78711-3941

Dear Mr. Onion,

I am writing to ask the Texas Department of Housing and Community Affairs (TDHCA) to review data regarding a proposed Low Income Housing Tax Credit (LIHTC) property called Stonebrook Villas at Virginia Parkway and Peregrine Road in McKinney, Texas. I support affordable housing and support Texas' efforts for funding such projects. However, I believe the data will show that there is an over concentration of LIHTC properties in McKinney, which places an unfair burden on our city and our school district.

A group of citizens in McKinney, McKinney Citizens for Balanced Growth (MCBG), has been earnestly researching this issue and working at the state and local levels. The information they have compiled is compelling.

McKinney already has more than its share of low income units. If you take into consideration Plano, McKinney, Allen and Frisco, McKinney has 15% of the population but 62% of the LIHTC properties. Here are some neighboring city LIHTC unit figures:

McKinney -- 1,512 units, one low-income unit for every 36 residents
Allen -- 120, one for every 363 residents
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The project is funded by the TDHCA. Each application is judged on several criteria, including "the level of need for affordable housing in the community." The state does not clearly define the term "community" but does say it should take into account natural geographic or political boundaries. This study was run on a 10-mile radius from the property and includes all of Frisco, Allen, half of Plano and several other municipalities and school district areas. We believe this ignores the state's provision regarding political or geographic boundaries. Residents of this complex will be coming mostly from neighboring cities; however, McKinney taxpayers will be shouldering the burden.

The developer has stated it will pay its share of school taxes. However, I understand that this tax will be based on a lower assessed value (because the project is state-funded). That amount will not be enough to cover the educational costs the additional children this complex will bring in. Also, the developer did not state for how long the taxes will be paid. Eventually, McKinney taxpayers will have to take over.

Right now, the tax base in McKinney is about 70% residential and 30% commercial. Our tax rate is one of the highest (if not the highest) of the surrounding areas. Our school district is facing financial problems due to our fast population growth and lack of a quality commercial tax base. The focus in McKinney should be on commercial development, not on high density projects which increase the population but do not contribute to the tax base.

As MCBG pursued this issue over the last few weeks, people at the state and local level have gone from telling the group there is a need for this project to a message of "we think we can slip one more in under the wire." Now it seems the debate among the "powers that be" is whether McKinney is just over or just under the limit for how many of these units the state can allow in our area. Meanwhile, our neighboring cities are so ridiculously under-built in this type of property.

Why is there such an overconcentration in McKinney?

In summary, I feel that McKinney has more than met its citizens' needs for low income housing; the oversupply will draw in residents from other neighboring cities; and this oversupply will place an undue burden on already highly taxed McKinney citizens.

Sincerely,
Marsha Hope
6800 Stony Hill Road
McKinney, TX 75070

-----Original Message-----
From: Stephanie.Caraway@sanden.com [mailto:Stephanie.Caraway@sanden.com]
Sent: Thursday, March 21, 2002 6:04 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

Mr. Robert Onion,

I'm a resident of McKinney, TX. I live just across the street from the proposed location of the Stonebrook Villas. I am VERY MUCH OPPOSED to this project.

My major concerns are:
Where will these folks work? There are no major businesses in the immediate area including employment agencies to find them jobs. It seems to me we should be encouraging businesses into the area that could provide increased tax flow to the community. The state of our schools and roads alone indicate that the growth in McKinney has greatly over extended the resources of our city and county.

Why would McKinney provide essentially tax-free living when we already 15% of the low income population but 62% of the housing. It seems as if we are trying to take on a greater tax burden than I as a taxpayer can afford.

Thank you for your consideration.
Stephanie Caraway
9217 Bedford Ln.
McKinney, TX 75071

-----Original Message-----
From: Marsha Hope [mailto:mdhope@swbell.net]
Sent: Thursday, March 21, 2002 1:08 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

March 21, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
507 Sabine, Suite #800
Austin, TX 78711-3941

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A group of citizens in McKinney, McKinney Citizens for Balanced Growth (MCBG), has been earnestly researching this issue and working at the state and local levels. The information they have compiled is compelling.

McKinney already has more than its share of low income units. If you take into consideration Plano, McKinney, Allen and Frisco, McKinney has 15% of the population but 62% of the LIHTC properties. Here are some neighboring city LIHTC unit figures:

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- Plano -- 609, one for every 365 residents
- Carrollton -- 388, one for every 282 residents
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Right now, the tax base in McKinney is about 70% residential and 30% commercial. Our tax rate is one of the highest (if not the highest) of the surrounding areas. Our school district is facing financial problems due to our fast population growth and lack of a quality commercial tax base. The focus in McKinney should be on commercial development, not on high density projects which increase the population but do not contribute to the tax base.

As MCBG pursued this issue over the last few weeks, people at the state and local level have gone from telling the group there is a need for this project to a message of “we think we can slip one more in under the wire.” Now it seems the debate among the “powers that be” is whether McKinney is just over or just under the limit for how many of these units the state can allow in our area. Meanwhile, our neighboring cities are so ridiculously under-built in this type of property.

Why is there such an overconcentration in McKinney?

In summary, I feel that McKinney has more than met its citizens' needs for low income housing; the oversupply will draw in residents from other neighboring cities; and this oversupply will place an undue burden on already highly taxed McKinney citizens.

Sincerely,
Marsha Hope
6800 Stony Hill Road
McKinney, TX 75070

-----Original Message-----
From: Ray Cross [mailto:rcross@fastenal.com]
Sent: Monday, March 25, 2002 3:12 PM
To: 'ronion@tdhca.state.tx.us'
Subject: In opposition of Stonebrook Villas

I would like to voice my displeasure at the plan to add low income housing in McKinney, Texas. There is no demand for this type of housing in our city. We already have an over abundance of these properties in existence. Our schools are already overcrowded and our tax dollars are needed to add more schools. We did not move to McKinney to subsidize others education.

Thanks in advance for your support,

Ray Cross
South Central Region Operations
1432 MacArthur Drive
Carrollton, TX 75007
(972) 245-8171 Ext. 122
Fax: 972-242-1586

-----Original Message-----
From: Gerald Scarcia [mailto:gerald_scarcia@fanniemae.com]
Sent: Monday, March 25, 2002 2:41 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

Please accept this notification to voice my opposition with regards to the project known as Stonebrook Villas. This project is up for review with the Texas Department of Housing & Community Affairs for funding approval.

The project is slated to be constructed in the City of McKinney where an over saturation of similar projects have been built. Our city far surpasses its neighboring cities with affordable housing, therefore, a need for Stonebrook Villas does not exists. As our elected leaders, please stand behind my concerns and wishes in opposing this project in all and any capacity you possess.

Respectfully

Gerald John Scarcia

-----Original Message-----
From: Michael Maus [mailto:Mike.and.Coralinn.Maus@worldnet.att.net]
Sent: Monday, March 25, 2002 12:11 PM
To: Robert Onion
Subject: Sonebrook Villas Application in McKinney

Mr. Onion

Robert,

I am one of the gentlemen who waived my opportunity to speak at the hearing last week in McKinney. I, too, would have been AGAINST approval of the Villas. Frankly, I felt that the residents of McKinney could not have been more eloquent in explaining our objections. More apartments of this type would simply be so DISPROPORTIONATE for McKinney compared to Plano, Frisco, Allen & Richardson that they are plainly not warranted. Surely, the state does not want to adopt policies that make McKinney the focus of wildly out of proportion subsidized, low income housing.

My wife and I are retired and saved to build our home here. Inordinately high property taxes for schools are a major concern for us. If you were in our shoes you would not be in favor of this project either.

Thank you for considering my message.

Mike Maus

-----Original Message-----
From: ztjz [mailto:ztjz@email.msn.com]
Sent: Saturday, March 23, 2002 10:21 PM
To: ronion@tdhca.state.tx.us
Subject: OPPOSED TO LIHTC APPLICATION MADE BY SOUTHWEST HOUSING DEVELOPMENT - PLEASE DENY!!!

Dear Mr. Onion:

We are writing as McKinney, Texas residents, taxpayers, voters and responsible citizens, to ask for your support and help.

We are **opposed** to the application made by Southwest Housing Development for bonds and tax credits for a low income housing tax credit (LIHTC) apartment complex known as Stonebrook Villas to be located in McKinney, Texas.

We respectfully ask that **you ensure this application is denied** for the following reasons:

- **Inequitable distribution of LIHTC properties:** McKinney currently comprises only 15% of the population north of Dallas in Collin County, but has 62% of the LIHTC properties.

- **Unbalanced tax base:** McKinney's tax base is approximately 75% <u>residential</u>, unlike the surrounding communities, whose tax bases are generally 75% <u>commercial</u>. This tax base imbalance makes it impossible for McKinney's citizens to subsidize additional LIHTC properties.

- **Lack of demand:** Due to the vast quantity of LIHTC properties that already exist in McKinney there is not demand by McKinney residents. In the developer's market study a 10 mile radius, or over 300 square miles, was used in order to justify the need for this project. The problem however, is that in doing so he expects to draw residents primarily from our neighboring communities. This is not fair to McKinney taxpayers. These other communities are the ones who need to be adding LIHTC housing at this time, not McKinney.

- **School district impact:** It is estimated that this complex, if built, will generate at least 120 new students. Our school district and particularly the schools that would be impacted by this project are already overcrowded. If McKinney doesn't attract more commercial tax base and soon, the school district will be in serious financial trouble within five years. It is not feasible to add a large quantity of tax exempt students at this time.

- **Location of property:** The proposed site for Stonebrook Villas is in the furthest point west in McKinney and 5 to 12 miles from the nearest grocery store, shopping and employers. It simply cannot be in the best interest of those who need this kind of housing to place it in a location where its residents will incur significant transportation expenses.

Thank you for ensuring that the city of McKinney and its taxpayers are treated fairly by joining with us to **oppose** this application and **ensure that it is denied**.

Sincerely,
Lynn and Todd Zuercher
8609 Arbor Creek Lane
McKinney, Texas 75070
972-562-2487
ztjz@msn.com

-----Original Message-----
From: Paul, Chris A (Chris) [mailto:chrispaul@lucent.com]
Sent: Friday, March 22, 2002 2:33 PM
To: ronion@tdhca.state.tx.us
Cc: Florence.Shapiro@senate.state.tx.us; Mary.Denny@house.state.tx.us; ddozier@mckinneytexas.org; bwysong@mckinneytexas.org; thelsley@mckinneytexas.org; rsbell@altusinvestments.com; gnesbitt@mckinneytexas.org; bwhitfield@mckinneytexas.org; ggarza@mckinneytexas.org
Subject: Texas Department of Housing and Community Affairs project known a s Stonebrook Villas proposed in McKinney, TX

Mr. Onion,

I am writing to express my opposition to the Texas Department of Housing and Community Affairs project known as Stonebrook Villas proposed in McKinney, TX.

I support the efforts of McKinney Citizens for Balanced Growth in opposition to this and other projects that will drain the city of McKinney of tax revenues at the cost of other resident taxpayers. We are steadfast in our belief that IF the state thoroughly reviews the study which the developer has submitted to document the demand for this complex, the state will find, as we did, that there is no remaining demand for such a project in McKinney -- or in the gigantic market area defined by the developer.

Those of us who are closest to this issue keep coming back to the question - Why is there this huge campaign to force this project to fit here, when the facts show we are clearly overbuilt compared to our neighbors:

McKinney has 15% of the population of Frisco, McKinney, Allen and Plano, but 62% of the low-income housing tax-credit properties are located in McKinney.

· McKinney -- 1,512 units, one low-income unit for every 36 residents
· Allen -- 120, one for every 363 residents
· Frisco -- 216, one for every 156 residents
· Garland -- 632, one for every 341 residents
· Plano -- 609, one for every 365 residents
· Carrollton -- 388, one for every 282 residents
· Grapevine -- 224, one for every 188 residents

1) We are questioning the demand for this project, and an apparent overconcentration of low-income housing tax-credit properties in McKinney. We request that the state employ and independent review of the data to ensure its accuracy before approving or denying this application.

2) We believe that the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. We request that the state thoroughly review the concentrations throughout our area before approving or denying this application.

3) This is a valuable program, but because it does place a financial burden on the municipalities and school districts where these properties are located, we ask the state to review the concentration of these properties in our city and the surrounding cities to ensure no single municipality or school district is unduly burdened.

Thank you,
Chris Paul
McKinney, TX

-----Original Message-----
From: Rick and Melissa Leigh [mailto:rmleigh@attbi.com]
Sent: Tuesday, March 26, 2002 10:57 PM
To: ronion@tdhca.state.tx.us
Subject: Affordable housing project in McKinney

We are writing to you to let you know we as citizens of McKinney, Texas do not support the proposed affordable housing development. After reviewing the facts it is apparent that this is not something that is currently needed in McKinney. I was shocked to know that 2 of the affordable housing developments are currently leasing and one is running “specials.” If these are not full why is it necessary to build more?

In addition our schools are so overcrowded that many of our children are in portable building and hundreds of others are not able to attend their neighborhood school.
Thank you for your time.

Sincerely,
Rick and Melissa Leigh
106 Peregrine Dr.
McKinney, TX 75070

-----Original Message-----
From: Julie_Williams@Dell.com [mailto:Julie_Williams@Dell.com]
Sent: Tuesday, March 26, 2002 7:58 PM
To: ronion@tdhca.state.tx.us
Subject: Proposed Low-Income Housing

We oppose the proposed low-income housing in the Stonebridge area of McKinney, TX for the following reasons:

* Demand for this type housing is low
* There is an over concentration of these already in McKinney area
* It is a 100% tax-exempt property
* Places burdens on already over loaded school district

Please hear our voice and that of 2,000+ citizens in the Stonebridge development. Help us insure that this property is developed to generate tax base rather than take from it.

Julie and Jerry Williams
8513 Falconet Circle
McKinney, TX 75070
972-562-0723

-----Original Message-----
From: Michael Rattleff [mailto:mrattleff@vocaldata.com]
Sent: Tuesday, March 26, 2002 3:29 PM
To: senator@hutchinson.senate.gov; senator@gramm.senate.gov; Brian.McCall@house.state.tx.us; buie@brb.state.tx.us; rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject:

As a McKinney resident I am **opposed** to this project and question its demand due to the overconcentration of low-income housing tax-credit properties in McKinney. I would like to request that the state **DENY** the application for the Stonebrook Villas Housing for the Low Income Housing Tax Credits program.

I am also concerned that the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. Although this is a valuable program, it places a enormous financial burden on the municipalities and school districts where these properties are located (McKinney, TX).

Based upon figures from the TDHCA, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.

Given the above information, I am requesting that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention in this important issue.

Sincerely,
Michael Rattleff
5549 Amber Way
McKinney, TX 75070

-----Original Message-----
From: Trey Deupree [mailto:trey.deupree@clarkbardes.com]
Sent: Monday, March 25, 2002 2:30 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.statte.tx.us
Subject: Stonebrook Villas

As you probably know, more than 2,000 McKinney, Texas citizens are AGAINST the development of the proposed Stonebrook Villas apartments. Why? Because there's already an OVERCONCENTRATION of these type of properties in McKinney and there is NO DEMAND.

Please consider an alternative location. It's time for other cities to carry some of this load!

Thank you for your consideration,
Trey Deupree
McKinney, Texas

-----Original Message-----
From: Ray Cross [mailto:rcross@fastenal.com]
Sent: Monday, March 25, 2002 3:06 PM
To: 'rcedillo@tdhca.state.tx.us'
Subject: Stonebrook Villa

I am writing in direct opposition to the Stonebrook Villa project in McKinney, TX. There is no demand for this type of housing in McKinney. In matter of fact, we have an over concentration of these properties in our town. I did not move my family to McKinney Texas to provide tax dollars for others to attend and overcrowd our schools. It seems that there is a much bigger demand in some areas in South Texas.

Thanks in advance for your support,

Ray Cross
South Central Region Operations
1432 MacArthur Drive
Carrollton, TX 75007
(972) 245-8171 Ext. 122
Fax: 972-242-1586

-----Original Message-----
From: Bonnie Sayers [mailto:bonnie@imc2.com]
Sent: Tuesday, March 26, 2002 10:38 AM
To: 'senator@hutchinson.senate.gov'; 'senator@gramm.senate.gov'; 'Brian.McCall@house.state.tx.us'; 'buie@brb.state.tx.us'; 'rcedillo@tdhca.state.tx.us'; 'ronion@tdhca.state.tx.us'
Subject: FW: Stonebrook Villas in McKinney, Texas

As a McKinney resident I am opposed to this project and question its demand due to the overconcentration of low-income housing tax-credit properties in McKinney. I would like to request that the state DENY the application for the Stonebrook Villas Housing for the Low Income Housing Tax Credits program. I am also concerned that the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. Although this is a valuable program, it places a enormous financial burden on the municipalities and school districts where these properties are located (McKinney, TX).
Based upon figures from the TDHCA, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.
Given the above information, I am requesting that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention in this important issue.
Sincerely,
Bonnie J. C. Sayers
3005 Teal Lane
McKinney, TX 75070

-----Original Message-----
From: Rebecca Perkins [mailto:r.perkins544@attbi.com]
Sent: Monday, March 25, 2002 8:58 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook housing, McKinney, TX

As a resident of McKinney, Texas I am opposed to the development of Stonebrook Villas and other low income housing units. We have an over concentration of this type of housing in the city and do not need any more. Besides being a tax drain, our schools are already becoming too crowded as it is. Please help us in keeping this type of development out of McKinney, and instead, taking it to other areas of the state that are in need of such housing.
Rebecca Perkins
5210 Hawks Nest
McKinney, TX 75070

-----Original Message-----
From: Amy Rattleff [mailto:rattleff@netzero.net]
Sent: Tuesday, March 26, 2002 9:30 AM
To: rattleff@netzero.net
Subject: Stonebrook Villas in McKinney, Texas

As a McKinney resident I am **opposed** to this project and question its demand due to the overconcentration of low-income housing tax-credit properties in McKinney. I would like to request that the state **DENY** the application for the Stonebrook Villas Housing for the Low Income Housing Tax Credits program.

I am also concerned that the state is allowing an overconcentration of low-income housing tax-credit properties in McKinney. Although this is a valuable program, it places a enormous financial burden on the municipalities and school districts where these properties are located (McKinney, TX).

Based upon figures from the TDHCA, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.

Given the above information, I am requesting that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention in this important issue.

Sincerely,

Amy Rattleff

5549 Amber Way

McKinney, TX 75070

-----Original Message-----
From: The Kaiser Family [mailto:kaisere@attbi.com]
Sent: Wednesday, March 27, 2002 10:57 AM
To: ronion@tdhca.state.tx.us
Subject: McKinney Stonebrook Villas

Dear Mr. Onion,

I am writing to let you know I am another McKinney resident that is very much opposed to the Stonebrook Villas Development. These are the concerns that I have:

1. The MISD schools are overcrowded. I have 3 children, 2 are currently enrolled at MISD. I personnally have experienced the overcrowding at our schools, especially at Ruth Dowell Middle School. We can not silently take back stage when our schools are threatened!

2. McKinney has been very generous in supporting Low Income Housing. We can not continue to be sooo generous at the expense of our community. I have seen numerous statisics that indicate McKinney has

more income housing than Allen, Plano, Richardson and Frisco combined. We can not silently take back stage when our community is threatened.

I hope that you can also see our point and will work with us to resolve this issue.

Sincerely,
Virginia Kaiser
6013 Wildwood Dr.
McKinney, TX 75070
972-540-6314

-----Original Message-----
From: Jean Weingarten [mailto:Jweingarten@attbi.com]
Sent: Thursday, March 28, 2002 3:53 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am sending this e-mail to register my opposition to this apartment project - Stonebrook Villas. I own a home in McKinney and pay taxes, and believe that McKinney is being unfairly burdened compared to our neighbors. I have children in school and am aware of the tremendous budget challenges for this fast-growing district, which this project does not help. While I support these programs, I believe that McKinney cannot afford any more at this time and that there is not a sufficient demand by McKinney residents for these units.

Jean Weingarten

-----Original Message-----
From: LOWMAN,BRUCE (HP-Richardson,ex1) [mailto:bruce_lowman@hp.com]
Sent: Thursday, March 28, 2002 1:42 PM
To: 'rcedillo@tdhca.state.tx.us'; 'ronion@tdhca.state.tx.us'
Subject: Stonebrook Villas Application # 2002-056

Dear Sir,

Please be advised that I am strongly opposed to the subject housing development. Our beautiful town, McKinney, already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need. The tax payers of McKinney are already carrying the burden of LIHTC services for all Collin County. The addition of Stonebrook Villas would have a great negative impact on our school district, (MISD), on record as strongly opposing Stonebrook Villas.

McKinney needs $350K homes in order to break even in tax revenue versus services expense. The approval of and the development of Stonebrook Villas will only intensify the looming budget shortfall in our growing community.

PLEASE VOTE NO!!!

Regards,
Bruce Lowman
(972) 497-3827 / Cell (972) 658-1722
bruce_lowman@hp.com
2649 Fairway Ridge
McKinney, TX 75070

-----Original Message-----
From: Buchanan, Michael J [mailto:mjbuchanan@kpmg.com]
Sent: Thursday, March 28, 2002 1:37 PM
To: 'rcedillo@tdhca.state.tx.us'; 'ronion@tdhca.state.tx.us'
Cc: Steven Bell (E-mail)
Subject: Stonebrook Villas Application # 2002-056

To whom it may concern:

McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need; there is not sufficient demand in McKinney, McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County and then some; this unnecessary complex would have a great negative impact on our school system.

Furthermore, the economic impact study presented by Mr. Weinstein from the University of North Texas appears to be biased and speculative, but of course it was paid for by the developer. He is using McKinney city data to support his number of .5 children per housing unit. This number is speculative. There was no study to show that the characteristics of McKinney (or Stonebridge) residents match those of low income housing. A general review of low income data indicates that children per household is MUCH higher. Thus he has understated the economic drain on McKinney.

Any building on the proposed site will have an economic impact. Regular residential or business buildings will have a much greater impact on the city that a negative impact to the city. A city with over 70% of its income coming from residential home homeowners can not support more buildings and residents not paying their way.

Any urban economist can tell you that you have to have businesses and their tax dollars to help support and build the infrastructure. We have high taxes versus the rest of North Texas already. Adding more developments that are not paying taxes will only increase ours. My guess is that this will have a dramatic impact on our growth as our tax rates become significantly higher than the rest of North Texas.

Mr. Weinsteins analysis was performed in a silo, so to speak, and does not take into account all the negative effects the LIIHTC will have all over the city. Let alone their lasting effect. We are already overloaded, please do not add more problems to our city.

kpmg

Michael Buchanan
Director - KPMG Forensic Services

200 Crescent Court, Suite 300
Dallas, TX 75201-1885
Telephone 214 840-6805
Fax 212 840-2026
mjbuchanan@kpmg.com

-----Original Message-----
From: Nancie Poppema [mailto:nancie.poppema@cca-consulting.com]
Sent: Thursday, March 28, 2002 1:38 PM
To: ronion@tdhca.state.tx.us; rcedillo@tdhca.state.tx.us
Subject: Deny Application -- Stonebrook Villas Application # 2002-056

Mr. Onion and Ms. Cedillo:

Since I do not have Ms. Carrington's email, would you please forward this to her and the rest of the Board members?

I am writing in **strong opposition to Stonebrook Villas application #2002-056** for LIHTC, and ask that you respectfully deny this application.

You have received a packet of information in opposition to this application -- it delineates my concerns. I urge you to study the facts and data in this packet, and you will find: McKinney has more than its citizens need of LIHTC (there are vacancies now in existing LIHTC complexes and two more are already under construction); there is no demand within our city (which is our tax base); the developer had to use a ten mile radius starting on the edge of our city limits to even come close to meeting demand -- 300 square miles is too far to stretch!; this complex will unjustly burden the tax base and school system within McKinney; our city has become the sacrificial zone for LIHTC for the entire county and more -- our city can no longer financially afford to do that; the appropriate boundaries to use is the tax base (i.e. city limits).

The only other point I would like you to consider is this: What liability does the state have if it knowingly, unjustly, and unnecessarily negatively impacts taxpayers in an isolated, local jurisdiction?

With all the facts proving there is no need or demand, numbers of taxpayers in opposition, officials calling for denial (city, state senator, school board, etc.), there is no other way you can vote but to deny.

Thank you,
Nancie Poppema
821 Creekline Way
McKinney, Texas 75070
972.529.9074
nancie.poppema@cca-consulting.com

-----Original Message-----
From: BALLARD,DESIREE (HP-Richardson,ex1) [mailto:desiree_coyle@am.exch.hp.com]
Sent: Thursday, March 28, 2002 1:22 PM
To: 'rcedillo@tdhca.state.tx.us'; 'ronion@tdhca.state.tx.us'
Cc: COYLE,DESIREE (HP-Richardson,unix1)
Subject: Stonebrook Villas Application # 2002-056 --

I am homeowner and taxpayer in McKinney and I want them to deny this application.

Regards,
Desiree Ballard
9308 Bedford Lane
McKinney, Texas 75071

-----Original Message-----
From: Tm819@aol.com [mailto:Tm819@aol.com]
Sent: Thursday, March 28, 2002 2:31 PM
To: ronion@tdhca.state.tx.us; rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a home owner and Taxpayer in McKinney, Texas. I am writing you with regard to Stonebrook Villas Application # 2002-056. McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need, and this unnecessary complex would have a great negative impact on our school system. I urge you to deny this application.
Sincerely,
Tom Miller

-----Original Message-----
From: Seaber, Wayne [mailto:Wayne_Seaber@ziffdavis.com]
Sent: Thursday, March 28, 2002 2:16 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

To whom it may concern:
I would like to go on record to say that I am homeowner and taxpayer of McKinney, Texas and I would like your consideration in denying the following application - **Stonebrook Villas Application # 2002-056 .**

The following points have been presented before, but I feel extremely important to outline them again:

- McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need
- McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County
- This unnecessary complex would have a great negative impact on our school system (MISD is on record as strongly opposing Stonebrook Villas).

All I can ask is that you please listen to the voices of the citizens and consider that facts we have presented. I strongly appreciate you time and consideration of this matter.

Wayne Seaber
6700 Ravenwood Dr.

-----Original Message-----
From: Rick Kieffer [mailto:rkieffer@ultimaterelocation.com]
Sent: Thursday, March 28, 2002 2:11 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner at 6709 Stony Hill Rd, McKinney TX 75070. My wife and I are strongly opposed to this project due to need and tax issues. McKinney has become the dumping ground for all of Collin County and with our lack of business tax base we will be very negatively impacted by this project.

Additionally, since the project is close to the boarder of Frisco the residents will work and shop in Frisco and Plano but McKinney residents will have to subsidize their schooling and city services, this is not fair to the McKinney taxpayers. If it is needed in Collin County let Allen, Frisco or Plano build it as they have less than 10% of the low income housing that McKinney has.

I will appreciate your response on this issue.

Rick Kieffer
6709 Stony Hill Rd.
McKinney, TX 75070

Metro 972.569.8550
Wats 888.757.7540
Fax 1.972.540.7969
Web www.ultimaterelocation.com

-----Original Message-----
From: Jim Dolan [mailto:jedolan@attglobal.net]
Sent: Thursday, March 28, 2002 9:13 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner and taxpayer in McKinney and would like you to deny Application # 2002-056

-----Original Message-----
From: Donna Dettbarn [mailto:donnadettbarn@yahoo.com]
Sent: Thursday, March 28, 2002 9:00 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner and taxpayer in McKinney, Texas and I would like you to DENY Stonebook Villas application #2002-056.

1. McKinney has more low income housing tax credit complexes within Mckinney than the McKinney citizensneed and require.

2. McKinney taxpayers are already carrying the burden of low income housing tax credit services for all other cities within Collin County and then some.

3. The Stonebrook Villa is an unnecessary complex that would have a negative impact on the quality of our school system and the class size.

The taxpayers in McKinney are over burdened already in building schools to keep up with the growth in taxpayer base. We do not need any additional low income housing tax credit complexes to add to the burden for the taxpayers of McKinney.

PLEASE DENY THE STONEBROOK VILLAS APPLICATION 2002--056.

Sincerely,
Donna Dettbarn
A Concerned McKinney Citizen.

-----Original Message-----
From: Jerrmelton@aol.com [mailto:Jerrmelton@aol.com]
Sent: Thursday, March 28, 2002 7:14 PM
To: ronion@tdhca.state.tx.us; rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application #2002-056

As a resident and home owner in McKinney I urge you to deny this application. There is an over abundance of low income housing in our city already. McKinney cannot keep adding more of these homes without the benefit of more commercial developments. The rising cost of schools, roads, water and sewer will dictate the need for higher taxes on the citizens of McKinney. We are already overbuilt. Our city has more low income housing than all of our sister cities in Collin County combined. Somewhere I have heard that a there is a law that says that there needs to be a parity in the number of these type homes spread out equally among the cities. I'm probably wrong but if there isn't such a law, then there should be. Thank you for your time in reading this.
Respectfully submitted,
Jerry and Earnestine Melton
9329 Newport Ln.
McKinney, Tx. 75071-6011

-----Original Message-----
From: Buck & Linda Clark [mailto:ps11824@attbi.com]
Sent: Thursday, March 28, 2002 6:43 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application #2002-056

Gentlemen;
As a homeowner and taxpayer of McKinney, I felt it was important to let you know that I am against the construction of the Stonebrook Villas. It is my understanding that even our own MISD has come out strongly opposing this application.
Please look carefully at the statistics and move this complex to one of the other cities in Collin County, where it is needed.
Sincerely,
Buck Clark
324 Prism Lane
McKinney, TX 75070
ps11824@attbi.com

-----Original Message-----
From: Linda Sumner [mailto:mobilemom2000@yahoo.com]
Sent: Thursday, March 28, 2002 6:38 PM
To: rcedillo@tdhca.state.tx.us
Cc: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

We are homeowners (and taxpayers) in McKinney and our yougest child attends McKinney High School. We would like to express our concern and **opposition** to Stonebrook Villas Application #220-056 because McKinney already has MORE LIHTIC complexes than its citizens need and it is not fair for one city to carry these services for all the other cities in Collin county. the MISD will be negatively impacted and is officially opposed to this project. These complexes should be evenly divided among Collin county's cities to both serve all its citizens' needs and equitably divide the financial responsibility between its municipalities. We hope you consider McKinney's citizens' concerns.

Sincerely,

Linda Sumner

1808 Cotton Mill Drive

McKinney, Tx 75070

-----Original Message-----
From: Buck & Linda Clark [mailto:ps11824@attbi.com]
Sent: Thursday, March 28, 2002 6:38 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application #2002-056

Dear Sirs;
This email is to let you know that I am against the building of more LIHTC complexes in McKinney. From all the statistics which I've read our small town has more of these complexes than any other city in Collin County. That is not right!
Please listen to our citizens and to our McKinney Independent School District. Surely our voices in opposition mean something and you will deny this application.
Thank you for taking time to read my email.
Sincerely,
Linda Clark
324 Prism Lane
McKinney, TX 75070
mcgergor_clark@hotmail.com

-----Original Message-----
From: Ronald Gossling [mailto:ronald.gossling@cca-consulting.com]
Sent: Thursday, March 28, 2002 6:22 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Cc: Steven Bell; gnesbitt@mckinneytexas.org; Bill Whitfield; ggarza@mckinneytexas.org; bwysong@mckinneytexas.org; thelsley@mckinneytexas.org; ddozier@mckinneytexas.org; senator@hutchinson.senate.gov; senator@gramm.senate.gov; Florence.Shapiro@senate.state.tx.us; mary.denny@house.state.tx.us
Subject: TDHCA Affordable Housing Application #2002-056, "Stonebrook Villas"

To:
The TDHCA and its Board Members
Ms. Edwina P. Carrington, Executive Director
Ms. Ruth Cedillo, Acting Executive Director
Mr. Robert Onion, Dir. Multi-Family Finance
Texas Department of Housing & Community Affairs
Waller Creek Office Building - 507 Sabine Street
Austin, TX 78701 - (512) 475-3800

Re: **Fairness In Siting LIHTC "Affordable Housing" Projects Legislation Is Needed**

The main objective of the Texas Department of Housing and Community Affairs (TDHCA) appears to be simply siting Affordable Housing apartment units, getting them built by a qualified builder, and assuring the units are appropriately "leased up." When selecting the next location for a Low Income Housing Tax Credit (LIHTC) project, the Department seems to have little or no regard for communities that have opened their arms to such projects, and have done more than their fare share to assist the less than fortunate when compared to neighboring cities.

Such a community is mine. My city, McKinney, Texas, has been selected once again by the Department. This time for a 224 unit apartment complex with 2, 3, and 4 bedroom units to be constructed by Southwest Housing. For the record, McKinney has welcomed previous projects, but for the reasons cited below, I oppose the proposed Stonebrook Villas complex, TDHCA application #2002-056, near the corner of Virginia Parkway and Peregrine, McKinney.

The issue is fairness. **Should the TDHCA be required to balance the distribution of Affordable Housing complexes within a geographic area?** I say yes. The TDHCA must understand that such developments create an infrastructure burden for any host community and thus, it would not be fair to expect that community to shoulder a greatly disproportionate share of LIHTC housing projects.

Take a look at our situation: the larger cities adjoining or nearby Mckinney are Plano, Allen, and Frisco. The following data demonstrate the inequity: (Note: calculations derived from TDHCA web site, other state data, city data, and Southwest Housing's Market Study)

- McKinney, one Affordable Housing Unit for each 36 citizens (1:36); Plano, 1:365; Allen, 1:362; Frisco 1:156
- Of these four cities, McKinney is 15% of the population, yet has 62% of the LIHTC units.
- TDHCA's "Capture Rate" goal is 25% for a city, meaning for every 4 income-qualified families, 1 LIHTC unit should be available. McKinney already offers 1.5 units for every 4 qualified families with a vacancy list. There is no waiting list for LIHTC Affordable Housing according to the McKinney Housing Authority.
- McKinney boasts 1,512 LIHTC units, while Plano has 609, Allen has 120, and Frisco, 216
- Normally to justify an Affordable Housing complex, market study experts utilize a 3-5 mile radius to determine if there is enough "demand" for the project. This developer utilized a 10-radius to justify this complex -- that is 314 square miles!
- TDHCA's Report on the 2001 Texas Department of Housing and Community Affairs Community Needs Survey indicates the priority for multi-family housing has declined in the region which includes McKinney: *"The biggest change was a two-place decrease in the development of multifamily housing ranking."*
- School impact: MISD estimates 0.5 children per Affordable Housing apartment unit, or 112 new school age children entering the system. C.T. Eddins Elementary School, which will serve Stonebrook Villas, is already burdened with 6 temporary classrooms.

So I ask you -- does this seem fair, especially when a community has gone the extra mile to do its part? I say no. I would also ask you to **consider calling for or supporting legislation which would require TDHCA to balance the distribution of Affordable Housing projects** among cities which share a common geographic region to prevent inequities such as ours.

Thank you for taking the time to listen.

Best Regards,

Ronald C. Gossling
821 Creekline Way
McKinney, Texas 75070
-ronald.gossling@cca-consulting.com
972.713.7474
972.713.7492

CC:
US Senator Kay Bailey Hutchinson
US Senator Phil Gramm
Honorable Florence Shapiro, State Senator
State Representative Mary Denny - District 63
State Representative Brian McCall, District 66
McKinney City Council:
Mayor Don Dozier
Mayor Pro Tem Thad Helsley
Councilperson At Large Dr. Brad Wysong
Councilperson District 1 Gilda Garza
Councilperson District 2 Bill Whitfield
Councilperson District 3 Gabe Nesbitt
Councilperson District 4 Steve Bell

-----Original Message-----
From: Ramak Amjad [mailto:amjadr@attbi.com]
Sent: Thursday, March 28, 2002 5:41 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am writing to ask you to deny the Stonebrook Villas Application # 2002-056 There is no need for this project in McKinney as is evidenced by the fact that the developer had to expand the need area to a 10 mile radius (up from the accepted 5 mile limit) in order to show need. We in McKinney are being asked to subsidize the low income families who work in Plano, Frisco, Allen, and other areas that surround McKinney. I realize that there is a need for low income housing in the State, but it is unfair to force most of the burden on one community in North Dallas. If you look at the numbers there are far more dwellings for these families per person in McKinney than in the surrounding communities by a five fold margin. Please do not allow this to happen. Thank you for your time,

Ramak R. Amjad, M.D.

-----Original Message-----
From: LaudCamp@aol.com [mailto:LaudCamp@aol.com]
Sent: Thursday, March 28, 2002 4:23 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner and taxpayer in McKinney, Texas and I would like to see the above application denied. There is not sufficient demain in McKinney for this project and McKinney taxpayers are already carrying the burden of LIHTC services for all other cities in Collin County. This unnecessary complex would also have a negative impact on our school system. MISD is on record as strongly opposing Stonebrook Villas.

Thank you for your time.
Sheryl Laudenslager
8520 Spectrum Drive
McKinney, TX 75070

-----Original Message-----
From: Caroldfletcher@aol.com [mailto:Caroldfletcher@aol.com]
Sent: Thursday, March 28, 2002 4:00 PM
To: rcedillo@tdhca.state.tx.us
Cc: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

To Whom It May Concern:
I am a resident of Stonebridge Ranch and I am writing to request that you deny the referenced application for low income housing. Mckinney is bearing too much of the burden for Collin county and the addition of more housing of this nature will unduly burden our schools. Thank you for your consideration in this matter.
Carol Fletcher

-----Original Message-----
From: Jack Tekell [mailto:tekell@airmail.net]
Sent: Thursday, March 28, 2002 3:58 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application 2002-056

I am a homeowner and taxpayer in McKinney, Texas and ask the Stonebrook Villas Application 2002-056 be denied.

Jack Tekell
1621 Fife Hills Dr.
McKinney, Texas 75070

-----Original Message-----
From: Diane Allison [mailto:Dianea@gwmail.plano.gov]
Sent: Thursday, March 28, 2002 3:52 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application #2002-056

I would like to take just a moment of your time. I live in Mckinney, Texas and am concerned over the proposed housing complex Stonebrook Villas Application #2002-056. McKinney currently bears more than the County's share of this type of complex. The City has experienced tremendous growth over the last few years, as much of North Texas has. As a direct result the schools are terribly over crowded. Portable classrooms are already a part of the landscape and any additional students would only increase this along with the student teacher ratios. As a taxpayer I have no problem paying taxes to ensure a quality education for all, however, I firmly believe the addition of this complex will have an adverse effect on the school districts ability to provide the best education available. McKinney already has more LIHTC complexes than its citizens popular warrants. McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County and surrounding areas; this unnecessary complex would have a negative impact on our school system (MISD is on record as strongly opposing the project)

I ask you to take a long look and deny this application on behalf of what is best for the majority, all of the City of Mckinney.

Thank you for your time and consideration.
dianea@gwmail.plano.gov

-----Original Message-----
From: Stephen T. Harry [mailto:sharry@tiv.com]
Sent: Thursday, March 28, 2002 3:45 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

To whom it concerns,

Please **DENY** this application - **Stonebrook Villas Application # 2002-056**

McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need; there is not sufficient demand in McKinney, McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County and then some; this unnecessary complex would have a great negative impact on our school system (MISD is on record as strongly opposing Stonebrook Villas).

Very concerned citizen,
Stephen T. Har

-----Original Message-----
From: jch [mailto:jch159@attbi.com]
Sent: Friday, March 29, 2002 2:03 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner in McKinney Tx and I want the application denied.

Jeffery Chern
469-583-5698

-----Original Message-----
From: Scott Heinlein [mailto:slheinlein@yahoo.com]
Sent: Friday, March 29, 2002 1:30 PM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

As a McKinney resident and taxpayer, I strongly oppose this and hope the application is denied. With the school issues currently going on, my taxes increasing significantly and the fact there are already too many low income housing, there is no reason for this application to go through.

Thanks for your time,
Scott Heinlein

-----Original Message-----
From: marzetta buggs [mailto:marzettab@sbcglobal.net]
Sent: Friday, March 29, 2002 2:03 PM
To: rcedillo@tdhca.state.tx.us
Cc: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application #2002-056

To Whom It May concern:

I am a homeowner at Stanford Meadows. I have lived here for about six months. The reason we moved to Mckinney was to get away from the hussle. We love the small town feeling that Mckinney has.

Mckinney already has more Low Income Housing complexes than it citizen need and their is not sufficient demand for more. Plus, this unnecessary complex will only have a negative affect on our schools.

Please reconsider this issue. We are already carrying the burden of LIHTC services for all other cities of Collin.

-----Original Message-----
From: Mark Williams [mailto:mewillia@nortelnetworks.com]
Sent: Friday, March 29, 2002 10:16 AM
To: 'rcedillo@tdhca.state.tx.us'; 'ronion@tdhca.state.tx.us'
Cc: 'macman@intergate.com'
Subject: DENY Stonebrook Villas Application # 2002-056

Hello. I am writing this letter to express my opposition to the Stonebrook Villas project, application #2002-056, and am asking you to DENY this application at this time.

I have lived in McKinney for 12 years and have been proud of our city and the way it has handled supporting the needs of all of its citizens, both those who are financially secure, and those who are struggling to meet daily needs. I must admit that the first time I heard of opposition to this project, I thought it was a case of those who are secure not wanting those who are struggling to be geographically brought into their area, and I thought the response was selfish. However, I was fortunate enough to receive an e-mail with some of the details of the group's opposition, and I now fully agree with their position.

The facts are powerful.
1. INSUFFICIENT NEED IN MCKINNEY - Using the standard method to determine need(those who would qualify within a 5 file radius I believe), McKinney itself did not demonstrate a sufficient need for this kind of project. Only by enlarging the area to a 10 mile radius, was sufficient need created to make the project appear necessary. At that point, several other cities become involved, and their struggling citizens appear to become McKinney's responsibility to care for. I reject that notion, and believe that each city, especially those with resources far beyond McKinney's(Plano, Frisco, and Allen) need to take care of their own, as McKinney has been doing for some time.

2. ADVERSE IMPACT ON SCHOOL SYSTEM - McKinney schools will be adversely impacted by growing their roll significantly, without providing an ongoing source for full tax payment for these students. McKinney's schools are already overcrowded, and constantly in a state of flux as attendance zones are redrawn to try to balance the impact of amazing growth. Our school taxes are staggering for those who are paying them(as evidenced by my latest escrow shortage statement), and we are constantly having to hold school fund raisers to raise money to go to support unfunded programs that are valuable parts of the curriculum, but are still unfunded by the budget. The McKinney ISD is operating on a razor edge financially, and adding additional students further stretches the district's ability to support its existing students as we have sacrificed to do. The McKinney ISD is on the record in opposition to this project, not because their home values are going to be affected, as many of them are not even McKinney residents, but rather, because they believe that the quality of education they can provide their existing students will be negatively impacted, and the quality that they would like to offer to new students brought in by this project will also be below what they should receive.

3. PURPOSE OF GOVERNMENT/FAIRNESS FACTOR - The City of McKinney supports Low Income Housing Tax Credit(LIHTC) projects as has been proven by the number we have today versus our neighboring cities. We the citizens of McKinney support LIHTC projects, as has been shown in the past with the projects that we currently support. The question here is one of responsibility. Everyone needs to share the responsibility and associated burdens of providing this benefit to those in need in their own community. This is a founding principal of local and state governments. It is a lesson that every citizen needs to understand is as much a responsibility as paying their taxes and benefiting from the services the local government provides. Every community should take care of its needy, and that includes Plano, Frisco, and Allen.

In the future, when the time comes that the State of Texas can demonstrate that our neighboring communities are responsibly providing LIHTC housing for those in need in their communities, and information indicates that McKinney needs to provide additional LIHTC housing for ITS needy residents, you can expect my support for the project. But until our neighbors step up to the plate and do the right thing for their citizens, you can count on my opposition to any and all expansion/addition of LIHTC housing in McKinney.

Please vote to DENY the application for Stonebrook Villas(Application #2002-056.

Best regards,

Mark E. Williams
1900 Fieldstone Ct.
McKinney, TX 75070
972-529-1350

-----Original Message-----
From: Jenee [mailto:askallstar@attbi.com]
Sent: Saturday, March 30, 2002 9:39 AM
To: ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am writing this email in an effort to prevent the acceptance of the applications for Stonebrook Villas. I am a citizen of McKinney and a taxpayer. Mckinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need; there is not sufficient demand in McKinney, McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County and then some; this unnecessary complex would have a great negative impact on our school system (MISD is on record as strongly opposing Stonebrook Villas).

Please for the sake of fairness this property application MUST BE DENIED!

Sincerely,

Michael G. Askins
Connie Jenee Askins
McKinney Texas

-----Original Message-----
From: Brookwrite@aol.com [mailto:Brookwrite@aol.com]
Sent: Friday, March 29, 2002 4:39 PM
To: ronion@tdhca.state.tx.us
Subject: Low income housing--McKinney

Dear Representative:

As a resident, registered voter and tax payer, my husband and I would like to go on record as opposing Stonebrook Villas and other proposed low income housing projects. We are already serving our low income residents with more low income housing than Frisco, Plano, Richardson and Allen combined--Why should we have yet another and another when we already have more than our fair share? I fully support a diverse community of all income levels, but enough is enough! Where are these people going to work? What kind of businesses will these people attract? How will our school system be affected by these non-taxpayers with children? More importantly, how will this affect the quality of our children's education and quality of life for everyone here? How is it fair that Plano, Frisco and Allen (all with plenty of room for growth) are not providing for our low income citizens? I'm not saying "not in my backyard" I'm saying give ! low income people options that are closer to employment centers instead of stuffing them all up here in the middle of nowhere without adequate public transit or job opportunities. Give low income people the opportunity to attend Plano schools or Richardson schools. If one tax base supports all these children, none of the children will get the advantages that they all deserve. It is not fair to anyone!

Sincerely,
Glenn & Susan Brooks
2216 White Oak Road

-----Original Message-----
From: David Allen [mailto:d.allen14@gte.net]
Sent: Saturday, March 30, 2002 2:02 PM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

As residents of McKinney we believe that Stonebrook Villas Application #2002-056 will have a negetive impact on our lives and McKinney. McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need. We as McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County.This unnecessary complex will have a negative impact on our school system. Our schools and McKinney taxpayers are already over burdened. As a McKinney homeowner and taxpayer we request that the application be denied.
Thank you,
David and Laura Allen

-----Original Message-----
From: Robertson, Glenn [mailto:Glenn_Robertson@intuit.com]
Sent: Monday, April 01, 2002 11:05 AM
To: 'ronion@tdhca.state.tx.us'; 'rcedillo@tdhca.state.tx.us'
Subject: stonebrook villas application # 2002-056

To Whom It May Concern,

I am not a "not in my backyard" person who writes letters every time a developer proposes a new project. I've been carefully watching this thing develop. I personnally do not see the need in McKinney for additional low income housing. In fact, I see the opposite. Home prices in neighboring cities are higher forcing more people to subsidized housing. I fear that McKinney will end up being the dumping ground for a higher percentage of low income families as they migrate to affordable housing. That will put stress on the park system and school system which is already trying to keep up with development by new infrastructure development resulting in a higher tax rate than neighboring cities.

I am not against providing affordable housing. I am against it's concentration in one area because developers see an easy target and that's what this looks like. I wonder why the developer isn't looking at West Plano? I could see the backlash now.

Thanks for your consideration.
Glenn Robertson
6800 Ravenwood Dr. McKinney TX 75070

-----Original Message-----
From: Jim Dolan [mailto:jedolan@attglobal.net]
Sent: Thursday, March 28, 2002 9:09 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner and taxpayer in McKinney and would like you to deny Application # 2002-056.

-----Original Message-----
From: Gerald Scarcia [mailto:gerald_scarcia@fanniemae.com]
Sent: Tuesday, April 02, 2002 10:56 AM
To: rcedillo@tdhca.state.tx.us; ronion@tdhca.state.tx.us
Subject: Stonebrook Villas

Dear Ms. Cedillo and Mr. Onion

I am a taxpayer and a citizen of the state of Texas and the city of McKinney. I am totally opposed to the Stonebrook Villas project. I look toward to all state officials to work in the citizens best interest maintain the integrity of Mckinney. Stonebrook Villas project is not needed and NOT WANTED. Please don't allow out of town developers to overrun our city with multifamily housing and walk away leaving us with the bill. This is where we make our stand. Sure they can say it's just one more project, but one more is already too much. McKinney is already a leader in affordable housing projects, far surpasses our neighboring cities. Please make the citizens of McKinney proud of our state officials. Show your support and make all efforts to oppose the building of Stonebrook Villas. The citizens of McKinney need your help.

Respectfully
Gerald John Scarcia

-----Original Message-----
From: Roger Davis [mailto:boots_davis@yahoo.com]
Sent: Wednesday, April 03, 2002 7:53 AM
To: ronion@tdhca.state.tx.us; tgouris@tdhca.state.tx.us
Cc: Cindy Evans; Rob Karl; Lisa Owens; Nancie Poppema; Karen Riding; Michelle Robinson; shane white; Michelle Will; rsbell@altusinvestments.com
Subject: McKinney City Council

Robert and Tom,

Please be advised that last night, by a strong majority, the McKinney City Council passed a Resolution that states the Council's opposition to Stonebrook Villas apartments. Further, the resolution discusses the issue of the TDHCA concentration policies which unfortunately do not account for overconcentration of LIHTC units in a single municipality.

With this resolution, the City of McKinney, the McKinney Independent School District, and the expressed wishes of over 2,000 residents show our city is united and opposed to this project. While I understand and respect that TDHCA staff will make recommendations based on a limited set of financial and market qualifying criteria, I call once again on the TDHCA staff to honor and respect the wishes of our city and recommend denial of the application for Stonebrook Villas. The staff has the grounds (and I think, the responsibility) to do so as the project simply does not meet your own policy criteria.

As you will find in the extensive package we submitted to your agency on March 28th, the project does not meet the capture rate criteria set by your departmental policies. I also ask the TDHCA, in the strongest possible terms, not to consider any flawed methodology of demand analysis which removes Senior exclusive LIHTC units from supply while still counting senior citizens themselves as part of demand.

The reality is that Seniors can choose either a seniors exclusive project or a family oriented project, and the two types of properties compete directly with one another. Further, Senior exclusive
projects enjoy a significant competitive advantage on family projects for this class of renters due to superior amenities tailored exclusively to Seniors. Use of a methodology which counts Seniors (demand) but not Senior units (supply) is simply and truly wrong,
and I cannot conceive that acceptance of such a methodology could ever survive intense public or legal scrutiny. Correcting this factor of the Butler-Burgher analysis alone causes the Capture Rate to far exceed your agnecy's policy criteria.

Further, preliminary results of a review of the Butler-Burgher Market Study by an MAI with extensive experience in LI housing confirms also that the 10 mile market area definition is inappropriate to this
project. The MAI confirms that a much smaller area approximating a 5 mile ring, and taking into account geographic and political boundaries (as indicated in your own policies) is appropriate. Correction of this factor alone also causes the Capture Rate to far exceed your agency's policy criteria.

Correction of BOTH the Senior supply issue and the market area definition in the Butler-Burgher analysis causes the Capture Rate to not only exceed your policy criteia, but exceed it by an embarrassingly high margin.

Further, there are also the other issues of further errors in the Butler-Burgher Market Study, double digit vacancies and rent concessions inherent in some existing McKinney LIHTC projects (with more under construction already), as well as the impact of a
possible (if not probable) assessment of this property by the Tax District in excess of the project's pro forma projections. These facts and factors totally contradict the argued support for the feasibility of this project. The full review of the Market Study
will be completed shortly, and the results forwarded on to you well before the May 9th hearing for consideration.

Robert and Tom, I heartily respect your position in having a responsibility to fairly evaluate each project that crosses your desk, and the difficulties in making such evaluations, especially in the light of heavy public scrutiny. You have been professional and
very courteous in your dealings with our organization. However, in this instance, the demonstrated lack of demand, the overconcentration of LIHTC units in McKinney, and flaws within the analysis prepared in
support of the project, are so overwhelmingly clear that a recommendation to approve the project in the face of wholesale and valid opposition by an entire city would be an embarrassment to your agency.

This madness has to stop. The facts are crystal clear and this project is NOT supported by the facts. It will stop at some point in this process, whether at the point of your analysis, at the TDHCA Board, at the Texas Bond Review Board, or somewhere else. I ask you to stop it now, before anymore of your time and the efforts of a lot of other good people are wasted.

Best Regards,
Roger C. Davis
President, McKinney Citizens for Balanced Growth

-----Original Message-----
From: mgask@attbi.com [mailto:mgask@attbi.com]
Sent: Friday, March 29, 2002 3:18 PM
To: rcedillo@tdhca.state.tx.us
Subject: Please No more low income housing in McKinney

Fellow Texan,

McKinney already has more LIHTC (Low Income Housing Tax Credit) complexes than its citizens need; there is not sufficient demand in McKinney, McKinney taxpayers are carrying the burden of LIHTC services for all other cities of Collin County and then some; this unnecessary complex would have a great negative impact on our school system (MISD is on record as strongly opposing Stonebrook Villas).
Please no more LIHTC. McKinney has more than shouldered
its fair burden.
I am a homeowner at Stonebridge Ranch in McKinney.

Sincerely,
Michael Askins

-----Original Message-----
From: Newell Michael [mailto:Michael.Newell@TriadHospitals.com]
Sent: Thursday, April 04, 2002 10:55 AM
To: 'ronion@tdhca.state.tx.us'
Subject: Stonebrook Villas Housing, L.P.

Mr. Robert Onion:

Stonebrook Villas, L.P. is pursuing tax-exempt multifamily residential rental project revenue bonds to finance a 240-unit multifamily housing project in McKinney, Collin County, Texas. I am writing to you to express my opposition to this project. Further, I support the McKinney City Council that voted by overwhelming majority on April 2, 2002 in opposition of this project. Obviously, access to this financing is an important vehicle for communities to construct affordable housing for the residents of their community, based on the needs of the community. However, I believe that the need in this case has not been demonstrated, certainly not within a reasonable interpretation of the regulatory requirements.

This particular project presents many challenges to the tax paying residents of McKinney, Collin County, Texas that I believe to be fundamentally unfair. For instance, the location of this proposed project is in close proximity to the elementary school that will be required to support this project and this school already has outgrown its capacity and has had to add 6-modular classrooms. This project is estimated to add over 100 new students to the area schools at an additional estimated cost of $350,000-$400,000 per year. In addition, I understand that this particular developer has also applied for a number of other similar developments, one that may be adjacent to the referenced project. That will also increase the strain already being felt by the local school system. In addition, the city itself will feel increased budgetary pressure as added civil services will be required without the incremental increase in tax revenue generally associated with population growth. It is estimated that this may be an additional cost of $300,000 per year. Obviously, some difficult decisions will have to be made by both the school district as well as the city, and I think we can expect to see cuts in much needed school programs, etc. as a result.

Most importantly though, I think the subject of need is a key element here. Obviously, these funds were intended to go "where the need is." Based on information provided by the developer, residents for this project will come from the neighboring communities of Frisco, Plano and Allen as well as from the McKinney Texas area. It has been reported that McKinney already has more low-income housing tax-credit properties than Frisco, Allen, Plan and Richardson combined. McKinney already has approximately 1,500 units, compared to 609 in Plano, 216 in Frisco and 120 in Allen. It seems to me that the need is in Frisco, Allen and Plano, therefore, funds to support that need should be directed to those communities. In addition, I think a need analysis that extends much beyond the city boundaries of the area in which a proposed project is planned may be fundamentally flawed.

I appreciate the opportunity to voice my opinion to your regarding this issue and certainly understand the responsibility that you have to ensure that these funds are in fact allocated to the communities that present the need. I respectfully request that you not only seriously consider the will of the McKinney community, as articulated by the individual residents but also by the City Council, but to also carefully consider the issue of need as interpreted by this particular developer. Thank you.

Michael G. Newell
520 Audubon Drive
McKinney, Texas 75070

-----Original Message-----
From: Scott Heinlein [mailto:slheinlein@yahoo.com]
Sent: Friday, March 29, 2002 1:29 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

As a McKinney resident and taxpayer, I strongly oppose this and hope the application is denied. With the school issues currently going on, my taxes increasing significantly and the fact there are already too many low income housing, there is no reason for this application to go through.

Thanks for your time,
Scott Heinlein

-----Original Message-----
From: jch [mailto:jch159@attbi.com]
Sent: Friday, March 29, 2002 2:03 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas Application # 2002-056

I am a homeowner in McKinney Texas and I want the application denied.

Jeffery Chern
469-583-5698

-----Original Message-----
From: Brookwrite@aol.com [mailto:Brookwrite@aol.com]
Sent: Friday, March 29, 2002 4:35 PM
To: rcedillo@tdhca.state.tx.us
Subject: Stonebrook Villas--Mckinney

Dear Representative:

As a resident, registered voter and tax payer, my husband and I would like to go on record as opposing Stonebrook Villas and other proposed low income housing projects. We are already serving our low income residents with more low income housing than Frisco, Plano, Richardson and Allen combined--Why should we have yet another and another when we already have more than our fair share? I fully support a diverse community of all income levels, but enough is enough! Where are these people going to work? What kind of businesses will these people attract? How will our school system be affected by these non-taxpayers with children? More importantly, how will this affect the quality of our children's education and quality of life for everyone here? How is it fair that Plano, Frisco and Allen (all with plenty of room for growth are not providing for our low income citizens?) I'm not saying "not in my backyard" I'm saying give ! low income people options that are closer to employment centers instead of stuffing them all up here in the middle of nowhere without adequate public transit or job opportunities. Give low income people the opportunity to attend Plano schools or Richardson schools. If one tax base supports all these children, none of the children will get the advantages that they all deserve. It is not fair to anyone!

Sincerely,
Glenn & Susan Brooks
2216 White Oak Road

-----Original Message-----
From: lupe strauss [mailto:smileyfacels@hotmail.com]
Sent: Sunday, March 31, 2002 10:41 PM
To: rcedillo@tdhca.state.tx.us
Subject: Low Income Housing!

I'm A Homeowner of McKinney TX and Taxpayer, which McKinney has enough LIHTC, Please Deny this Application, Thank you.-

Texas Department of Housing and Community Affairs
May 9, 2002 Board Meeting

I. **Demographics**

- Dallas/Ft Worth has lead the nation in job growth for three out of the last four years.
- The area has added more net jobs than all but three other major metropolitan areas in the nation.
- Dallas is currently the tenth largest city in the United States. By 2010 it is expected to be ranked fourth.
- The McKinney area has seen a population explosion from 21,283 in 1990 to 54,369 in 2000, an increase of 155%. By the end of 2002, McKinney's population should reach almost 66,000.
- The North Central Texas Council of Government expects the city to add another 70,000 residents by 2025.
- Job creation, business recruitment and affordable housing are all necessary for a balanced growing community.

II. **McKinney's Situation**

- McKinney suffers from an imbalance of residential to commercial in a ratio of approximately 70% to 30%, respectively. Balanced growth would be approximately 50% residential and 50% commercial.
- Based upon a cost to educate one student annually at $4,600, the assessed value of the home to pay for that child's education, would have to be at least $245,000.
- Retail businesses are dependent upon affordable housing for their workers.
- The City of McKinney has approved over nine (9) Conventional Apartment Complexes totaling 2,664 units, since 1997.
- The City of McKinney has approved zoning for an additional 35,000 units within the city limits.

III. **The Subject Property**

- The subject has been zoned for multifamily housing since 1987.
- A Kroger grocery store and several pad sites will be located directly west of the subject property.
- An Albertson's grocery store along with other commercial improvements, including daycare centers, small professional office buildings, anchored shopping centers and strip retail centers are planned for the intersection of Virginia Parkway and Stonebridge Parkway.
- The subject property is well located near schools, shopping and potential employment centers.

McKinney Citizens for Balanced Growth

Please Deny The Application For Stonebrook Villas
McKinney, Texas

Contact Information:
Roger Davis @ Work: 214/209-9505
Roger Davis @ Home: 972/540-1883
boots_davis@yahoo.com

Cindy Evans @ Work: 214/854-4133
Cindy Evans @ Home: 972/529-5343
cevans@wans.net

Lisa Owens @ Home: 972/529-2757
Lisa@owens-home.net

McKinney Citizens for Balanced Growth

April 25, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street, Suite 400
Austin, TX 78701

**RE: The Proposed 224-Unit Stonebrook Villas Apartments
Located at Virginia Parkway at Peregrine Drive
McKinney, Texas**

Dear Mr. Onion:

Enclosed for your consideration is correspondence and documentation which illustrates conclusively that the application for Stonebrook Villas should be denied. **Stonebrook Villas is overwhelmingly opposed by the City Council, School District, and citizens of McKinney. State Senator Florence Shapiro has questioned the appropriateness of this project and requests that TDHCA review the application with the utmost scrutiny. Additionally, State Representative Mary Denny, in her letter to you dated April 19, 2002 and included in Addenda II, has requested that all information be carefully reviewed for accuracy, making certain that the TDHCA's criteria are followed. Stonebrook Villas fails to meet several of the TDHCA's own guidelines for approval.** We are forwarding this to you in advance of the May 9th hearing to be included within the Board Book. This package includes among other things:

- A brief titled "Citizens Report on Stonebrook Villas" - A thorough review of the numerous reasons the application should be denied, including but not limited to the demonstrated lack of demand for new projects in McKinney, the overwhelming concentration of LIHTC properties within the City of McKinney and the MISD relative to other surrounding cities, concerns over a reasonable distribution of LIHTC funds to those areas of the State in most critical need, errors in both the original and the revised Market Study submitted as support for the project, and the lack of LIHTC housing in other much larger cities in the Dallas / Fort Worth area.

- A Resolution of the City of McKinney in opposition to Stonebrook Villas, approved by the McKinney City Council on April 2, 2002 (included in Addenda I);

- A letter co-authored by the Superintendent and Board President for the McKinney Independent School District in opposition to the project (included in Addenda I);

- A letter from our City Councilman, Mr. Steve Bell, in opposition to the project (included in Addenda I); and

- A letter from State Senator Florence Shapiro essentially questioning the appropriateness of this project and citing LIHTC concentrations in the North Texas area and whether LIHTC funds should be so concentrated in "low priority" regions of the state when those rated in "desperate" need receive very little (Addenda II);

- A letter from State Representative Mary Denny requesting that the TDHCA carefully review all information submitted for its accuracy, making very certain that TDHCA's criteria are followed.

Note also that a petition with 2,047 citizen signatures in opposition to this project was included in the package sent to the TDHCA Staff (Mr. Robert Onion) on March 28, 2002. Also be advised that of 700+ persons who attended the TDHCA's "TEFRA" hearings on this project on March 14th and 20th, less than 2 dozen signed in as being in favor of the project. The people who signed in FOR were the developer and his employees, and a few members of the McKinney Housing Finance Corporation who will receive $200,000 if they partner with Southwest Housing on this project to allow Stonebrook Villas tax exempt status. Over 700 people signed in AGAINST this project.

Please be advised that a crucial piece of support for this project, the developer's market study, has a significant number of flaws (both in its first version and in its second revised version) that render its conclusions and analyses unreliable. The possibility exists that a third revision may be attempted. Given the time parameters for the May 9th hearing, it is possible that our group would not receive any new revisions in time for a proper review prior to the May 9th hearing. If this occurs, McKinney Citizens for Balanced Growth respectfully requests that the TDHCA Board consider our strong objections to not having the opportunity to review the latest revisions in a timely fashion.

We appreciate your consideration of the facts in this matter and encourage you to contact us with any questions or comments you may have in advance of the May 9th Board Hearing. In light of the information presented within this packet, we respectfully request that the application for Tax Credits and Bond Money for the Stonebrook Villas project proposed for McKinney, Texas be denied.

Respectfully submitted,

McKinney Citizens for Balanced Growth

CITIZENS REPORT ON STONEBROOK VILLAS

On behalf of the over 2,000 citizens who signed petitions, the over 700 citizens who attended two public hearings, our school district, our City Council and the McKinney Citizens for Balanced Growth, we respectfully request that the TDHCA DENY the application for Bond Financing and Tax Credits for Stonebrook Villas. The very clear and concise reasons why are outlined as follows and supporting documentation is attached.

1. **State Senator Florence Shapiro has raised serious questions regarding the appropriateness of this project, and cites the State's own survey indicating that Dallas/Fort Worth is rated a "low priority" area for LIHTC funding.** This is borne out by analyzing the patterns of such funding statewide. ***Reservations for such funding appears disproportionately concentrated in Dallas/Fort Worth at the expense of other areas of the State, as D/FW received not only more funding than any other single area, but more than all other areas (except Houston) COMBINED***. For example, Dallas/Fort Worth received over 3 times as much in reserved funding as did the combined Regions 4 (East Texas), 8b (Lower Valley/Gulf Coast), and 10 (El Paso), areas which Senator Shapiro indicated are rated as being in "desperate need". (see Addendum II).

2. The facts indicate Senator Shapiro's concerns are well founded. In the 2001 application cycle, D/FW received a disproportionate amount of the funds reserved statewide for LIHTC projects. ***Dallas/Fort Worth area projects comprised only 24% of the funds requested, but were reserved 37% of the total funds allocated by the State***. Houston area projects comprised 37% of the dollars requested, but received only 31% of the reserved funds, Austin area projects comprised 25% of the requests but received 9% of the funding, and the San Antonio figures were 9% requested and 5% reserved, respectively. The three areas noted in "desperate need" above (Regions 4, 8b, & 10) were only reserved $34 million or 11% of the total funds reserved. At $75,000 per unit, this is only sufficient to construct 453 units for these 3 vast areas. Thus, Stonebrook, with no demonstrated demand, only serves to exacerbate this acute problem and help divert funds away from other areas where they are more urgently needed. There appears to be an imbalance in funding throughout the state, with a lack of funding in areas with need Senator Shapiro defined as "desperate" and a concentration of funding in D/FW where the need is defined as "low priority". (see Addendum II and III[1]).

3. **Stonebrook Villas is NOT NEEDED.** The City of McKinney is already oversupplied. McKinney currently has 7 existing LIHTC complexes, one of which is a newly constructed LIHTC property in lease-up, and 1 additional property under construction, for a total of 1,512 units[2] (this figure does not include 2 conventional projects with 300 units built or renovated in the past 6 years that rent in the same price point). In addition, there are a number of other properties built in the 1980's that compete in the same price point[3]. Two established LIHTC complexes built in the

[1] Texas Bond Review Board website data
[2] TDHCA, Texas Low Income Housing Information Service, Developer's Market Study data
[3] Apartment Locator Network (ALN) data

last 3 years are still featuring rent concessions and one 4-year-old LIHTC complex is only 83% occupied (as of March 2002[4]). The two newest LIHTC projects comprise another 432 units and are also just starting lease up & construction, respectively, in the face of this soft existing market. The two projects proposed currently for McKinney (Stonebrook and Grand Reserve[5]) would add another 463 units to this market. Based on our analysis, McKinney will be oversupplied by at least 512 units through 2003 even if Stonebrook is not built, and 736 units if it is. **Stonebrook also does not meet TDHCA concentration guidelines limiting a market demand capture rate to less than 25%, in fact, it far exceeds this limit.** The concentration if it were built would be 50% in a 10-mile ring, 290.5% in a 5-mile ring, and 352.2% in McKinney itself. (see Addenda IV & V).

4. **The developer has not proven sufficient demand for another LIHTC complex for McKinney.** On the contrary, based on our analysis, the Market Study commissioned by the developer has a number of apparent flaws (both in its first version and the second revised version) which render its conclusions unreliable, including, but not limited to, the omission of 207 existing and 239 planned senior citizen LIHTC units in estimating supply for McKinney[6]. The analyst also overestimates pent up demand due to the failure to include the 300 non-LIHTC units built in the 1990's (including 260 built in 1997) that rent in the same price levels as LIHTC projects. Further, the analyst failed to use proper demographic data in the mathematical procedure for estimating demand[7]. These errors, taken either individually or cumulatively, render the conclusions of the report regarding demand inaccurate. (see Addenda IV & V).

5. **LIHTC housing for Collin County is heavily concentrated within the City of McKinney, while other cities in the county have very little or none. This one city is supporting a highly disproportionate share of LIHTC housing in Collin County.** McKinney is supporting a great deal more than its proportionate share of the tax and infrastructure costs associated with LIHTC housing for the County, and does so at the expense of its own school quality and city services.

   The City of McKinney already has 1 LIHTC unit for every 36 residents, while surrounding cities have 1 LIHTC unit per over 100 residents (Plano, a city with 4 times the population of McKinney, has 1 LIHTC unit for every 365 residents). In fact, while McKinney has only 15% of the population of the cities in the market area for Stonebrook Villas (McKinney, Plano, Frisco, and Allen[8]) -- it has 62% of the LIHTC units for this area.[9] (see Addenda VI, VII, & VIII).

6. **The McKinney Independent School District Board and Superintendent have opposed the addition of this complex.** The President of the MISD School Board and its Superintendent have asked the TDHCA to deny funding of this project. They have done so because the MISD is facing a financial crisis and the District

[4] Source: Apartment Locator Network
[5] Texas Bond Review Board website data
[6] Developer's Market Study
[7] Developer's Market Study; Claritas, Inc. data
[8] 2000 U.S. Census
[9] TDHCA, Texas Low Income Housing Information Service, Developer's Market Study data

understands the negative financial impact this project will have on MISD schools. (included in Addenda I).

7. **The McKinney City Council strongly opposes Stonebrook Villas. The Council voted and approved (by a strong majority) a Resolution opposing Stonebrook Villas at its April 2, 2002 Council Meeting (included in Addenda I).** A detailed letter from our City Councilman, Steve Bell, expressing his opposition to the project is also included in Addenda I.

8. **The citizens of McKinney have spoken, and they do not believe there is a need for Stonebrook Villas**. Over 2,000 citizens have signed a petition opposing the project within the last 4 weeks. Over 700 attended the public TEFRA hearings and signed in as being in opposition as well. Three current McKinney Councilmen spoke in opposition, as did the McKinney School Board and two candidates for local office in the upcoming elections. The citizens of McKinney understand that Stonebrook Villas will have a grave impact on city and school finances.

9. **This is an economic decision for McKinney:** Our city has historically embraced low-income housing programs and places great emphasis on these programs. In fact, in the joint work session March 25 between our council and HFC, the discussion turned to how best to coordinate the many different agencies in our city that provide low-income and affordable housing for our city of just 54,000 residents. But every city and school district must have a budget, and these programs are unfortunately expensive to the municipalities and school districts where they are located. We ask the state to consider this fact when allocating a disproportionate number of LIHTC complexes in one municipality or one school district. For example, because the developer has plans to use a tax exempt ownership entity, Stonebrook Villas will cost the City and the McKinney ISD between $500,000 and $600,000 in lost taxes and additional economic costs every year[10], net of the developer's voluntary payment of approximately $135,000 in annual school taxes (no city taxes – See Item #12 below) which only marginally offsets the economic cost.

10. **Concentration**: Consider the economic impact if McKinney has 1,512 units for a city with 54,000 people. This equates to one unit for every 36 residents. Yet compared with our neighbors (who also have a much more favorable commercial tax base mix to support their city and schools) we have 15% of the population of our area, but 62% of the LIHTC housing. We have 1,512 units, compared to 609 for Plano, 214 for Frisco, 120 for Allen, and 0 in Richardson.

    Regardless of how we got here, this overconcentration of units in one city is a financial drain that seriously impacts our City's ability to provide for its residents. It impacts our resources for use in providing housing for our lowest income residents (in income segments Stonebrook will not accommodate), at-risk services in the schools, renovation of aging housing stock, and revitalization of infrastructure in our older parts of town. The Market Study provided to the State by the developer reports "the available inventory of public and subsidized housing is fully occupied and there is at least a one year waiting list for low income housing". However,

[10] Based on City of McKinney and MISD budget data

according to Ms. Edna Rister and Mr. Leonard McGowen of McKinney Housing Authority, the only waiting list maintained is for public housing (30% or less of AMI) owned by the Housing Authority. Mr. McGowen further stated that this waiting list would not be serviced by the low income tax credit housing units in our city (60% or less of AMI) and that no waiting list was maintained for this type of property. Additionally, at least 3 of the 7 existing LIHTC properties in McKinney are running rent specials, one is only 83% occupied, and one has just started its leasing program. The one LIHTC property still under construction will begin leasing later this year or early 2003. Building even more LIHTC housing will directly financially impact the City's resources to support the needs of these lowest income residents that Stonebrook will not serve. No one could see these numbers and say the citizens of McKinney have not done their part. Should a single city of 54,000 people – only 15% of the people in the area – be asked to support 62% of the costs associated with the affordable housing needs of essentially an entire county? That is exactly what our situation is today – *without* building this additional project.

This fact is particularly dramatic in this instance since this property is directly across the street from Frisco, and the market study includes the entire cities of Frisco and Allen and the northern half of Plano in this market area – clearly showing that the residents will be drawn from other cities.

We have been told that concentration is an issue that is still being defined by the TDHCA in that there is no clear definition as to the exact number of units within a defined area that constitutes "too much" other than through the capture rate. We suggest one factor that must be considered regarding concentration is the impact on a single city or school district. Are the LIHTC properties being disproportionately awarded in one city? Are those properties clearly serving the needs of many surrounding cities? If so, how many properties constitute "too many" for a single city to financially support before it affects both the LIHTC residents, the schools and the other residents of the city? These answers are quite clear to us. McKinney is supporting more LIHTC units than Plano, Frisco, Richardson, and Allen combined, and our schools and city services are simply overloaded. We simply ask that you recognize those costs and spread out the properties in a more equitable fashion. Let the developers who do these projects in cities across the state know they need to seek out properties in various cities, so LIHTC residents live in cities with healthy, growing tax bases capable of providing not just basic services, but enrichment programs and outreach programs. We ask that these properties not be allowed to "cluster" into individual cities, as has happened in McKinney.

11. **Services needed by low-income residents are inadequate at this location.** Stonebrook Villas is to be located on the farthest western and northern outskirts of McKinney. There is no nearby affordable health care or childcare, no nearby retail or any type of employment or employment centers, and no office complexes. The project is not supported by public transportation, and McKinney is not a member of DART or any other mass transit system. In addition, the site is located across the street from the second largest thoroughfare in our city from the grade school the children would attend and any parks or recreational facilities. The School District has expressed concern over this situation as well.

12. **The developer has asked the McKinney Housing Finance Corporation to participate as the non-profit owner, which would afford the property city and school property tax-abatements.** While the HFC has been promised ownership and the residual net cash flow after debt service, the developer's projections indicate that the project will not produce any net cash flow available to the HFC until at least Year 12. The actual period may be longer if the assessed value for tax purposes is higher than the developer's expectations, as the developer has promised to pay all school taxes on the assessed value (see Item #13, below). In essence, it appears to us that the project will cost much more to the city than what would be realized in present value to the HFC over a 10 to 15 year projection period due to the significant cost ($500,000 to $600,000 annually) to support the project with services and alternate tax revenues.

13. **The developer's income projections do not address the possibility that the Collin Appraisal District might assess the property at a different level than the developer's assumption. The eventual actual assessment is in the control of the Appraisal District, not the State or the developer. This could adversely affect Stonebrook's ability to produce an operating income.** The developer has gone on record promising to pay full school taxes on the assessed value. However, we note the developer's projections indicate it will be paying approximately $134,400 annually in such taxes starting in Year 1, which in turn would be reliant on an assessment of approximately $33,600 per unit ($134,400 / the school tax rate). Three LIHTC complexes in McKinney for which both assessments and appraised values were available were *assessed* at $26,000 to $47,000 per unit, but were *appraised* for $46,000 to $49,000 (using LIHTC rents) in appraisals engaged to support the underwriting for their bond financing. Two other LIHTC projects in McKinney appraised in this range or higher (one as high as $57,000 per unit). Thus, we feel the TDHCA should recognize the significant possibility that assessed value for Stonebrook Villas, with a budgeted cost of approximately $89,000 per unit, would be closer to the upper end of this $46,000 to $49,000 range, not the $33,600 assumed by the developer via the projections. Even at an assessment slightly lower than the range ($44,000), and paying full school taxes only, it appears Stonebrook Villas would be unable to provide adequate debt service coverage to support TDHCA guidelines (DSCR > 1.1 to 1.0[11]), based on the developer's pro forma numbers. It appears that it would only provide coverage of approximately 1.02 to 1.0 at that assessment level. In fact, at an assessment of any more than $48,132 per unit, it appears the project would not produce sufficient cash flow after operations to make its debt payments if the developer were to keep its public promise regarding payment of full school taxes on the assessed value. If assessed at a higher value, it appears the developer would be forced to pay less school taxes in order to maintain an adequate debt service coverage. (see Addenda XII).

[11] Per Tom Gouris, Director of Underwriting, TDHCA

14. **Stonebrook would be a very expensive project to build at over $89,000 per unit and uses over $5 million in tax credits (at present value according to the developer budget package)[12].** This compares to the actual $68,000 to $70,000 per unit construction cost for conventional units recently built in the immediate area (prior to giving effect to special financing costs). This includes 2 such projects within 1.5 miles of Stonebrook built in the last 3 years. After giving effect to special financing costs, it appears the comparative cost would approximate $75,000 per unit for these projects, or about $13,000 per unit less. Note that much of this higher cost, according to the developer's budget, is financed directly by the $5 million in tax credits, much of which could be used in other needy areas if this project were less expensive to construct.

In summary, insufficient demand, a disproportionate concentration in one city, inadequate community services, and insufficient community support exist for this project to be successful. The addition of this project to our existing supply would exacerbate the LIHTC concentration problems within McKinney itself that TDHCA policies do not yet seem to adequately address. Additionally, approval of this project would continue a pattern of funds flowing to low priority areas like Dallas / Fort Worth at the expense of high priority areas in "desperate need" of funding such as El Paso, the Rio Grande Valley / Gulf Coast, and East Texas.

We believe after reviewing our data, your only conclusion will be to **deny the application for bond financing and tax credits for this project**. We hope you will agree that to do otherwise would be funding a project that is not needed, with considerable chance for failure while other highly viable projects in areas of the most desperate need go unbuilt due to a lack of funding.

Thank you for the opportunity to submit our analysis, supporting data and documentation for your consideration.

Respectfully submitted,

McKinney Citizens for Balanced Growth

cc: TDHCA Board of Directors
Texas Bond Review Board
Texas Sunset Commission
Governor Rick Perry of Texas
U.S. Senator Kay Bailey Hutchinson
U.S. Senator Phil Gramm
State Senator Florence Shapiro
State Representative Mary Denny
State Representative Brian McCall
City Council, City of McKinney
The McKinney Independent School District
Stonebridge Area Action Committee

[12] Per Developer's construction budget

Table of Contents

McKinney Citizens
for Balanced Growth

RESOLUTION NO. 2002-04-068 (R)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, STATING SUPPORT FOR THE AFFORDABLE HOUSING GOALS AND MISSION OF THE TDHCA; STATING SUPPORT FOR OTHER PROJECTS TO BE LOCATED IN THE CITY OF MCKINNEY, PARTICULARLY SENIOR CITIZEN HOUSING PROJECTS; REQUESTING THAT THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS CONSIDER AN AMENDMENT TO ITS MULTI-FAMILY, AFFORDABLE HOUSING DENSITY AND CONCENTRATION CRITERIA TO ADDRESS INEQUITABLE EFFECTS ON CITIES WHICH HAVE AN ACCEPTABLE SUPPLY OF EXISTING MULTI-FAMILY UNITS; REQUESTING THAT THE TEXAS DEPARTMENT OF HOUSING AND COMMUINTY AFFAIRS DISAPPROVE THE ISSUANCE OF BONDS FOR THE STONEBROOK VILLAS HOUSING DEVELOPMENT LOCATED IN THE CITY OF MCKINNEY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of McKinney ("City") supports the statewide goal of providing safe, affordable housing to all persons within the context of responsible growth and development; and

WHEREAS, the City is one of the fastest-growing communities in North Texas, thereby creating a responsibility on the City to ensure that adequate services and facilities are available for all new development; and

WHEREAS, the City is particularly concerned about the burdens of multi-family development on a tax base supported primarily by residential development; and

WHEREAS, the City is concerned that the TDHCA's approval criteria for project funding of affordable, multi-family does not consider city limit boundaries which density and concentration criteria results in the potential for an inequitable over-concentration of multi-family housing in the City when the existing supply of such housing and zoned tracts is well-above acceptable state and federal standards and far-above the supply provided by neighboring communities; and

WHEREAS, the Southwest Housing Group is requesting approval of bonds through the TDHCA in order to construct a multi-family development in the City called the Stonebrook Villas Housing Development; and

WHEREAS, the City Council of the City is concerned that there is not a current need in the City for multi-family affordable housing units funded by the TDHCA, based upon the market analysis and financial information provided by Southwest Housing Group; and

WHEREAS, the concerns of the City Council regarding multi-family development are not limited to affordable housing developments, as indicated by recent Council legislative action to amend the City's multi-family housing policy to ensure efficient and orderly location of multi-family development; and

WHEREAS, an over-concentration of the multi-family housing developments in Collin County that are funded by bonds issued by the Texas Department of Housing and Community Affairs ("TDHCA") are currently located in the City, creating a larger burden on the City to support these housing developments within the City's existing challenge to support and direct responsible multi-family developments.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS THAT:

Section One. The foregoing recitals are found to be true and correct legislative findings of the City Council of the City of McKinney.

Section Two. The City of McKinney supports the goal and mission of the TDHCA to provide affordable housing developments throughout the state, and supports single family and senior citizen affordable housing developments in the City.

Section Three. The City of McKinney requests that the TDHCA consider an amendment to its affordable, multi-family project approval criteria such that city limit boundaries and the existing units and zoned tracts within such city limits are considered; especially when the effect of the current density and concentration criteria results in an inequitable, over-concentration of multi-family housing in a city which has an existing supply of multi-family housing and zoned tracts well-above acceptable state and federal standards and far-above the supply provided by neighboring communities.

Section Four. The City of McKinney does not support the approval by the TDHCA of the tax-exempt multifamily residential rental project revenue bonds in the aggregate principal amount not to exceed $15,000,000 and necessary taxable bonds, to be issued in one or more series by the Texas Department of Housing and Community Affairs, the proceeds of which will be loaned to Stonebrook Villas Housing, L.P., a limited partnership, to finance a portion of the costs of acquiring, constructing and equipping a multifamily housing project described as the Stonebrook Villas, a 240-unit multifamily residential rental development to be constructed on approximately 11.0 acres of land located on Peregrine Drive at the northwest corner of the intersection of Peregrine Drive and Virginia Parkway in McKinney, Collin County, Texas 75070.

Section Five. The City Council requests that the TDHCA strictly comply with its selection guidelines when considering the above-referenced development.

Section Six. The City Council requests that TDHCA notify the City when the developers of affordable housing projects slated for development in the City of McKinney request the issuance of bonds by the TDHCA.

DULY PASSED AND APPROVED THIS 2ND DAY OF APRIL 2002.

DON DOZIER
Mayor

ATTEST:

JENNIFER G. SPROULL
City Secretary
BEVERLY COVINGTON
Deputy City Secretary

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McKINNEY

INDEPENDENT SCHOOL DISTRICT

Office of the
Superintendent

March 8, 2002

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

We are writing to express our opposition to a project known as Stonebrook Villas, which is before your agency for funding through the Low-Income Housing Tax Credits program.

This is a regrettable position for any school district to have to take, but one we must take at this time in the development of our district.

The McKinney Independent School District is facing a funding crisis. This is a time of exploding growth in our City. At the same time, due to state funding legislation, our ability to collect revenues through our local tax rate to meet the impact of this growth will be limited. While new homeowners and residential growth have found our city in droves, commercial development is not keeping pace. This has left our District with a significant imbalance in student population for the size of our commercial tax base. Consequently, the District has actively opposed any efforts by citizens or developers to "downzone" property in our District from commercial to residential. Additionally, we have opposed any efforts by developers to increase residential densities above those specified in the City's Master Land Use Plan. Any increase in residential density negatively impacts our ability to plan for and effectively educate children. Although this project meets zoning requirements, the forecasted increase in student population density far exceeds our projections. The impact of this increased and unanticipated density would negatively impact our schools.

The City of McKinney has established a legacy and set precedence for embracing low-income housing communities. Based upon the data that we have reviewed, McKinney has an oversupply of low-income properties and is now drawing residents from surrounding suburbs, which are not providing an adequate amount of affordable housing programs for their residents. For example, the market area from which Stonebrook Villas will draw its residents (as defined by the developer's own market study) includes almost the entire school districts of neighboring Frisco and Allen, a significant portion of the Plano District, and several other smaller districts. These neighboring districts are in a

#1 Duvall Street • McKinney, TX 75069 • (469) 742-4070 • Fax (469) 742-4071

significantly better financial position in terms of the ratio of tax revenues to student population than McKinney. Additionally, these districts have significantly smaller populations of high-density, low-income developments.

These circumstances have created an over-concentration of low-income housing and place an undue burden on MISD to provide services for low-income families from across Collin County – not just our City. A more equitable allocation of housing throughout the county would allow neighboring districts to maintain the resources necessary to provide the best possible educational opportunities to insure that no child is left behind.

We are proud of the proactive stance our City officials have taken to provide ample affordable housing in our community. However, we must oppose this project at this time due to our city's current oversupply of low-income housing, the significant growth and increasing density of our student population and the diminishing financial resources required to provide a quality education for all MISD students. McKinney ISD cannot continue to bear the unfunded costs for educating children who will clearly be drawn from surrounding districts.

Respectfully Submitted,

David Anthony

Dr. David Anthony
Superintendent

GMKever

Geralyn Kever
MISD Board President

cc: Texas Bond Review Board
The Hon. Gov. Rick Perry
The Hon. Lt. Gov. Bill Ratliff
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Mr. Jim Buie, Exec. Dir.
Texas Department of Housing and Community Affairs
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.
Mr. Bill Fisher

McKINNEY

March 11, 2002

Mr. Robert Onion
TDHCA
PO Box 13941
Austin, Texas 78711-3941

Dear Mr. Onion:

I am writing to request that you deny approval of the application by Southwest Housing for the Low Income Housing Tax Credits program for the proposed property known as Stonebrook Villas at Peregrine and Virginia Parkway in McKinney, Texas.

In reviewing this project, I found a significant inequity in the supply of affordable housing across Collin County, and a disproportionate amount of LIHTC properties being located in our city. I believe the vast majority of residents for this complex will come from outside our neighboring cities, yet the City of McKinney will be required to honor the tax-abatement provided by the project's non-profit status. In fact, the map provided by the developer to show where the demand for this project is encompasses entire large neighboring cities.

I would encourage you to investigate the LIHTC housing supply for our area, and I am sure you will conclude, as I did, that a more balanced distribution of housing resources would afford all cities a higher ability to serve all of their populations.

In addition, the site location for this property is problematic as that area has an undersupply of child care, particularly affordable child care, as well as employers, transportation, employment centers, retail services and social services to assist new residents. The children in the complex would be required to cross a main thoroughfare for their elementary school.

While our citizens have always been very supportive of our affordable housing initiatives, there is vigorous opposition by local residents, who have expressed concerns about the city and school district's ability to financially underwrite the affordable housing needs outside our jurisdiction.

The City of McKinney takes an active interest in affordable housing for our residents, however I cannot at this time support a project for which there is currently no demand from the citizens who already reside in our city.

Thank you for your consideration.

Respectfully Submitted,

Steve Bell
Council Member
City of McKinney

c:
Texas Bond Review Board
The Hon. Gov. Rick Perry
The Hon. Lt. Gov. Bill Ratliff
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Mr. Jim Buie, Executive Director
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Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Directors
McKinney Housing Finance Corp.
Mr. Bill Fisher, Southwest Housing

SENATOR FLORENCE SHAPIRO
DISTRICT 8

COMMITTEES:
State Affairs, Chair
Education
Intergovernmental Relations
Redistricting

The Senate of The State of Texas

DISTRICT OFFICE:
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(972) 385-9876
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AUSTIN OFFICE:
P.O. Box 12068
Austin, Texas 78711
(512) 463-0108
(512) 463-7579 (Fax)
TDD 1-800-735-2989

March 18, 2002

Mr. Robert Onion
Director of Multifamily Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Dear Mr. Onion:

I am writing to express my concerns regarding the application by Southwest Housing for the Low Income Housing Tax Credits program for the Stonebrook Villas, a proposed LIHTC apartment complex located at Peregrine Dr. and West Virginia Parkway in McKinney.

After reviewing TDHCA's *Qualified Allocation Plan and Rules*, I have several questions regarding the appropriateness of this project. First, Section 49.7(b)(4), Texas Administrative Code, states that TDHCA staff must evaluate the site, specifically noting its proximity to retail, medical, recreational and education facilities, and employment centers. This is problematic in that the proposed site has an undersupply of child care as well as employers, transportation, employment centers, and retail and social services for new residents. I also understand that children in the complex would have to cross a main thoroughfare to reach their elementary school.

Secondly, Section 49.9, Texas Administrative Code, requires a market study be conducted to determine, among other things, whether the proposed development will result in an excessive concentration of affordable housing within a particular area. Further, Section 49.7(i)(2), Texas Administrative Code, states that projects determined by TDHCA to result in an over concentration in one area will not receive a determination notice. Based on figures from your agency, McKinney, with a population of 54,369, has 1,512 LIHTC units within its borders. In comparison, Plano has 609 LIHTC units and a population of 222,030; Garland has 632 units and a population of 215,768; and Carrollton has 388 units and a population of 109,576. Richardson, with a population of 91,802, does not have one LIHTC unit.

Additionally, I reviewed TDHCA's most recent report -- *Report on the 2001 Texas Department*

of Housing and Community Affairs Community Needs Survey. From what I understand, the survey was designed to give local officials, who are most familiar with the unique characteristics of their community, a voice in planning how Texas' affordable housing needs can be most effectively addressed.

Regarding Region 3, which includes Collin County, the report specifically says, "Development of multi-family housing appears to be a lower priority for this region with 11 percent more of the region's surveys indicating that this is of 'low' importance" compared to the statewide response. Conversely, regions 4 (East Texas), 8b (South Texas and Border), and 10 (El Paso) are in desperate need for low-income multi-family housing. In Region 10, for example, "[S]eventy-eight percent of the responses indicated a 'major' shortage of rental housing affordable to low-income persons exists (30 percent higher than the State)." Further, these three regions all agreed, in percentages higher than the state average, that "public financial incentives are needed to increase the number of affordable homes built by local developers."

Taken the above information -- in addition to letters of opposition from McKinney Independent School District, the City of McKinney, and several citizens -- I request that you review the application for Stonebrook Villas with the utmost scrutiny. Thank you for your attention to this important issue.

Sincerely,

Florence Shapiro

Florence Shapiro

FS/tb

cc: McKinney City Council
MISD Board of Trustees
McKinney Citizens for Balanced Growth

Mary Denny
State Representative
District 63

COPY

The State of Texas
House of Representatives
Austin, Texas

Capitol Office:
P.O. Box 2910
Austin TX 78768-2910
512-463-0688
District Office:
1914 North Carroll Blvd
Denton, TX 76201
940-565-0083
1-800-371-6179

April 19, 2002

Mr. Robert Onion
507 Sabine, Suite #800
Austin, Texas 78711-3941

Dear Mr. Onion:

You have previously received a letter written by me to Mr. Brian Potashnik, President of Southwest Housing Management of Dallas, which states my support for a proposed multi-family residential development in the City of McKinney.

I have been contacted by numerous persons in McKinney that are in opposition to this planned development. I have received data submitted by Mr. Potashnik as well as that submitted by concerned McKinney citizens. The data or how it was derived may lead to different conclusions on the need for this housing fitting the criteria set out by your agency. Therefore, I ask that you carefully review all information submitted for its accuracy, making very certain that your criteria are followed.

The availability of affordable housing is of great concern to the legislature, but we must be certain we follow the guidelines for density set out by the Texas Department of Housing and Community Affairs.

Thank you for your consideration of my request.

Respectfully,

Mary Denny

Mary Denny

CC: Mr. Brian Potashnik
Mrs. Lisa Owens
Mrs. Cindy Evans
Mr. Roger Davis
McKinney City Council
MISD Board of Trustees
McKinney Citizens for Balanced Growth
Senator Florence Shapiro

Addendum III

Shapiro Concerns - Concentration / Need - TBRB, PAB 2002

	Area	# Projects Requested	Requested	# Projects Reserved	Reserved	Reserved/ Requested	% of Total Requested	% of Total Reserved
Region I	Panhandle	7	$30,730,000	4	$10,000,000	33%	1%	3%
Region II		0	$7,196,550	0	$0	0%	0%	0%
Region III	D/FW	55	$677,091,000	6	$112,495,000	17%	24%	37%
Region IV	East Texas	2	$19,500,000	1	$10,500,000	54%	1%	3%
Region V	SE Texas	1	$10,500,000	1	$9,713,974	93%	0%	3%
Region VI	Houston	81	$1,053,692,000	4	$94,468,000	9%	37%	31%
Region VII	Austin	57	$711,982,105	2	$28,000,000	4%	25%	9%
Region III a	San Antonio	22	$249,590,000	3	$15,700,000	6%	9%	5%
Region VIII b	Lower Valley / GC	5	$55,500,000	2	$17,500,000	32%	2%	6%
Region IX	Midland/Odessa	1	$3,500,000	1	$3,500,000	100%	0%	1%
Region X	El Paso	3	$21,000,000	1	$6,000,000	29%	1%	2%
	Totals	234	$2,840,281,655	25	$307,876,974	11%	100%	100%

ADDENDUM IV

ANALYSIS OF BUTLER – BURGHER MARKET STUDY ON STONEBROOK VILLAS APARTMENTS

I. General

This analysis covers a portion of the Butler-Burgher ("B-B") Market Study dated March 5, 2002, including Pages 60, 68, and 70 through 77 and portions of the addendum. This analysis is limited to those areas relating to the demand analysis section of the report. The intent was to conduct an analysis concentrated on the methodology, data, and logic of the demand analysis section of the Study, focusing on its accuracy, validity, and reasonableness in comparison to market norms, as well as to TDHCA policy guidelines to the extent they were known.

The purpose was to ascertain whether the analysis and conclusions of the Market Study were adequately conducted and would lead a typical, prudent person to a reasonably valid conclusion regarding market demand and the capture rate of demand for the subject project as requested by the TDHCA. As outlined specifically in the following narrative and attachment, I do not find the market demand or capture rate to be within the acceptable guidelines to warrant approval of this application.

II. Analysis of Original Market Study

A number of serious problems were noted in the original Market Study, including mathematical errors, errors of omitting data, and errors of a logical nature. These errors tended to compound upon one another due to the interrelated nature of the analysis methodology and adversely impacted the conclusion of market demand. **In summary, the errors logically led to the conclusion that the original Study's projections regarding potential demand for this project were unsupported and unreliable for use by the TDHCA in making a determination of potential demand for this project. Further, the rational correction of the errors in a reasonable way indicated that insufficient demand exists for the project per the state guidelines.** The validity of the reasoning and observations of the first review was supported by the fact that the TDHCA submitted those comments to the analyst for consideration, and significant changes conforming with MCBG's first analysis resulted.

III. Market Study Flaws - Overview

The Market Study engaged by the developer to ascertain suitable demand for the project has a number of serious flaws, any one of which individually would disqualify it from consideration. Taken collectively, these flaws illustrate even more strongly that there is no reasonable demand for this project. These flaws include:

Market Area is Too Broad: The Market Analyst used a 10-mile ring around the site to measure demand, when the use of a 3- to 5-mile ring or the municipality itself is the market norm for suburban garden apartments in the Dallas / Ft. Worth area. The use of the 10-mile ring might tend to give a reasonable person the appearance that a larger ring was selected to "make the numbers work".

The municipal boundaries of the City of McKinney qualifies as a suitable market area for demand sampling with 54,369 people (2000) meeting the state criteria of 50,000 to 250,000. The analyst used a 10-mile ring to capture a sample of over 200,000 people, but taking in several entire cities surrounding McKinney, including all of Frisco, all of Allen, the northern half of Plano, and major parts of Celina, New Hope, and Melissa.

The relevant market area is the City of McKinney alone. If all the errors were corrected the capture rate would be 352%., well above the 25% TDHCA capture rate guideline.

First, No Pent Up Demand Appears to Exists: The analyst claims to show over 2,000 units of pent up demand within the 10-mile ring, despite the fact that demand is soft at 3 of the existing LIHTC projects in McKinney (note: one of these just began lease up). If there was such significant pent up demand, logic dictates that current LIHTC projects in McKinney would be full and not running rent specials at this time (as 3 are). Another LIHTC project that is 4 years old is only 83% occupied (per the Apartment Locator Network or ALN data). This simple evidence conclusively illustrates that sufficient demand for another LIHTC project in McKinney does NOT exist, or all the projects would be full. Eliminating the pent up demand within the analyst's conclusions alone is sufficient to prove the lack of demand for this project and results in a capture rate of 89%, well above the 25%TDHCA capture rate guideline.

Second, There Were Procedural Analysis Errors: The analyst erred in making the mathematical calculation of pent up demand. The analyst assumed for the purposes of the calculation that an average household would have 2.5 people, as they assumed this is the average size of a *renter* household. They then multiplied it by the % of renter households to estimate total renter household demand. Both the procedure and the number are erroneous. The procedure should be to first estimate the total number of all households (both renter and owner). To do so, the correct procedure is to multiply by the average household size of all households, which in the analyst's study was 2.93 (from 1990 data, the analyst should have used 2000 census data available from Claritas which indicates 2.73 per household). By using this incorrect methodology, the analyst effectively "double dipped" the calculation, with the effect of overestimating demand.

Correction of this error alone, without considering other errors, is sufficient to yield a capture rate for the 10-mile ring of 26.5%, exceeding the state standard of 25%.

Third, There were Several Data Omissions:

Senior Units: The analyst also failed to include any LIHTC complexes deed-restricted to senior citizens. Note that there are currently 207 units of such housing in McKinney, and another 239 units have recently been approved by the city. Thus, the analyst failed to include 446 units of relevant supply in their calculations. Seniors are not obligated to live in senior restricted complexes and can choose either senior or family oriented units. But in fact, seniors prefer senior complexes due to amenities oriented to their special needs (a quiet atmosphere, less traffic, lower density, and special senior services). Because the demand population the analyst considered includes senior citizens, senior units cannot be excluded from the supply count because these units compete directly with projects like the subject. In reality, senior complexes enjoy a competitive advantage to the family complexes due to their exclusive nature.

Correction of this error alone, and not considering other errors, is sufficient to yield a capture rate for the 10-mile ring of 33%, exceeding the TDHCA standard of 25%.

Non - LIHTC Units: There are conventional, non-LIHTC projects in McKinney that the analyst failed to consider, and even noted in the report that they could not find. We found these using Apartment Locator Network ("ALN"), a national network commonly utilized by renters, appraisers, and investors to find apartments. Two complexes exist that were either built or renovated in the 1990's, and compete with new LIHTC units in McKinney in rental price points. These include the McKinney Orchid Apartments with 260 units built in 1997 and the Lamar Plaza Apartments (40 units renovated in 1996). These apartments rent in the range of $500-$800 per month and compete with LITHC projects. There are also many vacant units in projects built in the 1980's that compete in this market in McKinney. As of March 2002, given ALN data, there are approximately 126 vacant apartment units in these projects that compete in this market in the same rent range as the LIHTC units. These units are much closer to major employment centers, affordable child care, transportation, houses of worship, grocery stores, affordable health care, and other resident services than the proposed property.

Correction of this error alone, and not considering other errors is sufficient to yield a capture rate for the 10-mile ring of 30.4%, exceeding the state standard.

Overall, these omissions indicate over 800 comparable units of supply including senior units, competing non-LIHTC units built, and other vacant non-LIHTC units with amenities that compete favorably with the subject were left out of the supply count by the analyst.

Market Study Flaws – Summary: Given the errors or omissions noted above, the conclusions of the market study regarding demand appear both exaggerated and unreliable. A correction of each individual item items clearly indicates there is not sufficient demand for this project either within the City of McKinney itself, or within an inappropriately large 10-mile ring to meet the TDHCA mandated 25% capture rate limit mandated for this project. Correction of all the errors results in a capture rate of 52.7%, well above TDHCA guidelines.

Note that the analyst relied extensively on data from the 1990 Census, when more recent 2000 data was available. When the same methods were applied using 2000 data, a capture rate of 50% is indicated for the 10 mile ring, and 352% for the City of McKinney alone.

A detailed item by item analysis of the Market Study follows.

IV. ANALYSIS OF THE REVISED B-B MARKET STUDY DEMAND ANALYSIS

1. **Defined Market Area** – The analyst has continued to define the market area as a 10-mile ring around the subject location, and used this defined area as the basis for analyzing demand data. No reasonable support or justification is given for use of this extremely large area. In fact, the defined area tends to ignore TDHCA guidelines which permit analysis of a market area of 50,000 persons at a minimum while making a recommendation that geographic and political boundaries such as a city limits should be considered.

   The 10-mile ring represents no autonomous political or geographic area. McKinney is a self autonomous city of over 54,000 people, sufficient for definition as a market area per TDHCA guidelines with there being no need, and in this case, no justification for enlargement of the defined market area. The 10-mile ring takes in almost the entirety of the cities of McKinney, Allen, and Frisco, and a substantial portion of the northern half of Plano. The use of a 10-mile ring is highly unusual for a suburban garden apartment complex in the Dallas/Fort Worth area.

   Note also that while data for a 5-mile ring is included and references are made in several places to such data, no analyses of this ring area was conducted by the analyst as a test of whether there were contradictions in the demand estimate versus that for the 10-mile ring. Such a secondary analysis would normally be conducted when using such a large primary ring to identify any "soft" spots for demand within the primary ring, as an indicator for making a judgment as to the validity of the larger primary ring. As detailed later in this analysis, this is exactly the case, as not only does demand within the primary ring not meet TDHCA underwriting guidelines, but demand within the 5 mile ring and the City of McKinney itself is even weaker due to the extensive construction of LIHTC units in this area (and non-LIHTC units which compete with them in price points and amenities) over the past 13 years.

   In summary, the 10-mile ring does not appear adequately supported or reasonable for use as the defined market area for this demand study.

2. **Pg. 68** – The analyst has now corrected the chart of LIHTC units within a 10-mile radius of the subject to include the Garden Gate Apartments of Plano. The list also failed to include other non-LIHTC low-income program housing, including the 40-unit RHA project Celina Apartments in nearby Celina, and any private, non-LIHTC complexes in the same price point in the area, including

McKinney Orchid apartments with 260 units built in 1997, and the Lamar Plaza apartments with 40 units, renovated in 1996.

3. **Pg. 74** – Analyst has now corrected the income band summary chart, eliminating the figures for 7 and 8 person occupancy in the chart previously included.

4. **Pg. 75 – Pent Up Demand Chart**

Household Growth Method:

- "% of Renter Households" = 33%. The number used results from data in the 1990 10-mile ring data of the CCIM demographic report included in the addendum which is contradicted by other data in that same report. In one instance, the demographic report clearly indicates the % of rental units as 31.2%, while using the raw figures in another section results in the mathematical calculation of 33%. There is no discernable way to reconcile the 2 figures. Without a reconciliation, there is no way to analyze the impact on the overall demand calculation at this time, or determine which number is accurate.

  However, Year 2000 data from a Claritas, Inc. report supports the validity of the smaller number. The Claritas data indicates that 26.71% of the units in the 10-mile ring are renter units.

- "% Income Qualified" = 24.7%. The maximum permissible income band for the subject given TDHCA guidelines and the developer's credit requirements is between $22,440 to $46,260 based on current figures. The percentage of income qualified renters within the 10-mile ring was indicated at 24.7% by the analyst; however, no calculation of it was illustrated. Further, the CCIM demographic data in the addendum does not foot to this number. Accordingly, it is not clear or explained how the analyst arrived at this figure, as should be the case, and the analyst should detail the exact calculation used to arrive at this figure. Without a detailed illustration of the calculation, there is no way to analyze the impact on the overall demand calculation at this time, and no way to determine the source, validity, or accuracy of this figure.

- "Number Low Income Units Added" – This figure has not included the 207 senior housing units of Country Lane. Seniors within the demand area have the <u>option</u> of choosing Country Lane or a family oriented project, but are not <u>required</u> to live in senior complexes. Therefore, these senior units compete directly with the family oriented complexes and must be included in the supply estimate. It is not reasonable to include the senior population for demand, but exclude the senior properties for supply. The reasoning is made even stronger due to the tailoring of the amenities of senior complexes for senior persons that give them a competitive advantage. The senior complexes would be more attractive to seniors due to the factors of a quiet atmosphere, special senior services, reduced traffic, and other amenities exclusive to senior complexes with which family complexes simply cannot compete. Because these units are not included, the impact of supply is undercounted and the effect is to inflate the demand indication.

  Further, the analysis has failed to include non-LIHTC projects added during the 1990's which compete with the LIHTC complexes on price point, and which may also be more competitive in terms of amenities (walking proximity to mass transit, groceries, employment centers, shopping areas, affordable health and child care, etc). While the analyst noted that they were unable to locate such competition after the earlier notation of this in the prior review, MCBG was able to locate 2 such complexes, the McKinney Orchid (built in 1997) and Lamar Plaza (renovated in 1996). These complexes have 2-bedroom units renting in the range of $615 to $770 per month, and compete directly with LIHTC projects in the McKinney market.

  The failure to include the senior units and the competing non-LIHTC complexes has a dramatic adverse impact on the analyst's conclusion of Pent Up Demand. The analyst estimated 2,334 units, but when the senior units and non-LIHTC units are properly included, the estimate should have been approximately 1,609 units, yielding an overestimate of 725 units by the Household Growth Method, using the CCIM data. The estimate was even less when derived from the method using the more recent Year 2000 Claritas data for % renter households, at 1,298 units.

Population Growth Method:

- "Assumed HH Size" – The analyst makes a puzzling error in this instance. While the CCIM 1990 demographic data used by the analyst clearly notes that there are 2.93 persons per household, the analyst adjusts the figure used to 2.5 persons/HH with no discernable reasoning. The analyst cites "the City of McKinney" as the source for a factor of 2.4 persons/HH, without citing the city agency or contact person for this information, nor does it note the support for its validity, and then "reconciles" to 2.5 persons/HH. This accounting for "renter household size" produces an average yearly HH growth of 4,863 units per year. The methodology is not only inaccurate, but puzzling. The analyst should first attempt to define all household growth, and should have used the 2.93 persons/HH CCIM data figure. Ignoring the demographic data number to use the smaller assumed Household Size number is simply wrong, and has the effect of inflating demand. When it is used later for multiplication against the % of renter households, the erroneous methodology results in a growth figure of 4,863 units per year, which is a dramatic 602 units per year higher than the actual known data from the CCIM report (4,261 units per year actual).

  By using a methodology which adjusts the data twice for renter households, a "double dipping" effect results, which has the effect of inflating the demand estimate. Using the methodology incorporating more recent Year 2000 data, it yields an estimate of 4,330 units, which is much closer to the actual known CCIM data of 4,261.

- "% Income Qualified" – As noted earlier, there is not support or calculation given to support the estimate of % Income Qualified renters. Using this unqualified number as a multiple of the previous (and erroneously derived) Assumed HH Size number results is incorrect, and has the effect of inflating the demand indication.

- "Number Low-Income Units Added" – As noted above, the analyst failed to include both senior LIHTC and non-LIHTC supply of competing units that will impact demand.

- "Pent Up Demand for LI Units" – Due to the previously noted errors, the analyst estimate of 2,829 units of demand is 1,305 units above the 1,524 unit corrected figure, resulting in an overestimate of demand by the Population Growth Method. Using the method incorporating the Yr. 2000 data above would have resulted in an even lower estimate of 1,188 units.

- Overall, the analyst arrived at a total estimate of Pent Up Demand of 2,581 units, based on averaging the estimates of the Household Growth and Population Growth methods. Again, in both instances, there appear to be substantial errors, all of which have the effect of overestimating demand. Correction of these errors results in an average Pent Up Demand estimate of 1,566 units, or 1,015 units less than estimated by the analyst, a 65% overestimation. Using the methodology incorporating the Year 2000 data would have resulted in an estimate of 1,243 units.

5. **Expected Apartment Demand Chart –**

   Household Growth Method:

   - The analyst again uses the unreconciled % Renter Households figure of 33%, and the unqualified % Income Qualified figure of 24.7% noted earlier. Given these factors, it is not possible to analyze the impact, adverse or positive, these figures would have on the demand study results.

Population Growth Method:

- The analyst again uses the unreconciled % Renter Households figure of 33%, and the unqualified % Income Qualified figure of 24.7% noted earlier. Given these factors, it is not possible to analyze the impact, adverse or positive, these figures would have on the demand study results

6. **Summary of Supply/Demand Relationship Chart:**

   - The analyst has made a final demand estimate of 2,581 units of pent up demand, 689 units of expected demand, and 3,270 units of demand total. Due to the numerous errors discussed earlier, it appears the analyst has over estimated demand by 1,107 units or 51% higher than the 2,163 unit figure, and above the 2,281 figure resulting from the method incorporating the Year 2000 data noted previously.

   - Further, the analyst failed to include the Grand Reserve, a 239-unit seniors LIHTC project, already approved by the City of McKinney, in the estimate of future supply under construction or reserved. As such, the analyst also underestimates future supply, 776 units versus the 1,015 units actual, a 24% undercounting. As noted earlier, it is not correct to ignore the senior supply due to its ability to not only compete directly with family oriented product, but also given its superior amenities for its target market, senior citizens.

   - The analyst also failed to include non-LIHTC program units in the market area that are currently vacant and do not offset the earlier pent up demand estimate, but nonetheless compete with the subject on price points and other amenities such as proximity to grocers, affordable child care, affordable health care, etc. These units exist as 126 units of "future" supply already.

   - After netting out new construction, the remaining demand indicator on a mathematical basis should be 1,140 units, not 2,494 as estimated by the analyst.

7. **Capture Rate Analysis Chart:**

   - Given all of the previously described problems (and their impact, either singularly or jointly), the analyst's Forecast Capture Rate depicted is in error. The analyst arrived at an estimate of 23.7%, very close to the maximum allowable; however, correction of the problems noted earlier reveals that an indicated capture rate of 50.0% (using 2000 data) should have resulted, well above the TDHCA's 25% guideline requirement.

V. ANALYSIS OF 5-MILE RING AND CITY OF MCKINNEY USING B-B METHODOLOGY

1. MCBG used the same analysis method as Butler-Burgher (with corrections) to evaluate the level of demand with the five-mile ring around the subject, as would be more conducive to the market norms of appraisers, investors, lenders, and developers. Not all Year 2000 data was available for the 5 mile ring. Total net remaining demand within the 5 mile ring is –149 units. The capture rate indicated in the five-mile ring is well above the TDHCA policy guideline, at 290.5%.

2. MCBG then carried the analysis further, to analyze demand within the boundaries of the City of McKinney alone, based on household and population figures for the year 2000, the most recent one-year period available. Due to significant number of new LIHTC units coming on line and planned within the next 2 years, the total net remaining demand in McKinney itself is negative (-605) units. Given the units planned or under construction, McKinney will have a capture rate of 352.2%.

CONCLUSION: THE CAPTURE RATE EXCEEDS THE STATE'S GUIDELINES:

The applicant's own conclusion was that there is a 23.7% capture rate, which is quite close to the 25% maximum, and leaves a very small margin for error. However there are a number of significant errors in this market study which either individually or cumulatively render its conclusions unreliable. Correction of these errors results in a capture rate at 50.0%, well beyond the 25% limit – even for the unusually large 10-mile ring. Within McKinney alone, the capture rate is 352%. The errors noted include:

- 10-mile ring is very broad compared to market norms, and does not take into account geographical or political boundaries as recommended by TDHCA guidelines
- Evidence illustrates no actual existence of pent up demand given ongoing rent specials at several LIHTC complexes, and a non-stabilized (83% occupancy) complex which is 4 years old
- No reasonable rationale or support for use of 2.5 as multiplier for HH size instead of the actual 2000 census figure of 2.73
- No reconciliation of the 33% and 31.2% renter households figures when both are indicated by the data source
- No source, qualification of, or calculations noted for 24.7% income qualified figure
- No specific source or qualification for 2.4 HH size quoted by "City of McKinney"; Yr. 2000 Census data indicates 2.89 for the HH size.
- Analyst included senior population for demand, but not senior properties for supply (Ironically, this would mean even those seniors currently living in the 207 senior units already leased would be counted as pent up demand)
- Failure to include competing non-LIHTC complexes and vacancies

Please see attachment for full mathematical detail of this analysis.

ADDENDUM V

A			B	C	D	E	F	G	H	I
DEVELOPER'S MARKET STUDY ANALYSIS RELIES ON 1990 CENSUS DATA FOR KEY INDICATORS (Ex. Persons / Household)			CORRECTION OF: % RENTERS ONLY	CORRECTION OF: HOUSEHOLD SIZE ONLY	CORRECTION OF: SR. DELETIONS ONLY	CORRECTION OF: NON-LIHTC DELETIONS ONLY	CORRECTION OF: THE COMBINED ANALYST'S ERRORS	10 MILE RING (Using 2000 Census Data)	5 MILE RING (Uses Analyst's Data)	CITY OF MCKINNEY (Using 2000 Census Data)
10 Mile			10 Mile	10 Mile	10 Mile	10 Mile	10 Mile	10 Mile	5 Mile	McKinney Only
Pent Up Demand Analysis										
Based on Household Growth:										
1990 Households	27,922	Households	27,922	27,922	27,922	27,922	27,922	28,683	2,457	7,596
2000 Households	70,529	Households	70,529	70,529	70,529	70,529	70,529	73,656	13,957	18,186
Growth	42,607	Households	42,607	42,607	42,607	42,607	42,607	44,973	11,500	10,590
Annual Growth (1990 - 2000)	4,261	Hholds / Yr	4,261	4,261	4,261	4,261	4,261	4,497	1,150	1,059
% Renter Households	33.3%		31.2%	33.3%	33.3%	33.3%	31.2%	26.7%	22.4%	29.8%
% Income Qualified	24.7%		24.7%	24.7%	24.7%	24.7%	24.7%	24.7%	14.4%	25.0%
Total Demand (1990 - 2000)	3,495	Units	3,278	3,495	3,495	3,495	3,278	2,967	371	789
Number Low Income Units Added 1990-2000	1,161	Units	1,161	1,161	1,369	1,462	1,669	1,669	440	1,212
Pent Up Demand for LIHTC Units	2,334	Units	2,117	2,334	2,126	2,033	1,609	1,298	-69	-423
Based on Population Growth:										
1990 Population	81,739	Persons	81,739	81,739	81,739	81,739	81,739	82,863	7,086	21,293
2000 Population	203,326	Persons	203,326	203,326	203,326	203,326	203,326	201,061	37,992	54,369
Growth	121,587	Persons	121,587	121,587	121,587	121,587	121,587	118,218	30,906	33,076
Annual Growth (1990 - 2000)	12,159	Persons	12,159	12,159	12,159	12,159	12,159	11,822	3,091	3,308
Assumed HH Size	2.50	Persons/HH	2.50	2.93	2.50	2.50	2.93	2.73	2.85	2.89
Estimated HH Growth	4,863	House / Yr	4,863	4,150	4,863	4,863	4,150	4,330	1,084	1,144
% Renter Households	33.3%		31.2%	33.3%	33.3%	33.3%	31.2%	26.7%	22.4%	29.8%
% Income Qualified	24.7%		24.7%	24.7%	24.7%	24.7%	24.7%	24.7%	14.4%	24.7%
Total Demand (1990 - 2000)	3,990	Units	3,742	3,404	3,990	3,990	3,193	2,857	350	841
Number Low Income Units Added	1,161	Units	1,161	1,161	1,369	1,462	1,669	1,669	440	1,212
Pent Up Demand for LIHTC Units	2,829	Units	2,581	2,243	2,621	2,528	1,524	1,188	-90	-371
Expected Apartment Demand										
10 Mile			10 Mile	10 Mile	10 Mile	10 Mile	10 Mile	10 Mile	5 Mile	2000-2005 Assuming 2000 Growth Rate
Based on Household Growth:										
Total Household Growth (2000 - 2005)	13,452	Households	13,452	13,452	13,452	13,452	13,452	27,449	4,322	17,703
Annual Household Growth (2000 - 2005)	2,690	Hholds / Yr	2,690	2,690	2,690	2,690	2,690	5,490	864	3,541
% Renter Households	33.3%		31.2%	33.3%	33.3%	33.3%	31.2%	26.7%	22.4%	29.8%
% Income Qualified	24.7%		24.7%	24.7%	24.7%	24.7%	24.7%	24.7%	14.4%	24.7%
Calculated Demand	221	Units / Year	207	221	221	221	207	362	28	260
Based on Population Growth:										
Total Population Growth (2000 - 2005)	36,339	Persons	36,339	36,339	36,339	36,339	36,339	68,265	10,862	45,020
Annual Population Growth (2000 - 2005)	7,268	Persons / Yr	7,268	7,268	7,268	7,268	7,268	13,653	2,172	9,005
Assumed HHs	2.50	Persons / HH	2.50	2.93	2.50	2.50	2.93	2.73	2.85	2.89
Estimated HH Growth	2,907	Hholds / Yr	2,907	2,480	2,907	2,907	2,480	5,001	762	3,116
% Renter Households	33.3%		31.2%	33.3%	33.3%	33.3%	31.2%	26.7%	22.4%	29.8%
% Income Qualified	24.7%		24.7%	24.7%	24.7%	24.7%	24.7%	24.7%	14.4%	24.7%
Calculated Demand	238	Units / Yr	224	203	238	238	191	330	25	229
Expected Demand For LIHTC Units	230		215	212	230	230	199	346	26	245
Summary of Demand/Supply Relationship										
Previously Estimated Pent Up Demand*	2,581	Units	2,349	2,289	2,373	2,280	1,566	1,243	-79	-397
Previously Estimated Future Annual Demand*	689	Units / Yr	646	636	689	689	597	1,038	158	687
Total as of 2003	3,270	Units	2,995	2,925	3,062	2,969	2,163	2,281	78	290
Vacant Existing Supply from 1980's or older product	0	Units	0	0	0	0	126	0	3	0
New LIHTC Supply Under Construction / Reserved	776	Units	776	776	1,015	776	1,015	1,015	224	895
Remaining Demand at end of 2002	2,494	Units	2,219	2,149	2,047	2,193	1,022	1,266	-149	-605
Capture Rate Analysis										
Average Pent Up Demand (1990-2000)	2,581	Units	2,349	2,289	2,373	2,280	1,566	1,243	(79)	-397
Total Expected Demand (2000-2003)	689	Units	646	636	689	689	597	1,038	158	687
Total Demand (1990-2003)	3,270	Units	2,995	2,925	3,062	2,969	2,163	2,281	78	290
Vacant Existing Supply from 1980's or older product	0		0	0	0	126	126	126	3	126
Forecast LIHTC Units (Incl Subject)	776	Units	776	776	1,015	776	1,015	1,015	224	895
State Underwriting Limit:	≤ 25%		≤ 25%	≤ 25%	≤ 25%	≤ 25%	≤ 25%	≤ 25%	< 25%	< 25%
Forecast Capture Rate	23.7%		25.9%	26.5%	33.1%	30.4%	52.7%	60.0%	290.5%	352.2%

*NOTE: Data sources: Butler-Burgher Market Study supplied by the TDHCA; the TDHCA; The Texas Low Income Housing Information Service; ALN Data (Apartment Locator Network, a standard industry reference); the 2000 U.S. Census; Claritas, Inc. (another standard industry reference)

CONSULTATION - STONEBROOK VILLAS

PROPOSED LIHTC PROPERTY TO BE LOCATED ON
VIRGINIA PARKWAY
MCKINNEY, TX 75035

FOR

McKinney Citizens for Balanced Growth
c/o Mr. Roger Davis
8421 Lanners Drive
McKinney, TX 75070

CONSULTATION PREPARED BY:

Appraisals Unlimited
George E. Jordan, MAI, ARA

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Phone: (214) 320-5906
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April 15, 2002

McKinney Citizens for Balanced Growth
c/o Mr. Roger Davis
8421 Lanners Drive
McKinney, TX 75070

Ref Appraisal consultation regarding a "Market Study of A Proposed 224 Unit LIHTC Apartment Community, Virginia Parkway, McKinney, Collin County, Texas 75035" prepared by, LLC with a date of March 5, 2002. This is a summary report of the conclusions reached by this appraiser.

Dear Mr. Davis:

In response to you request, I have considered the aforementioned report. A complete review of the write-up was not conducted within the context of USPAP, Appraisal Institute, ASFMRA, or TDHCA guidelines. Rather, I read the report and then concentrated on those sections that dealt directly with Apartment Market Overview, Neighborhood Analysis, and Submarket Data: Supply and Demand Analysis.

The effective date of this consultation is April 15, 2002 while the date of this report is also considered to be April 15, 2002. My final conclusions regarding the subject appraisal report based on this limited review conducted at the client's request are portrayed in the following pages.

The subsequent summary report sets forth a brief description of the subject proposed property, along with a synopsis of the data considered and the conclusions derived. Your attention is directed to the general assumptions and limiting conditions of this consultation found on pages 5 and 6.

Thank you for the opportunity to be of service. If you should have questions concerning any portion of this report, please contact my office.

Respectfully submitted,

APPRAISALS UNLIMITED

George E. Jordan MAI, ARA
Appraisal institute #7279
State of Texas Certification #TX 1320789-G

APPRAISER'S CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this report:

I have no present or contemplated future interest in the real estate that is the subject of this report. I have no personal interest or bias with respect to the subject matter of this consulting report or the parties involved. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. The consulting assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

To the best of my knowledge and belief, the statements of fact contained in this consulting report, upon which analyses, opinions and conclusions expressed herein are based, are true and correct.

This consulting report sets forth all of the assumptions and limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analyses, opinions, and conclusions contained in this report. These are my personal, unbiased professional analyses, opinions, and conclusions.

This consulting report has been made in conformity with the Uniform Standards of Professional Appraisal Practice. I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and in conformity with the rules of the Texas Real Estate Commission. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. Mr. Jordan further certifies that to the best of his ability the report has been prepared in accordance with the guidelines promulgated by the ASFMRA and is also subject to their peer review process.

The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Mr. George E. Jordan has completed the requirements of the continuing education program of the Appraisal Institute. Mr. Jordan has also completed the requirements set out by the ASFMRA.

No persons other than those named below have participated in preparing the analysis, opinions, and conclusions that are set forth in this consulting report. I certify that George E. Jordan, as of November 1, 2001, has personally inspected the property considered herein.

No personal inspection of the subject site or proposed plans and specifications for the subject facility were made other than the descriptive data contained in the Butler-Burgher appraisal report, at the request of the client.

Extraordinary assumptions: NONE

Respectively Submitted,

George E. Jordan MAI, ARA
Appraisal Institute #7279
State of Texas Certification TX #1320789-G

Dated: April 15, 2002

ASSUMPTIONS AND LIMITING CONDITIONS

Liability is limited to the client and to the amount of the fee collected; there is no accountability, obligation, or liability to any third party. The original and all copies are executed in blue ink. Any reports signed otherwise are unauthorized and no responsibility or liability for their content or use is accepted.

The legal description furnished to the appraiser is presumed to be correct, but it has not been confirmed by a survey. The appraiser assumes no responsibility for such survey, or for encroachments, or overlapping that might be revealed thereby.

The appraiser renders no opinion legal in nature, such as ownership of the property, land and/or improvements or condition of the title; that the title to both the land and improvements is marketable; that the property does not exist in violation of any applicable governing codes, ordinances, statutes or other governmental regulations; that the property will be under competent ownership and management.

The information and data supplied to the appraiser by others, which has been given consideration in evaluating subject property, are from sources believed to be reliable, but no further responsibility is assumed for its accuracy.

All valuations in the report are applicable only under the stated highest and best use, and are not necessarily applicable under other utilizations.

The distribution of the total value or other conclusions in this report between land and improvements, if any, applies only under the existing program of utilization. The separate valuations for land and improvements or other conclusions, if any, must not be used in conjunction with any other employment and are invalid if so used.

The appraiser assumes there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render the subject more or less desirable than otherwise comparable property, land, or improvements. The appraiser assumes no responsibility for such conditions, or for engineering, which might be required to discover such variances.

The sketches, maps and photos included in this report are principally for the purpose of aiding the client and/or reader in visualizing the property and are not necessarily based on a survey. Sizes and dimensions not shown should not be scaled from sketches.

The By-laws and Regulations of the professional appraisal organizations with which the appraiser is affiliated govern disclosure of the contents of the report.

Neither all, nor any part, of the content of the report, or a copy thereof (including conclusions as to the property value, the identity of the appraiser, professional organizations, or the firm with which the appraiser is connected) shall be used for any purpose by anyone but the client specified in the report.

Possession of the consulting report or a copy thereof does not carry with it the right of publication through advertising, public relations, news, sales or other media, without the written consent and approval of the appraiser.

Testimony or attendance in court or at any other hearing is not required of rendering this report unless such arrangements are made a reasonable time in advance, and the appraiser reserves the right to consider and evaluate additional data that becomes available between the date of this report and the date of trial and to make any adjustments necessary to the value opinions.

No specific well or water quality tests were conducted in conjunction with this assignment, unless otherwise noted. It is suggested that any prospective lender or buyer have each well tested, as this might allow further refinement of my value findings, even though my opinions are based on generally available data that are thought to be reliable.

Where buildings exist, the Americans with Disabilities Act ("ADA') may have an affect on value. This legislation became effective January 26, 1992. I have not made a specific compliance survey and analysis to determine whether or not the subject is in conformity with the various segments of the ADA, nor am I qualified to do so. It is possible that such a survey, together with a detailed study, could reveal noncompliance in some way. If so, this fact might have a negative impact upon my value conclusions. Since I have no direct evidence in this regard, I did not consider the ADA ruling, unless so noted in the following report. Further, I am not expressing an opinion concerning the applicability of the ADA guidelines to this particular property.

Unless otherwise stated, the existence of hazardous substances including (without limitations) asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during his inspection. The appraiser, however, is not qualified to test for such substances or conditions. If the presence of these substances or conditions is detected at a later date, it may adversely affect the value findings. No responsibility is assumed for any such condition or for any expertise or engineering knowledge required to discover or correct them. I would go further and state that no detailed title examination was done or requested in order to establish a historic chain of ownership in this regard.

Certain clients are asking that an environmental assessment form that they provide be filled out. I am complying with this request when asked, as an accommodation only. The inclusion in no way implies or suggests some special or specific knowledge by the appraisers in this field. I accept no responsibility for any hidden or undisclosed problems regarding environmental hazards. Additionally, the furnishing of this document does not in any way negate the provisions set out in the preceding paragraph.

Where applicable, the reader is cautioned that I have assumed all building permits and city approval can be obtained in a prompt manner This is not always the case in some states. Lack of available services will sometimes result in certain types of development being restricted. It is impossible to ascertain when this might occur; therefore, the reader is cautioned to determine the status of any development proposal in this regard before proceeding with his lending or purchase decision. Also I have presumed prompt and professional development and marketing typical of the industry where appropriate. Finally, compliance with all local and state building codes or concurrency requirements, as well as all environmental or Wildlife protection mandates is also presumed.

Unless otherwise noted, elsewhere in this report I have assumed that the subject property is free of termite damage and/or infestation. No obvious signs to the contrary were observed or pointed out. I would caution the user of this document, however, that this appraiser is not schooled and does not possess the specific knowledge necessary to thoroughly inspect the property and certify as to its condition in this regard. For this reason, I would strongly suggest that a qualified person should undertake a specific inspection and certificate obtained. Any evidence in contradiction of my assumption could detrimentally affect the value findings portrayed in this write-up.

CLIENT'S (INTENDED USER) OBJECTIVE

The objective of the client, McKinney Citizens for Balanced Growth, is to determine the appropriateness of the analysis and methodology employed to uphold the conclusion that addition of the subject LIHTC is supported by demand and current market conditions in the local market by Butler-Burgher. The primary guidelines employed in determining this aptness are those issued by THDCA with the greatest emphasis on §49.9 *Market Study Requirements; Concentration; and Environmental Site Assessment Guidelines* (2002 QAP). Guidelines promulgated by USPAP, Institute, and/or ASFMRA were also incorporated where appropriate. This document presents a summary of the investigation undertaken and indications suggested by the research performed to date.

DEFINITION OF PROBLEM

The problem as seen by this consultant is to define the market and sub-market in which the subject would compete, and determine if the methodologies utilized in the report under consideration adequately represented the specific sub-market as well as followed TDHCA mandates in arriving at the conclusions shown. The most current demographics regarding the sub-market where considered to determine whether or not the current supply is sufficient within this sub-market, or if the addition of more LIHTC facilities is warranted.

EXTENT OF DATA COLLECTION PROCESS

In regard to this assignment, the initial step was to contact TDHCA and determine that the consultant was employing the most current guidelines. Mr. Gouris of TDHCA referred this consultant to *§49.9.Market Study Requirements; Concentration; and Environmental Site Assessment Guidelines* on their web site, which was downloaded as being the most up-to-date reference regarding market studies and appraisals. A copy of this document is in the addenda and was the basis for my analysis along with the other general mandates for preparation of market studies, application, appraisals, and other paperwork obtained from the web site. With this background the March 5, 2002 Butler – Burgher, LLC report was read with the greatest emphasis placed on those sections entitled Apartment Market Overview, Neighborhood Analysis, Sub-market Data: Supply and Demand Analysis. No personal inspection of the neighborhood or market was conducted in direct connection with this project, although the appraiser is familiar with the city of McKinney and general Collin County market. Supported by the foregoing efforts, conclusions were reached regarding the analysis and deductions shown in the Butler-Burgher write-up and will be presented in the ensuing pages.

IDENTIFICATION OF SUBJECT PROPERTY

The subject property of this consultation is the proposed 224 unit Stonebrook Villas, Virginia Parkway, city of McKinney, Collin County, Texas 75035 as described in the previously setout Butler-Burgher appraisal report and market study.

EFFECTIVE DATE

Effective date of this consulting report is April 15, 2002. The date of this write-up is also considered to be April 15, 2002.

COMPETENCY

This appraiser has worked on numerous assignments through the years involving both conventional (unassisted), subsidized apartment complexes, and LIHTC units. The appraiser authored an article entitled "Appraising the Assets of Low-Income Housing Tax Credit Properties" that was published in "The Appraisal Journal" January 1999 by the *Appraisal Institute*. The Assessment Journal published by IAAO has accepted another article dealing with the appraisal of Section 515 housing for tax assessment purposes for publishment in its next issue. Based on experience, education, training and the designations gained, it is the appraiser's opinion that he is fully competent to perform the task set out in this write-up.

BRIEF DESCRIPTION OF THE SUBJECT

The subject is a proposed 224 unit LIHTC apartment community that is to be located along Virginia Parkway, city of McKinney, Collin County, Texas 75035. Very briefly, and based on the Butler-Burgher report, this complex is to be constructed on a 10.43 acre, more or less, tract of land which is zoned accordingly and adequate to accommodate such a development. The property is zoned "PD 1741" with a RG-18 multi-family base by the city of McKinney.

The apartment mix encompasses 2, 3, and 4 bedroom floor plans that range in size from 950 SF up to 1,300 SF. Average unit area is shown to be 1,024 SF, or a total net rentable area of 229,400 square feet. Improvements will be located in nine, two-story, garden type buildings constructed of brick/stucco veneer with wood trim and siding. Roofs will be pitched and composition shingles. Interior will feature standard kitchens, ceiling fans, baths, walk-in closets, patio/balcony, window coverings, as well as vinyl and carpet floor coverings. Amenities are to be: on-site management and leasing office, community room with television, kitchen, public restrooms and fireplace, utility room, playground, carports and garages, pool, laundry room, and perimeter fencing. In the LIHTC Tax-Exempt Bond Financing program rents are restricted at 50% of median income level, but incomes are restricted to the 60% of median income levels.

CONCLUSIONS AND COMMENTS

A. In general, the crux of the problem with this report appears to be the market area that was selected, in my opinion and based on TDHCA guidelines obtained from their web site. In reviewing the text from the 2002 QAP that directly applies to market studies, §49.9 (5) was given particular consideration. This documentation indicates the primary or sub-market for the project chosen by the market analyst will be most informative if it contains between 50,000 and 250,000 persons, though sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so. Three points:

1. TDHCA prefers that political demarcations be employed such as the city limits of a community or county.

2. In the case of Collin County, inclusion of all or parts of several other communities does not give a true picture of the market in McKinney. The sampling done in the Butler-Burgher study distorts the available population and need compared to demand in the subject's sub-market, which is the city of McKinney. An example is that McKinney has eight tax credit properties where as Plano has 3, Allen has a proposed one, Frisco has 1, and Richardson has none. In other words, McKinney represents 11% of the county's population and contains almost 62% of its LIHITC facilities today. To put the count in terms of actual rentals, McKinney currently has 1,512 units and the proposed Stonebrook would result in an increase to 1,736. More on this later and how it impacts pent-up demand conclusions.

3. The use of the ten-mile market data, and the potential distortion brings into question all of the feasibility conclusions and, in particular, the capture rate calculations displayed in the analysis under study.

B. TDHCA states in §49.9 (5) (C) (vii) that the capture rate is defined as the proposed units for a given project plus any previously approved but not yet stabilized new units in the sub-market divided by the total income-eligible targeted renter demand identified by the market analysis for a specific development's primary market or sub-market. Again, the problem is when the 10-mile ring surfaces. In my opinion the city of McKinney must be considered as the sub-market before any meaningful conclusions can be reached; therefore, the study does not allow for any conclusion regarding capture rate, which may well exceed the guidelines offered by TDHCA of 25%.

   In all likelihood, the five-mile radius could be adjusted to include all of the city of McKinney and minimal amounts of other communities. This data, adjusted for location in this way would provide the best basis for any conclusions regarding needs and capture rate. My analysis that follows is based on 2000 US Census data for the city of McKinney alone that represents roughly 11% of Collin County's estimated population. Again, you can see how inclusion the 10-mile band might not give a true picture of the sub-markets actual conditions and skew the conclusions regarding demand. Also, based on personal experience HUD is very reluctant to utilize any information in an urban setting that is more than three to five miles away from the property being studied. Use of data that is more distance must be justified and supported which it was not in this case.

C. Pent-up demand is discussed and shows a conclusion that actual market rent inquires do not support. Again, this goes back to utilizing the 10-mile ring and not being specific to the subject's actual sub-market of the City of McKinney. Locally, certain TDHCA facilities and other conventional properties that charge similar rents are seeing the need to make rent concessions and/or are under 90% occupancy. This actual data indicates that the market in this tier may be saturated or nearing this point. At the most, the five-mile circle gives the best look if the necessary information is not available for the city by itself. Once more, the city of McKinney proffers the most directly applicable data.

D. Page 73 states that the ten-mile radius is larger than the subject's sub-market. Analyst should have used the actual sub-market for the best data (city of McKinney). Reviewing the information in this report intimates that McKinney may be carrying a disproportionate share of the low-income housing burden for Collin County.

E. On page 55, the report shows the subject to be located in northwest McKinney, and that Central Expressway is a major interstate artery. Both of these are technically incorrect. On page 61 the report puts the subject in the west part of McKinney.

F. Page 78 says that an absorption or capture rate of 20 units per month is reasonable. Based on phone calls to competitors concessions are being offered and some occupancies are below 90%. When concessions are being offered in the same market tier an oversupply may be close at hand and this could slow capture. Additionally, use of the ten-mile ring may have over stated potential.

G. An inconsistence is apparent in the subject report. This concerns use of the senior population to support need and pent-up demand without inclusion of senior facilities in calculating available inventory. In my opinion, the seniors should be counted in both instance, but the same approach should be taken through out the report.

H. Adjusting the sub-market to the city of McKinney based on 2000 Census data or other more recent sources such as Pop-Facts does produce a conclusion that pent-up demand is not a factor in the immediate market. The next table will give the general background regarding population and how 1990 counts compare to 2000. This exhibit is similar to the information considered on pages 70 – 79 of Butler – Burgher, except that this is for the city of McKinney only.

2000 Estimates - City of McKinney			
Year	**1990**	**2000**	**Growth**
Population	21,283	54,369	33,086
Number of Households	7,596	18,186	10,590
Average Persons/HH	2.64	2.90	
Median Household Income	$27,236	$56,582	
Per Capita Income	$14,119	$30,963	
Median Age		30.6	
Source: US Census			

The next exhibit will depict the analysis to determine pent-up demand within this smaller, and more appropriate sub-market of the city of McKinney. On page 74 a figure of 24.66% is given for the number of households that qualify for the '60% of Median Income Units'. Pop-Facts shows the figure as 22.15% ($25,000 - $49,999) for 2001, and will be the basis for my calculations. This figure is lower than the 24.66% employed by Butler – Burgher that resulted in an overstatement of the need. Butler – Burgher utilized 33.27% as the ratio of renters to homeowners when the 2000 Census suggested that 29.80% of the households were rental. Additionally, Butler-Burgher employed 2.5 persons per household when the Census data gave a figure of 2.89 persons for the average household. All of the differences resulted in an overstatement of the need and were in a way compounded by the methodology.

The conclusion is that minimum pent-up demand exists based on the theory utilized by Butler – Burgher within the city of McKinney and current demographics.

Pent-Up Demand for the City of McKinney	
Based on Household Growth	
1990 Households	7,596 HH
2000 Households	18,186 HH
Growth	10,590 HH
Annual Growth (1990 - 2000)	1,059 HH/Year
% Renter Households	29.80%
% Income Qualified	22.15%
Total Demand (1990 - 2000)	699 Units
Number Low Income Units Added	1,161 Units
Pent Up Demand for LI Units	(462) Units
Based on Population Growth	
1990 Population	21,283 Persons
2000 Population	54,369 Persons
Growth	33,086 Persons
Annual Growth (1990 - 2000)	3,309 Persons/Year
Assumed HH Size for Renters	2.89 Persons/HH
Estimated HH Growth	1,145 HH/Year
% Renter Households	29.80%
% Income Qualified	22.15%
Total Demand (1990 - 2000)	756 Units
Number Low Income Units Added	1,161 Units
Pent Up Demand for LI Units	(405) Units

The lack of pent-up demand is contrary to the conclusion stated by Butler – Burgher and is well supported when the more appropriate data concerning the city of McKinney, subject's sub-market, is considered as required by TDHCA. One can safely assume where pent-up demand does not exceed future supply that a recapture rate well above the 25% maximum mandated by TDHCA will result.

Based on the appropriate demographics, work completed to date, and other information presented by the Butler – Burgher report, addition of Stonebrook does not appear economically supportable or justifiable.

The last question is whether or not future growth will justify the addition of more LIHTC in this sub-market. The city of McKinney was consulted to determine their projections for 2005. A figure of 85,250 was provided and is thought to include the ETJ as well as what lies within the city limits; therefore, it should give the most optimistic look at the prospects for expansion in LIHTC complexes. The subsequent table capsulizes the study done in regard to future need in a manner similar to employed on pages 76 and 77 by Butler – Burgher, but with demographics specific to the city of McKinney and based on Planning Department data:

2000 - 2005 Estimates - City of McKinney			
Year	**2000**	**2005**	**Growth**
Population	54,369	85,250	30,881
Number of Households	18,186	29,498	11,312
Average Persons/HH	2.89	2.89	
Source: US Census			

Based on this estimated growth rate, the city should expand by about 30,811 residents between 2000 and 2005. Utilizing the Census Bureau's latest estimate of the number of residents per household converts this population growth into an anticipated increase of 11,312 households. Applying the same ratios and factors as before produces an estimate of the future need for LIHTC complexes and the expected demand as the subsequent exhibit shows:

Expected Demand for the City of McKinney (2000 - 2005)	
Based on Household Growth	
2000 Households	18,186 HH
2005 Households	29,498 HH
Growth	11,312 HH
Annual Growth (2000 - 2005)	2,262 HH/Year
% Renter Households	29.80%
% Income Qualified	22.15%
Total Demand (2000 - 2005)	747 Units
Number Low Income Units Added	895 Units
Expected Demand for LI Units	(148) Units
Based on Population Growth	
2000 Population	54,369 Persons
2005 Population	85,250 Persons
Growth	30,881 Persons
Annual Growth (2000 - 2005)	6,176 Persons/Year
Assumed HH Size for Renters	2.89 Persons/HH
Estimated HH Growth	2,137 HH/Year
% Renter Households	29.80%
% Income Qualified	22.15%
Total Demand (2000 - 2005)	705 Units
Number Low Income Units Added	895 Units
Expected Demand for LI Units	(190) Units

Again, the current supply in the pipeline appears to exceed the projected demand for the city of McKinney. No pent-up demand is supported based on the appropriate demographics and currently proposed LIHTC projects. For the reader's further enlightenment the table on the next page capsulizes the current LIHTC projects that are in progress and the basis for the inventory shown above:

PRODUCT IN PIPELINE	
Complex Name	Units
Creek Point	200
Skyway Villas	232
Grand Reserves	239
Stonebrook Villas	224
TOTAL	895

No attempt has been made to calculate the Capture Rate in this case because of the negative pent-up and expected demand numbers which suggest that the product in the pipeline will handle future needs for the next several years. Butler – Burgher did come up with a recapture figure on pages 77 – 78 based on the data from the ten-mile circle. The conclusion that this is not the most appropriate data negates this calculation, however.

I. For the reader's information the following properties were contacted: McKinney Orchid, Lamar Plaza, Creek Point, Skyway Villas, Gables of McKinney, and Heritage Place. Most of these were running some sort of special and indicated that occupancies were down significantly from the year prior. Those that were not running specials were considering them. An oversupply of units is indicated with additional construction underway that will enter the market in the near future.

QUALIFICATION - GEORGE E. JORDAN

EDUCATION:

Graduate of Texas A&M University, BS in Agricultural Economics - 1967
Advance Ranch Appraisal (ASFMRA) - 1981
Standards of Professional Practice (AIREA) - Course 2-3 - 1981
Real Estate Appraisal Principles (AIREA) - Course 1-A1 - 1982
Basic Valuation Procedures (AIREA) - Course 1-A2 - 1982
Capitalization Theory & Techniques (AIREA) Part I - 1982; Part II - 1983; Part III - 1983
Comprehensive Exam for ARA Designation (AIREA) - 1984
Case Studies in Real Estate Valuation (AIREA) - Course 2-1 - 1985
Valuation Analysis & Report Writing (AIREA) - Course 2-2 - 1985
Comprehensive Exam for MAI Designation (AIREA) - 1985
Standards of Professional Practice (Institute) A&B - 1992, B - 1997, C - 1999, C - 2001
Income Capitalization - Part I (A-18) (ASFMRA) - 1995
ASFMRA Code of Ethics - (A-12 Part I) - 1996
Uniform Standards of Professional Appraisal Practice - 1996, 1997, 2001
On-Line Internet Search Strategies for R. E. Appraisers (Institute) - 1998
Seminars - 10/86, 12/86, 1/87, 6/87, 11/87, 3/88, 1/89, 9/89, 4/91, 1/92, 3/95, 6/95, 6/98, 10/99, 8/00,6/01,3/02,3/02

EXPERIENCE:

Grew up on cattle and wheat farm in central Texas
1967-1973 worked for the Ag Sales Division of Dow Chemical USA
1973-1980 manager of the Federal Land Bank Associations of Amarillo and Panhandle
1980 Established Real Estate and Appraisal Business in Amarillo
1994 Moved Appraisal Business and Family to Dallas

MEMBER OF:

ARA - Accredited Rural Appraiser - American Society of Farm Managers and Rural Appraisers
MAI - MAI Designation of Appraisal Institute
North Texas Chapter - Appraisal Institute
Texas Chapter - American Society of Farm Managers and Rural Appraisers
Texas Licensed Real Estate Salesman, 1978 and Broker 1980 to 1992
Oklahoma Licensed Real Estate Salesman, Broker 1980 to 1985
New Mexico Licensed Real Estate Broker 1980 to 1985
Texas State Certified General Real Estate Appraiser (TX-1320789-G)

PAPERS PRESENTED AND ARTICLES PUBLISHED:

"Appraising the Assets of Low-Income Housing Tax Credit Properties" (Institute National Meeting-San Antonio-Summer 1998 and (The Appraisal Journal - January 1999)

Clients Include:

Wells Fargo Bank
R. C. (Dick Cline)
Texas Tech University
Southwestern Public Service
Mary Cook Estate
Wayne Dammier
Rabobank Nederland
First Security Bk/Englewood CO
Hitch Enterprises
Bush/Emney Properties
Citicorp
FmHA
Texas Parks and Wildlife Dept.
FDIC
Dean Cluck
US Fish and Game
AEGON USA Realty Advisors
Gardere and Wynne
City of Taos
City of Irving
City of Muleshoe
mainbank, n.a. - Ennis
Chase Bank of Texas
The Travelers Companies
Victoria National Bank
Randall County
Amarillo National Bank
BANK1ONE
Cactus Feeders, Inc.
Attebury Grain, Inc.
First Bank Southwest
Prudential
Richard K. Archer
First State Bank - Mesquite
McShane, Davis & Hance LLP
Fulbright & Jaworski
Anglea Turf Construction Co.
First National Bank of Lubbock
Pepsi-Cola Company
The Underwood Law Firm
Amarillo PCA
John Hancock Mutual Insurance
MidFirst Bank, OKC
Martha Shelton Houghton Est.
R. H. Fulton Estate
Hinkle, Cox, Eaton, Coffield, and Hensley
Mary Fain Ranch
Gateway National Bank
Goodpasture Grain
AMRESCO Business Lending Gp
Bank of America
Various Individuals and Attorneys

COURT EXPERIENCE: County, District, & Federal Courts/Commissioners

TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD

BE IT KNOWN THAT

GEORGE EMMETT JORDAN

HAVING PROVIDED SATISFACTORY EVIDENCE OF THE QUALIFICATIONS REQUIRED BY THE TEXAS APPRAISER LICENSING AND CERTIFICATION ACT, ARTICLE 6573a.2, VERNON'S TEXAS CIVIL STATUTES, IS AUTHORIZED TO USE THE TITLE

STATE CERTIFIED
GENERAL REAL ESTATE APPRAISER

Number: TX-1320789-G

Date of Issue: August 7, 2001

Date of Expiration: August 31, 2003

In Witness Thereof

James M. Synatzske, Chair

Renil C. Linér, Commissioner

Subj: **RE: Real Estate Market Analysis & Appraisal Police**
Date: 2/4/2002 2:15:37 PM Central Standard Time
From: tgouris@tdhca.state.tx.us
To: Gejor722@aol.com
Sent from the Internet (Details)

We are a little behind in getting the most current revisions to the guidelines on the web but they are expressed in the Departments Qualified Action Plan and rules for the LIHTC program. Here is a link to that document http://204.65.105.13/texreg/archive/November302001/adopted/10.COMMUNITY%20DEVELOPMENT.html#350

Below is the section of text from the 2002 QAP that directly applies to market studies. The revised guidelines, when published, will conform to these requirements but continue to provide slightly more detail as to the format.

§49.9. Market Study Requirements; Concentration; and Environmental Site Assessment Guidelines.

(a) Market Study Requirements.

(1) Market Analyst Qualifications. The qualifications of each Report Provider are determined and approved on a case-by-case basis by the chief underwriter or the review appraiser, based upon the quality of the report, itself and the experience and educational background of the report provider as a market analyst, as set forth in a Statement of Qualifications appended to the Report. The Department will maintain a list of approved Market Analysts. Such determination will be at the discretion of the Department. Generally, a qualified Market Analyst will be:

(A) a real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board; or,

(B) a real estate consultant or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality, written report.

(2) A market study prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The study must determine the feasibility of the subject property and state conclusions as to the impact of the property with respect to the determined housing needs. The market study should be self-contained and must describe in sufficient detail and with adequate data, such conclusions. Any third party reports relied upon in the market study must be verified directly by the market analyst as to the validity of the data and the conclusions.

(3) The market study must contain sufficient data and analysis to allow the reader to understand the market data presented, the analysis of the data, and the conclusion(s) of such analysis and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed. The study should lead the reader to the same or similar conclusion(s) reached by the market analyst.

(4) The primary market or submarket will be defined on a case-by-case basis by the market analyst engaged by the Applicant to provide a market study for the Development. The market study should contain a map defining the market and submarket and a narrative of the salient features that helped the analyst make such a determination. As a general guide for the market analyst, the Department encourages the use of natural political/geographical boundaries whenever possible. Furthermore, the primary or submarket for a project chosen by the market analyst will generally be most informative if it

contains between 50,000 and 250,000 persons, though a sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so.

(5) An acceptable market study must also include at the minimum in quantitative as well as narrative form the information required under subparagraphs (A) - (C) of this paragraph. The Department reserves the right to require the Report Provider to address such other issues as may be relevant to the Department's evaluation of the need for the subject property and the provisions of the particular program guidelines. All Applicants shall acknowledge by virtue of filing an Application that the Department shall not be bound by any such opinion or market study, and may substitute its own analysis and underwriting conclusions for those submitted by the report provider.

(A) a comprehensive evaluation of the existing supply of comparable multifamily or single family subdivision property(ies) as appropriate in the same market and submarket area as the Development. The study should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The study should evaluate existing market rate housing as well as existing subsidized housing to include local housing authority units and any and all other rent or income restricted units with respect to:

(i) rental rates including an attribute adjustment matrix for the most comparable Units to the Units proposed in the Development;

(ii) affordability analysis of the comparable unrestricted units;

(iii) current physical condition of the comparable property based upon a cursory exterior inspection evidenced by photographs;

(iv) occupancy rates of each of the comparable properties and occupancy trends by property class;

(v) annual turnover rates of each of the comparable properties and turnover trends by property class;

(vi) historic, current and anticipated absorption rates taking into account all other new or proposed development and the availability of other comparable sites;

(vii) an analysis of the number of existing or proposed units being set-aside or constructed for persons with disabilities; and

(viii) an itemization of all LIHTC Program Units within the defined submarket.

(B) a comprehensive evaluation of the demand for the housing the subject is proposed to provide. The study must include an analysis of the need for market and affordable housing within the Development's market and submarket area using the most current census and demographic data available, with copies of such source data included in the report or in the report addenda. The demand for housing should be quantified, well reasoned and should be segmented to include only relevant income and age eligible targets of the subject. Each segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. The final quantified demand calculation may include demand due to:

(i) documented population and household growth trends for targeted income-eligible rental households;

(ii) documented turnover of existing income-eligible targeted rental households;

(iii) confirmed new employment growth for targeted income-eligible rental households; and

(iv) other well reasoned and documented sources of demand determined by the market analyst.

(C) a comprehensive evaluation of the Development in terms of:

(i) correlation of market and submarket demographics of housing demand to the current and proposed supply of housing and the need for the Development;

(ii) rental rate conclusion for each unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented and consistent with the market data and should address any inconsistencies with the conclusions of the demand for the units. Alternative market acceptable rent for each rent restricted unit should also be included to evaluate the potential to achieve increases in the restricted rents as allowable increases occur;

(iii) absorption projections for the subject until a sustaining occupancy level has been achieved (if absorption projections for the subject differ significantly from historic data, an explanation of such should be included);

(iv) appropriateness of unit mix and unit sizes especially in regard to the income eligible targeted demand and existing or proposed supply for any proposed three and four bedroom units;

(v) appropriateness of interior and exterior physical amenities including appliance package;

(vi) location of the subject in relationship to employment centers, retail businesses, public transportation, schools, etc.; and

(vii) the capture rate for the Development defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new units in the sub-market divided by the total income-eligible targeted renter demand identified by the market analysis for a specific Development's primary market or submarket. The Department defines comparable units as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable multifamily units included in the market study and will ensure that all projects previously allocated funds through the Department are included in the final analysis.

(b) Concentration. The Department intends to limit the approval of funds to new multifamily housing projects requesting funds where the anticipated capture rate is in excess of 25% for the primary or sub-market unless the market is a rural market. In rural markets, the Department intends to limit the approval of funds to new multifamily housing projects requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable housing which replaces previously existing substandard affordable housing within the same sub-market on a Unit for Unit basis, and which gives the displaced tenants of the previously existing affordable housing a leasing preference, is excepted from these concentration restrictions. The documentation needed to support decisions relating to concentration are identified in subsection (a) of this section.

QT-H1. **General Housing Characteristics: 2000**
Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data
Geographic Area: **McKinney city, Texas**

NOTE: For information on confidentiality protection, nonsampling error, and definitions, see http://factfinder.census.gov/home/en/datanotes/expsf1u.htm.

Subject	Number	Percent
OCCUPANCY STATUS		
Total housing units	**19,462**	**100.0**
Occupied housing units	18,186	93.4
Vacant housing units	1,276	6.6
TENURE		
Occupied housing units	**18,186**	**100.0**
Owner-occupied housing units	12,768	70.2
Renter-occupied housing units	5,418	29.8
VACANCY STATUS		
Vacant housing units	**1,276**	**100.0**
For rent	631	49.5
For sale only	355	27.8
Rented or sold, not occupied	76	6.0
For seasonal, recreational, or occasional use	41	3.2
For migratory workers	0	0.0
Other vacant	173	13.6
RACE OF HOUSEHOLDER		
Occupied housing units	**18,186**	**100.0**
One race	17,920	98.5
White	15,159	83.4
Black or African American	1,154	6.3
American Indian and Alaska Native	99	0.5
Asian	250	1.4
Native Hawaiian and Other Pacific Islander	8	0.0
Some other race	1,250	6.9
Two or more races	266	1.5
HISPANIC OR LATINO HOUSEHOLDER AND RACE OF HOUSEHOLDER		
Occupied housing units	**18,186**	**100.0**
Hispanic or Latino (of any race)	2,234	12.3
Not Hispanic or Latino	15,952	87.7
White alone	14,294	78.6
AGE OF HOUSEHOLDER		
Occupied housing units	**18,186**	**100.0**
15 to 24 years	1,086	6.0
25 to 34 years	4,509	24.8
35 to 44 years	5,329	29.3
45 to 54 years	3,275	18.0
55 to 64 years	1,828	10.1
65 years and over	2,159	11.9
65 to 74 years	1,153	6.3
75 to 84 years	760	4.2
85 years and over	246	1.4

(X) Not applicable.
Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices H3, H4, H5, H6, H7, and H16.

U.S. Census Bureau

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DP-1. **Profile of General Demographic Characteristics: 2000**
Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data
Geographic Area: **McKinney city, Texas**

NOTE: For information on confidentiality protection, nonsampling error, and definitions, see http://factfinder.census.gov/home/en/datanotes/expsf1u.htm.

Subject	Number	Percent
Total population	54,369	100.0
SEX AND AGE		
Male	27,501	50.6
Female	26,868	49.4
Under 5 years	5,474	10.1
5 to 9 years	5,077	9.3
10 to 14 years	4,041	7.4
15 to 19 years	3,776	6.9
20 to 24 years	3,530	6.5
25 to 34 years	9,843	18.1
35 to 44 years	9,958	18.3
45 to 54 years	5,829	10.7
55 to 59 years	1,860	3.4
60 to 64 years	1,302	2.4
65 to 74 years	1,885	3.5
75 to 84 years	1,259	2.3
85 years and over	535	1.0
Median age (years)	30.6	(X)
18 years and over	37,542	69.1
Male	18,718	34.4
Female	18,824	34.6
21 years and over	35,300	64.9
62 years and over	4,407	8.1
65 years and over	3,679	6.8
Male	1,388	2.6
Female	2,291	4.2
RACE		
One race	53,242	97.9
White	42,628	78.4
Black or African American	3,913	7.2
American Indian and Alaska Native	293	0.5
Asian	811	1.5
Asian Indian	232	0.4
Chinese	151	0.3
Filipino	105	0.2
Japanese	48	0.1
Korean	81	0.1
Vietnamese	85	0.2
Other Asian [1]	109	0.2
Native Hawaiian and Other Pacific Islander	35	0.1
Native Hawaiian	2	0.0
Guamanian or Chamorro	4	0.0
Samoan	14	0.0
Other Pacific Islander [2]	15	0.0
Some other race	5,562	10.2
Two or more races	1,127	2.1
Race alone or in combination with one or more other races [3]		
White	43,635	80.3
Black or African American	4,160	7.7
American Indian and Alaska Native	594	1.1

Subject	Number	Percent
Householder	18,186	33.4
Spouse	11,570	21.3
Child	17,683	32.5
Own child under 18 years	15,465	28.4
Other relatives	2,751	5.1
Under 18 years	942	1.7
Nonrelatives	2,352	4.3
Unmarried partner	688	1.3
In group quarters	1,827	3.4
Institutionalized population	1,093	2.0
Noninstitutionalized population	734	1.4
HOUSEHOLDS BY TYPE		
Total households	**18,186**	**100.0**
Family households (families)	13,974	76.8
With own children under 18 years	8,204	45.1
Married-couple family	11,570	63.6
With own children under 18 years	6,698	36.8
Female householder, no husband present	1,731	9.5
With own children under 18 years	1,184	6.5
Nonfamily households	4,212	23.2
Householder living alone	3,456	19.0
Householder 65 years and over	959	5.3
Households with individuals under 18 years	8,720	47.9
Households with individuals 65 years and over	2,475	13.6
Average household size	2.89	(X)
Average family size	3.29	(X)
HOUSING OCCUPANCY		
Total housing units	**19,462**	**100.0**
Occupied housing units	18,186	93.4
Vacant housing units	1,276	6.6
For seasonal, recreational, or occasional use	41	0.2
Homeowner vacancy rate (percent)	2.7	(X)
Rental vacancy rate (percent)	10.4	(X)
HOUSING TENURE		
Occupied housing units	**18,186**	**100.0**
Owner-occupied housing units	12,768	70.2
Renter-occupied housing units	5,418	29.8
Average household size of owner-occupied unit	3.00	(X)
Average household size of renter-occupied unit	2.62	(X)

(X) Not applicable
[1] Other Asian alone, or two or more Asian categories.
[2] Other Pacific Islander alone, or two or more Native Hawaiian and Other Pacific Islander categories.
[3] In combination with one or more other races listed. The six numbers may add to more than the total population and the six percentages may add to more than 100 percent because individuals may report more than one race.
Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P1, P3, P4, P8, P9, P12, P13, P17, P18, P19, P20, P23, P27, P28, P33, PCT5, PCT8, PCT11, PCT15, H1, H3, H4, H5, H11, and H12.

U.S. Census Bureau

American FactFinder

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QT-P10. **Households and Families: 2000**
Data Set: Census 2000 Summary File 2 (SF 2) 100-Percent Data
Geographic Area: **McKinney city, Texas**
Race or Ethnic Group: **Total population**

NOTE: For information on confidentiality protection, nonsampling error, and definitions see http://factfinder.census.gov/home/en/datanotes/expsf2.htm.

Subject	Number	Percent
HOUSEHOLD TYPE		
Total households	18,186	100.0
Family households	13,974	76.8
Male householder	11,094	61.0
Female householder	2,880	15.8
Nonfamily households	4,212	23.2
Male householder	1,937	10.7
Living alone	1,457	8.0
Female householder	2,275	12.5
Living alone	1,999	11.0
HOUSEHOLD SIZE		
Total households	18,186	100.0
1-person household	3,456	19.0
2-person household	5,422	29.8
3-person household	3,377	18.6
4-person household	3,474	19.1
5-person household	1,519	8.4
6-person household	502	2.8
7-or-more-person household	436	2.4
Average household size	2.89	(X)
Average family size	3.29	(X)
FAMILY TYPE AND PRESENCE OF OWN CHILDREN		
Families	13,974	100.0
With related children under 18 years	8,604	61.6
With own children under 18 years	8,204	58.7
Under 6 years only	2,563	18.3
Under 6 and 6 to 17 years	1,847	13.2
6 to 17 years only	3,794	27.2
Married-couple families	11,570	100.0
With related children under 18 years	6,891	59.6
With own children under 18 years	6,698	57.9
Under 6 years only	2,174	18.8
Under 6 and 6 to 17 years	1,620	14.0
6 to 17 years only	2,904	25.1
Female householder, no husband present	1,731	100.0
With related children under 18 years	1,322	76.4
With own children under 18 years	1,184	68.4
Under 6 years only	299	17.3
Under 6 and 6 to 17 years	186	10.7
6 to 17 years only	699	40.4

(X) Not applicable.
When a category other than Total Population is selected, the data in this table refer to the race, Hispanic or Latino origin, or American Indian or Alaska Native tribe of the householder.
Source: U.S. Census Bureau, Census 2000 Summary File 2, Matrices PCT8, PCT17, PCT18, PCT26, PCT27, and PCT28.

DP-1. General Population and Housing Characteristics: 1990
Data Set: 1990 Summary Tape File 1 (STF 1) - 100-Percent data
Geographic Area: **McKinney city, Texas**

NOTE: For information on confidentiality, nonsampling error, and definitions, see http://factfinder.census.gov/home/en/datanotes/expstf190.htm.

Subject	Number
Total population	21,283
SEX	
Male	10,459
Female	10,824
AGE	
Under 5 years	1,812
5 to 17 years	4,169
18 to 20 years	1,324
21 to 24 years	1,444
25 to 44 years	6,812
45 to 54 years	1,835
55 to 59 years	756
60 to 64 years	684
65 to 74 years	1,221
75 to 84 years	966
85 years and over	260
Under 18 years	5,981
65 years and over	2,447
HOUSEHOLDS BY TYPE	
Total households	7,596
Family households (families)	5,345
Married-couple families	4,128
Other family, male householder	279
Other family, female householder	938
Nonfamily households	2,251
Householder living alone	1,973
Householder 65 years and over	831
Persons living in households	20,050
Persons per household	2.64
GROUP QUARTERS	
Persons living in group quarters	1,233
Institutionalized persons	599
Other persons in group quarters	634
RACE AND HISPANIC ORIGIN	
White	16,152
Black	2,742
American Indian, Eskimo, or Aleut	111
Asian or Pacific Islander	111
Other race	2,167
Hispanic origin (of any race)	3,598
Total housing units	8,539
OCCUPANCY AND TENURE	
Occupied housing units	7,596
Owner occupied	4,178
Renter occupied	

Subject	Number
10 or more units	1,161
Mobile home, trailer, or other	464
VALUE	
Specified owner-occupied housing units	3,659
Less than $50,000	1,213
$50,000 to $99,999	1,437
$100,000 to $149,999	493
$150,000 to $199,999	220
$200,000 to $299,999	185
$300,000 or more	111
Median (dollars)	70,200
CONTRACT RENT	
Specified renter-occupied housing units paying cash rent	3,199
Less than $250	575
$250 to $499	2,328
$500 to $749	252
$750 to $999	25
$1,000 or more	19
Median (dollars)	357
RACE AND HISPANIC ORIGIN OF HOUSEHOLDER	
Occupied housing units	7,596
White	6,313
Black	709
American Indian, Eskimo, or Aleut	36
Asian or Pacific Islander	29
Other race	509
Hispanic origin (of any race)	879

(X) Not applicable
Source: U.S. Bureau of the Census, 1990 Census of Population and Housing, Summary Tape File 1 (100% Data)
Matrices P1, P3, P5, P6, P8, P11, P15, P16, P23, H1, H2, H3, H5, H8, H10, H18A, H21, H23, H23B, H32, H32B, H41.

DP-4. Income and Poverty Status in 1989: 1990

Data Set: 1990 Summary Tape File 3 (STF 3) - Sample data
Geographic Area: **McKinney city, Texas**

NOTE: For information on confidentiality, sampling error, nonsampling error, and definitions, see http://factfinder.census.gov/home/en/datanotes/expstf390.htm.

Subject	Number
INCOME IN 1989	
Households	7,532
Less than $5,000	493
$5,000 to $9,999	668
$10,000 to $14,999	800
$15,000 to $24,999	1,508
$25,000 to $34,999	1,287
$35,000 to $49,999	1,256
$50,000 to $74,999	877
$75,000 to $99,999	282
$100,000 to $149,999	205
$150,000 or more	156
Median household income (dollars)	27,236
Family households	5,391
Less than $5,000	277
$5,000 to $9,999	253
$10,000 to $14,999	497
$15,000 to $24,999	885
$25,000 to $34,999	1,019
$35,000 to $49,999	1,040
$50,000 to $74,999	816
$75,000 to $99,999	271
$100,000 to $149,999	185
$150,000 or more	148
Median family income (dollars)	32,284
Nonfamily households	2,141
Less than $5,000	254
$5,000 to $9,999	432
$10,000 to $14,999	330
$15,000 to $24,999	618
$25,000 to $34,999	254
$35,000 to $49,999	180
$50,000 to $74,999	39
$75,000 to $99,999	11
$100,000 to $149,999	15
$150,000 or more	8
Median nonfamily household income (dollars)	15,729
Per capita income (dollars)	14,119
INCOME TYPE IN 1989	
Households	7,532
With wage and salary income	6,011
With nonfarm self-employment income	972
With farm self-employment income	160
With Interest, Dividend, or Net Rental Income	2,453
With Social Security income	1,861
With public assistance income	584
With retirement income	776

Subject	Number
Families	**5,391**
Below poverty level	573
With related children under 18 years	3,016
Below poverty level	481
With related children under 5 years	1,352
Below poverty level	263
Female householder, no husband present	1,003
Below poverty level	271
With related children under 18 years	721
Below poverty level	261
With related children under 5 years	295
Below poverty level	133

(X) Not applicable
Source: U.S. Bureau of the Census, 1990 Census of Population and Housing, Summary Tape File 3 (Sample Data) Matrices P4, P5, P19, P80, P80A, P90, P91, P92, P93, P94, P95, P96, P107, P107A, P110, P110A, P114A, P117, P122, P123, P126.

U.S. Census Bureau

American FactFinder

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QT-H1. Occupancy, Tenure, and Age of Householder: 1990 Universe: All Housing Units
Data Set: 1990 Summary Tape File 1 (STF 1) - 100-Percent data
Geographic Area: **McKinney city, Texas**

NOTE: For information on confidentiality, nonsampling error, and definitions, see http://factfinder.census.gov/home/en/datanotes/expstf190.htm.

Housing Characteristics	Number	Percent
OCCUPANCY		
All housing units	**8,539**	**100.0**
Occupied housing units	7,596	89.0
Vacant housing units	943	11.0
TENURE		
Occupied housing units	**7,596**	**100.0**
Owner-occupied housing units	4,178	55.0
Renter-occupied housing units	3,418	45.0
POPULATION		
Persons in occupied units	**20,050**	**100.0**
In owner-occupied housing units	11,202	55.9
In renter-occupied housing units	8,848	44.1
Persons per occupied housing unit	2.64	(X)
Per owner-occupied housing unit	2.68	(X)
Per renter-occupied housing unit	2.59	(X)
VACANCY STATUS		
Vacant housing units	**943**	**100.0**
For sale only	244	25.9
For rent	481	51.0
Rented or sold, not occupied	34	3.6
For seasonal, recreational, or occasional use	15	1.6
For migratory workers	0	0.0
Other vacant	169	17.9
AGE OF HOUSEHOLDER		
Occupied housing units	**7,596**	**100.0**
Under 25 years	618	8.1
25 to 34 years	1,929	25.4
35 to 44 years	1,539	20.3
45 to 54 years	1,057	13.9
55 to 64 years	828	10.9
65 to 74 years	818	10.8
75 years and over	807	10.6
Owner-occupied housing units	**4,178**	**100.0**
Under 25 years	53	1.3
25 to 34 years	743	17.8
35 to 44 years	843	20.2
45 to 54 years	708	16.9
55 to 64 years	613	14.7
65 to 74 years	641	15.3
75 years and over	577	13.8
Renter-occupied housing units	**3,418**	**100.0**
Under 25 years	565	16.5
25 to 34 years	1,186	34.7
35 to 44 years	696	20.4
45 to 54 years	349	10.2
55 to 64 years	215	6.3
65 to 74 years	177	5.2
75 years and over	230	6.7

U.S. Census Bureau

State and County QuickFacts

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Collin County, Texas

Texas counties - view map

Select a county Go

Select a state
USA QuickFacts

Locate a county by place name

Follow the link for definition and source information.

Browse more data sets for Collin County, Texas

People QuickFacts	Collin County	Texas
Population, 2000	491,675	20,851,820
Population, percent change, 1990 to 2000	86.2%	22.8%
Persons under 5 years old, percent, 2000	8.6%	7.8%
Persons under 18 years old, percent, 2000	28.7%	28.2%
Persons 65 years old and over, percent, 2000	5.3%	9.9%
White persons, percent, 2000 (a)	81.4%	71.0%
Black or African American persons, percent, 2000 (a)	4.8%	11.5%
American Indian and Alaska Native persons, percent, 2000 (a)	0.5%	0.6%
Asian persons, percent, 2000 (a)	6.9%	2.7%
Native Hawaiian and Other Pacific Islander, percent, 2000 (a)	Z	0.1%
Persons reporting some other race, percent, 2000 (a)	4.3%	11.7%
Persons reporting two or more races, percent, 2000	2.1%	2.5%
Female persons, percent, 2000	50.0%	50.4%
Persons of Hispanic or Latino origin, percent, 2000 (b)	10.3%	32.0%
White persons, not of Hispanic/Latino origin, percent, 2000	76.1%	52.4%
High school graduates, persons 25 years and over, 1990	145,065	7,438,046
College graduates, persons 25 years and over, 1990	64,206	2,094,905
Housing units, 2000	194,892	8,157,575
Homeownership rate, 2000	68.6%	63.8%
Households, 2000	181,970	7,393,354
Persons per household, 2000	2.68	2.74
Households with persons under 18, percent, 2000	42.5%	40.9%
Median household money income, 1997 model-based estimate	$65,814	$34,478
Persons below poverty, percent, 1997 model-based estimate	4.7%	16.7%
Children below poverty, percent, 1997 model-based estimate	6.5%	23.6%

Business QuickFacts	Collin County	Texas
Private nonfarm establishments, 1999	10,230	467,087
Private nonfarm employment, 1999	170,369	7,763,815
Private nonfarm employment, percent change 1990-1999	116.6%	32.4%
Nonemployer establishments, 1998	31,702	1,188,028
Manufacturers shipments, 1997 ($1000)	6,235,937	297,657,003
Retail sales, 1997 ($1000)	4,220,443	182,516,112
Retail sales per capita, 1997	$10,536	$9,430

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

FN: Footnote on this item for this area in place of data
NA: Not available
D: Suppressed to avoid disclosure of confidential information
X: Not applicable
S: Suppressed; does not meet publication standards
Z: Value greater than zero but less than half unit of measure shown
F: Fewer than 100 firms

Data Quality Statement

What do you think of our new QuickFacts? Send comments to quickfacts@lists.census.gov

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, 2000 Census of Population and Housing, 1990 Census of Population and Housing, Small Area Income and Poverty Estimates, County Business Patterns, 1997 Economic Census, Minority- and Women-Owned Business, Building Permits, Consolidated Federal Funds Report, 1997 Census of Governments

Last Revised: Thursday, 07-Feb-2002 14:19:09 EST

Browse more data sets for Collin County, Texas

Addendum VII

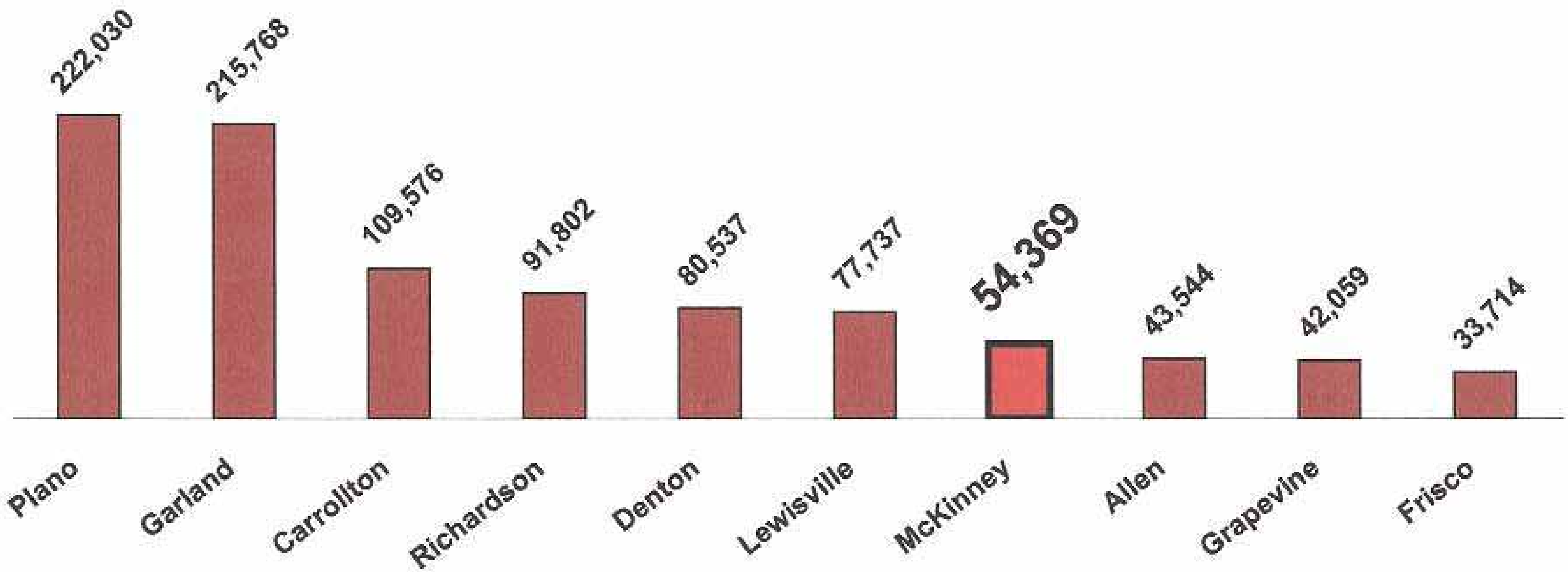
LIHTC Concentrations in Surrounding DFW Region Cities;
Includes Existing & Under Construction Units

	2000 Population (1)	LIHTC Units (2)	Concentration (1 unit per X Number of Residents)	% of Total Units	% of Total Population
1 **McKinney**	**54,369**	**1,512**	**36**	**30%**	**6%**
2 Lewisville	77,737	758	103	15%	8%
3 Garland	215,768	632	341	13%	22%
4 Plano	222,030	609	365	12%	23%
5 Denton	80,537	550	146	11%	8%
6 Carrollton	109,576	388	282	8%	11%
7 Grapevine	42,059	224	188	4%	4%
8 Frisco	33,714	216	156	4%	3%
9 Allen	43,544	120	363	2%	4%
10 Richardson	91,802	0	None	0%	9%
Totals	**971,136**	**5,009**	**194**	**100%**	**100%**

(1) Source: US 200 Census

(2) Source: TDHCA, Texas Low Income Housing Information Service

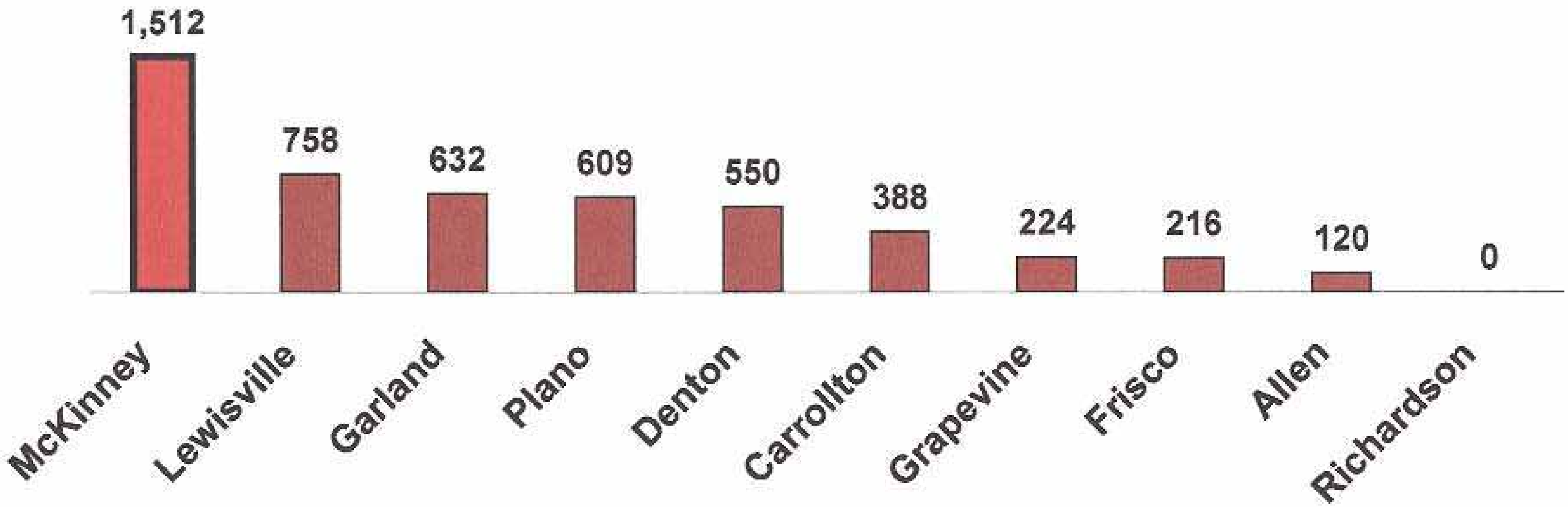
Addendum VIII:
Population of Area Communities



McKinney is 4th smallest city in this sampling of 10 cities. The sample represents over 970,000 residents.

Source: U.S. Census 2000

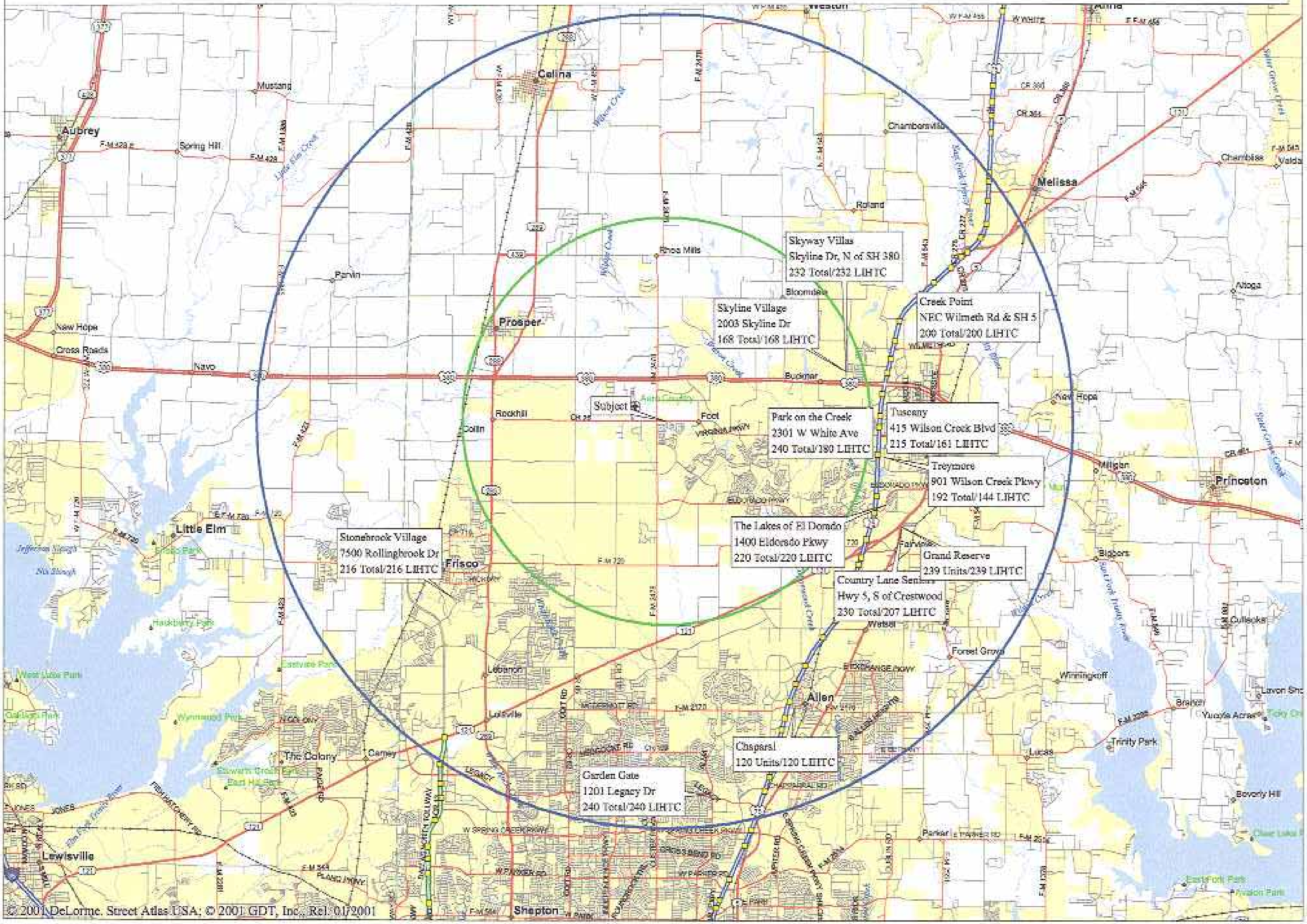
ADDENDUM IX:
LIHTC Units in Area Communities



While McKinney has only 6% of the Population of the selected area, it has 30% of the LIHTC Units and the related costs, which is clearly disproportionate.

Source: Texas Low Income Housing Information Service / TDHCA

5 and 10-mile Radius Map



ADDENDUM X

Impact on Schools

Cost to educate 112 additional children	$ 515,424 / year
Developer's proposed tax payments	$ 134,400 / year
Tax shortfall	$ 381,024 / year
10-year costs to schools & taxpayers	$ 3.8 million

ADDENDUM X

Impact on City

City budget per resident, less sales tax revenues	$ 378 / year
New tax-free residents	846
Tax shortfall	$ 205,827/ year
10-year costs to city & taxpayers	$ 2.1 million

Exhibit X
Impact to Schools and City

Total Tax Shortfall to

City of McKinney and MISD

over 10 years

just for this one complex

$5.9 million

ADDENDUM XI

Stonebrook Simple Income Projections, Given Changes in the Assessment Assumption

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**Reversion**	
Net Cash Flow Prior to Taxes, Deferred Developer Fee	$198,225	$229,182	$260,854	$293,256	$326,399	$360,297	$394,964	$430,413	$466,657	$503,710	$541,585	$580,296	$619,856	$660,279	$701,577		
Tax Payment ($33,600 / Unit Assessment)	($134,400)	($139,776)	($145,367)	($151,182)	($157,229)	($163,518)	($170,059)	($176,861)	($183,936)	($191,293)	($198,945)	($206,903)	($215,179)	($223,786)	($232,737)		
Net Cash Flow Prior to Def. Development Fee	$63,825	$89,406	$115,487	$142,074	$169,170	$196,779	$224,905	$253,552	$282,722	$312,417	$342,641	$55,104	$0	$0	$0	$468,840	Terminal NOI
Developer Fee Recapture	($63,825)	($89,406)	($115,487)	($142,074)	($169,170)	($196,779)	($224,905)	($253,552)	($282,722)	($312,417)	($342,641)	($55,104)	$0	$0	$0	8%	Terminal Cap Rate
Net Cash Flow to MHFC	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$318,290	$404,678	$436,493	$468,840	$ 5,860,496	Capitalized Value
PV at Discount Rate of 8%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$318,290	$404,678	$436,493	$468,840	$1,847,473	PV
PV of Project to MHFC	**$3,475,773**																
New Per Unit Assessment $	**44,000**																
Net Cash Flow Prior to Def. Development Fee At New Assessment / Unit	$17,017	$42,538	$68,611	$95,245	$122,448	$150,228	$178,593	$207,551	$237,109	$267,276	$298,058	$329,463	$361,498	$394,169	$427,484	$427,484	NOI
Developer Fee Recapture	($17,017)	($42,538)	($68,611)	($95,245)	($122,448)	($150,228)	($178,593)	($207,551)	($237,109)	($267,276)	($298,058)	($329,463)	$0	$0	$0	8%	Terminal Cap Rate
Net Cash Flow to MHFC	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$361,498	$394,169	$427,484	$ 5,343,556	Capitalized Value
	1.02	1.04	1.07	1.10	1.13	1.15	1.18	1.21	1.24	1.27	1.31	1.34	1.37	1.40	1.44		
PV at Discount Rate of 8%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$361,498	$394,169	$427,484	$1,684,512	
PV of Project to MHFC	**$2,867,663**																

Addendum XII

Appraised Versus Assessed Values of LIHTC in McKinney				
Property	Appraised Value / Unit	Assessed Value / Unit (1)	Difference	Built
Treymore	$ 48,177	$ 46,653	$ 1,524	1997
Tuscany	$ 48,372	$ 26,422	$ 21,950	1998
Creekpoint	$ 43,750	N/A (2)	N/A	2001
Skyway Villas	$ 57,586	N/A (2)	N/A	2002
Country Lane	$ 46,521	$ 36,931	$ 9,590	1999
Average	**$ 48,881**	**$ 36,669**	**$ 11,021**	

(1) Source: Collin Appraisal District

(2) In lease up or under construction, not yet assessed "as built"

ELIZABETH K. JULIAN

Fair Housing & Community Planning Consultant

March 27, 2002

Mr. Robert Roeder
Attorney at Law
1700 Redbud Blvd.
Dallas, Texas

Re: StonebrookVillas and the McKinney Independent School District

Dear Mr. Roeder:

As you know, I have been asked by Southwest Housing to assess the fair housing implications of the McKinney Independent School District's (MISD) formal opposition to their efforts to develop affordable housing for low income families in West McKinney. I am currently a consultant specializing in fair housing and community development issues. I have practiced civil rights and fair housing law for over 25 years, and served as Assistant Secretary for Fair Housing and Equal Opportunity at HUD, as well as Deputy General Counsel for HUD. As Assistant Secretary for FHEO I was responsible for enforcing the Fair Housing Act and other civil rights laws pertaining to housing and community development. I had numerous occasions to deal with the issue of NIMBYism, as it is called, and the fair housing implications of efforts to prevent development of affordable housing for low income families, particularly in predominately non-minority, low poverty areas.

I have specifically reviewed the letter sent by the MISD to Texas Department of Housing and Community Affairs (TCHCA), which was read into the record at the public hearing on on March 20, 2002. The MISD is asking the TDHCA to reject SWH's proposal to develop affordable housing for low income families in West McKinney on the grounds that the MISD cannot afford to educate the approximately 80-120 school age children which are projected to reside in the development. Your client has indicated that the families that will be residing there do not fit the "demographic profile" of children the MISD has projected would be coming into the district. Your client further expressed in her remarks Wednesday evening that, because the children would be from "low income families" (making less than $50,000/year), they would be more expensive to educate, and on that basis the MISD does not want them in the school district. I do not believe it is appropriate under either the federal or state fair housing laws for a school district to express such preference or limitation on the who should be allowed to reside in the McKinney School District as it relates to making rental housing available to families with children.

SWH also strongly objects to this discriminatory stereotyping of families who might choose to live in StonebrookVillas. Your client does not know who the families are that will be

618 Largent Avenue · Dallas, Texas 75214 · 214-827-8708 · Fax 214-827-3098
ekjulian@prodigy.com

living in this development, and what their educational abilities or needs might be. However, they do know that a significant number of the families will be families with children, and will be minority, given the eligible market for such housing. Actions which make such rental housing unavailable to eligible families will have a significant disparate impact on racial and ethnic minorities, as well as families with children. Your client is aware of this impact.

Both the state and federal Fair Housing Acts protect persons from housing discrimination on the basis of race, ethnicity, religion, disability status, and familial status. It unlawful to interfere with any person in the exercise of his rights granted under the Fair Housing Act, or on account of his having aided or encouraged any other person in the exercise or enjoyment of any rights granted or protected by the Fair Housing Act. SWH is attempting to provide high quality affordable housing to low income families with children, a disproportionate number of which are minority. Denial of this project by the TDHCA because of the official opposition of the MISD for the afore stated reasons will damage not only SWH but the low income families who would have the opportunity to reside in the StonebrookVillas development.

On behalf of Southwest Housing, I would therefore respectfully urge your client to immediately withdraw the letter of opposition now pending before the TDHCA. Given the remedies available under the Fair Housing Act, failure to do so could be unnecessarily costly to the school district should those injured by these actions decide to seek vindication of their rights under both state and federal fair housing laws.

Sincerely,

Elizabeth K. Julian

cc: Andy Siegel, Attorney at Law
Michael M. Daniel, Attorney at Law
Brian Potashnik, President, Southwest Housing Development, Inc.
Mr. Jim Buie, Executive Director Texas Bond Review Board
Texas Bond Review Board
The Hon. Gov. Rick Perry
Comptroller Carole Keeton Rylander
The Hon. Speaker James E. Laney
Ms. Edwina Carrington, Executive Director, TDHCA
Mr. Robert Onion, Director of Mulifamily Division, TDHCA
Texas Department of Housing and Community Affairs:
Ms. Ruth Cedillo
Mr. Tom Gouris
Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.

Larry R.
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ATTORNEYS AT LAW

ROBERT H. ROEDER
Qualified Mediator

rroeder@abernathy-law.com
Direct Dial 214.544.4003

April 1, 2002

Ms. Elizabeth K. Julian
618 Largent Avenue
Dallas, Texas 75214

Re: Proposed Stonebrook Villas project in McKinney, Texas

Dear Ms. Julian:

I am in receipt of your letter of March 27, 2002, and have been requested to respond on behalf of my client, McKinney Independent School District.

Your letter is correct in its characterization of the position of the McKinney Independent School District as being in opposition to the project championed by your client, Southwest Housing Finance Corporation. That being said, **the remarks and conclusions attributed to my client at the public hearing on March 20, 2002, by your letter are completely misleading and incorrect.**

While one might debate the relative costs of educating students at different socio-economic levels, the McKinney Independent School District and its representative at the public hearing did not express any opinion that children from "low income families" would be more expensive to educate. Furthermore, neither the McKinney Independent School District, nor its representative at the hearing, made any statements or took any position regarding whether students from the proposed project would be wanted in the district.

The position of the McKinney Independent School District, as set forth in its March 8, 2002 letter to Mr. Onion and as stated at the public hearing, has consistently been that increased densities in residential developments, over and above the current planning design criteria, create a significant hardship on the already limited financial resources of the district; which hardship, in turn, has a negative impact on the schools within the district. Because of such fact, and only because of such fact, did the district oppose the project by letter and at the public hearing.

Any other reasons or analyses attributed to the McKinney Independent School District by you or anyone else are false and misleading. Should you require any clarification, please refer to the March 8 letter referenced above.

Sincerely,

Robert H. Roeder

cc: Andy Siegel, Attorney at Law
Michael M. Daniel, Attorney at Law
Brian Potashnik, President, Southwest Housing Development, Inc.
Mr. Jim Buie, Executive Director Texas Bond Review Board
Texas Bond Review Board
The Hon. Gov. Rick Perry
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Mr. Jim Anderson
Ms. Brook Boston
The Hon. Florence Shapiro
The Hon. Brian McCall
The Hon. Mary Denny
McKinney City Council
MISD Board of Trustees
McKinney Housing Finance Corp.

BURLESON, PATE & GIBSON, L.L.P.
ATTORNEYS AND COUNSELORS AT LAW
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March 27, 2002

Via Facsimile No. 214-747-6111
Mr. Mark S. Houser
Attorney at Law
BROWN & HOFMEISTER, L.L.P.
1717 Main St., Suite 4300
Dallas, Texas 75201

RE: Request To Withhold Adoption of Non-Support Resolution

Dear Mark:

I have had an opportunity briefly to reflect on the call for a City Council Resolution opposing The Stonebrook Villas to be built by my client, Southwest Housing Development and wanted to share my preliminary concerns with you prior to Council action.

Especially given the fact that the State already has concluded both that there is a certified need for affordable housing in McKinney, and that the addition of the proposed units would not result in a statutory "over-concentration" of affordable housing in this Region, such a Resolution seems, at best, inappropriate, and, at worst, likely to jeopardize the Council's absolute and qualified immunity.

To give two recent examples, Council testimony during the course of the Special Meeting and the Joint Work Session of March 25, 2002, requesting TDHCA subsidiaries for "Senior Housing" and "single-family home dollars, appropriately located," could be construed as not functionally legislative conduct.

A Resolution of Non-Support, however crafted, necessarily is focused very specifically on reasons to oppose SWHD's proposed Stonebrook Villas, in particular, wrongfully singling out my client and the folks who would rent at this location. Its design and effect is to treat them differently from those who have built and occupy, respectively, affordable housing, east of Central. The legal effect, too, is far reaching, in that this also classifies the Council's actions as administrative.

Further, the sudden reversal of the Council's early support of Southwest Housing Development's Stonebrook Villas and of the HFC's involvement in this development, in particular, cannot be explained with objective, legal reasonableness, in broad policy terms. Disturbingly, these acts taken together, along with the proposed Resolution, are aimed at Southwest Housing Development, singling out a specific developer and treating one differently from others, with a consequential loss in immunity.

Finally, in light of the McKinney Independent School District's opposition and the attached Letter Response by HUD's well-respected former Deputy General Counsel and Assistant Secretary for Fair Housing, such a Resolution coming from the City of McKinney itself, would seem to run the risk of violating both State and Federal Fair Housing laws and Civil Rights statutes. In addition to the civil rights violations then, federal law would control the immunity analysis.

Moreover, this is to confirm notice to the City that to date, my client, Southwest Housing Development has incurred in excess of three hundred thousand dollars ($300,000.00) in fees and expenses in justifiable, detrimental reliance on promises and actions made by the City of McKinney, its Planning and Zoning Department, and the City's duly authorized Housing Finance Corporation, in proceeding with development of The Stonebrook Villas.

Although individuals sitting as Council Members may always voice their views as concerned citizens, I would urge that the City Council take a step back before precipitously moving to adopt an ill-considered Resolution, which, in a highly charged political environment, disserves the best interests of the City and City Council alike.

After the smoke has cleared, the fact remains that Southwest Housing has a stellar reputation of building first-rate housing that adds both good neighbors and a solid tax base to a community. In this spirit, we hope to work with the City of McKinney to contribute to a shared future of quality development.

Sincerely yours,

BURLESON, PATE & GIBSON, L.L.P.

Andrew L. Siegel

ALS/klm

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March 29, 2002

Via Telecopier No. 214/871-7543
and Regular Mail

COPY

Andrew Siegel, Esq.
Burleson, Pate & Gibson
2414 N. Akard, Suite 700
Dallas, Texas 75201

Re: Your letter dated March 27, 2002

Dear Andrew:

I have reviewed your letter and feel it necessary to clarify the issues you have raised. The McKinney City Council will consider a Resolution which addresses its concerns for projects that result in an over-concentration of affordable housing in the city. There are arguably documented discrepancies in the data that has been submitted to the TDHCA, to date. Your client's project, as an affordable housing project, is not singled out. It is AN affordable housing project the approval of which may be inconsistent with state criteria. I find it disingenuous and contrary to public policy to suggest that the City of McKinney has violated the law or has no right to express its lack of support for the issuance of debt that will result in the approval of an ineligible project. In any event, it is the TDHCA which will weigh all of the facts presented, not the City of McKinney, and the TDHCA surely will consider information submitted to it by citizens, entities, agencies and companies in addition to the City of McKinney.

The City's record on affordable housing stands for itself. Furthermore, the City's right to make sound land use decisions affecting growth is well grounded in the law. By inserting hyperbolic phraseology such as "not functionally legislative conduct," "administrative," "singling out," "civil rights violations," and "promises and actions made by the City of McKinney, its Planning and Zoning Department, and the City's duly authorized Housing Finance Corporation," your client has threatened the City, its elected officials, and board members. I would respectfully request that your client retract the letter and its attempt to manipulate the council's legislative prerogative.

As to the issue of land use approval, the project is proceeding through the customary development approval processes. If the developer complies with applicable city ordinances, city staff will recommend approval of the project. Like every multi-family application, your client's project will stand on its own merit.

As to the HFC's involvement, I have seen no document wherein the developer has requested the HFC's participation in the project or any terms of such participation. Your client has had discussions regarding the structure of the project; however, nothing formal has been presented. I would hope that Southwest Housing understands the process by which public and quasi-public entities make decisions, and I do not find anything in the record wherein any agreements have been made.

Please be aware that your client delivered six (6) gift baskets containing fine foods and alcohol to key development services staff yesterday. We estimate each basket had a value of approximately $100.00. The baskets were rejected and donated to a local charity.

In summary, I am disappointed in the tone and substance of your client's statements especially prior to full discussion and debate on a Resolution to be considered. I can only wonder how many other parties have been threatened with litigation as a precursor to the TDHCA's consideration of your client's application.

Very truly yours,

MARK S. HOUSER
MSH:be

cc: Mr. Lawrence W. Robinson, City Manager
City Council
Robert H. Roeder, Esq.
Steve Mitas, HFC Chairman

BURLESON, PATE & GIBSON, L.L.P.

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April 2, 2002

<u>Via Facsimile No. 214-747-6111</u>

Mr. Mark S. Houser
Attorney at Law
Brown & Hofmeister, L.L.P.
1717 Main St., Suite 4300
Dallas, Texas 75201

RE: Southwest Housing's Renewed Request to Withhold Adoption of Non-Support Resolution

Dear Mark:

I was disheartened to receive your letter of March 29, 2002, in reply to my March 27 letter to you.

Unfortunately, you misconstrued my intention in writing. Let me be clear, neither my client, Southwest Housing, nor I, meant to, nor do we make, any implicit or explicit threat of litigation. Quite the contrary, I wrote in a candid appeal for the City of McKinney to pause, contemplate, and weigh the implications of saying "no" to affordable housing. Indeed, even the "*Regarding*" line of my letter is but an earnest request that the City "withhold adoption" of a non-support Resolution, which, by its own terms, puts the City of McKinney officially on record against affordable housing for persons of moderate and low income. My letter was educational, not a "demand" letter; we both know the difference.

WHAT Applica...

The concerns and issues raised in my letter are not trivial. How, for example, will the City demonstrate and certify on or by the August 15 deadline, that it is "affirmatively promoting affordable housing" in its pending HUD Application to win Federal funds, after it passes a Resolution that affordable housing is not welcome in McKinney, especially west of Central Expressway?

Or, consider this. Assume that in applying statutory criteria, the Texas Department of Housing and the Bond Review Boards, approve Southwest Housing's pending LIHTC Application, and the proposed development is built. How then will the City explain that the politically charged atmosphere of the moment overcame months of prior public-private collaboration, thereby, depriving the McKinney I.S.D. of full school taxes as agreed, and the McKinney HFC of up to twenty million dollars ($20,000,000) in cash flow participation and equity, all accruing to the benefit of the entire City?

In your letter you raise as the primary basis for a non-support Resolution, the concern that development of this project might result in an "overconcentration" of affordable housing in McKinney. That word is a term of art, of course, in the context of affordable housing. You'll be relieved to know that McKinney's own commissioned study, prepared by J. Quad & Associates, supports the results of Southwest Housing's updated market analysis. When the smoke clears, even after deducting for current Senior Citizen housing units, and existing LIH stock, according to TDHCA's criteria, there is still a **demonstrable and indisputable** need for all 224 planned units, with more than adequate assurance that such housing will be fully occupied by eligible residents.

I appreciate and will hold the City to your pledges both: (1) that the land use approval processes for this project will be the "customary" ones; and (2) that like every multi-family application, Southwest Housing's project "will stand on its own merit." With these assurances in hand, we have every confidence that Southwest Housing will add to the stock of McKinney's quality family residences.

Your letter raises a few issues that require clarification. Suffice it to say, at this juncture, that even a cursory check of the public record and discussion with the McKinney Housing Finance Corporation ("HFC") will reveal what has been, to date, a productive collaboration between Southwest Housing and the HFC. Indeed, as recently as March 25, 2002, at the Special Meeting and Joint Work Session, when you were present, the HFC was on record supporting HFC's continued participation in and support of Southwest Housing's proposed development.

Strikingly, it was during that Special Meeting that the HFC, again on the record, indicated that, perhaps, *all* of the other laudable HFC goals and projects, which were endorsed by the HFC and favorably commented on by the City, seemed primarily to depend for funding on the HFC's having a beneficial interest in Southwest Housing's proposed development in McKinney.

Finally, the gift baskets to the City, to which you ominously allude, came from a sister corporation; have a much lower market value than you estimate; and were sent in the normal course of business, in gratitude for unrelated services to City staffers.

Southwest Housing continues to hold the City of McKinney, its Council, the HFC, and its citizens in the highest regard. Our hope is to enrich the City as a good neighbor and to work with the City and the HFC, as we do successfully with so many others in Texas, in joining together to build an even better community.

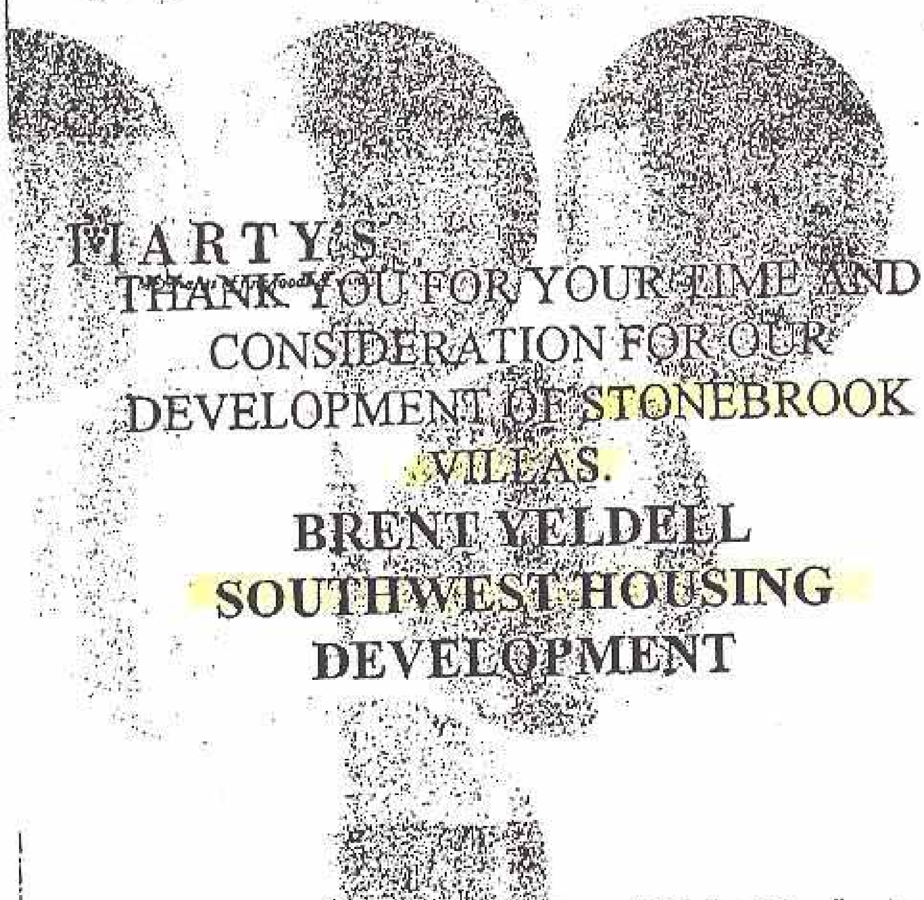
Sincerely yours,

BURLESON, PATE & GIBSON, L.L.P.

Andrew L. Siegel

ALS:ss
cc: Brian Potashnik

These are copies of the gift cards attached
to the gift baskets which
"came from a sister corporation"
(not Southwest Housing)
and "in gratitude for unrelated services"
(not for Stonebrook Villas)



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Kern Makarem

HFC Handout Rebuttal

The McKinney Housing Finance Corporation ("HFC") produced a handout related to the Stonebrook Villas project which was submitted to the TDHCA. This handout was also disseminated at the first Stonebrook TEFRA hearing in March. There are numerous inaccuracies in this document which we would like to bring to your attention.

1) HFC Statement:

Unmet Need *– A Market Study was prepared for this project in accordance with TDHCA* guidelines. This analysis of unmet demand for units of the size, type and rent levels proposed for Stonebrook Villas as of 2003 (estimated completion year) would be 3,270 units. There are 776 comparable units planned or under construction at this time, which is only 24% of forecast demand (the capture rate). (Source: Market Study prepared by Butler-Burgher, LLC, March 5, 2002).*

Citizen's Response:

This second version of the Market Study contains numerous errors which render its conclusions unreliable:
We strongly object to the inaccuracies in this second market study – many of which were repeated from the first version. We addressed major errors on the first version to TDHCA. However, many of the errors we outlined still remain uncorrected, as we noted in detail in our "*ANALYSIS OF BUTLER – BURGHER MARKET STUDY ON STONEBROOK VILLAS APARTMENTS*" included in this package. They include the following:

Despite TDHCA guidelines to favor the use of "natural and geographic boundaries," the market area is defined as a 10-mile market area which includes several neighboring suburbs: The market study includes all of Frisco, Allen, McKinney and Prosper and a large portion of northern Plano. The City of McKinney alone should have been used, a conclusion which a professional independent LIHTC analyst hired by MCBG (George Jordan, MAI) concurred. TDHCA guidelines define an ideal market area as one having a population of 50,000 to 250,000 persons. It further states that "a market with more or less than this range may be indicated at the discretion of the market analyst where ***political, economic, or geographic boundaries indicate doing so."*** Further, according to Appendix A of the THDCA Market Study Guidelines "**the Department encourages the use of natural political/geographical boundaries whenever possible**". The city of McKinney had a population of 54,369 persons in 2000[1] which is well within the agency's population guidelines.

[1] 2000 U.S. Census Data

There is an Oversupply of Units, Not an Unmet Need: Apartment Locator Network data and the report by George Jordan, MAI, several apartment complexes, including both LIHTC projects and conventional units that compete in the same rent range, are currently less than 90% occupied. One LIHTC project in place for 4 years is only 83% occupied[2] (as of March 2002). Further, a new LIHTC project with 180 LIHTC Units (Creek Point) is currently coming on line and in lease up, a new LIHTC project with 232 LIHTC units (Skyway Villas) is under construction. This oversupply situation is likely to be exacerbated very soon.

Errors in the Market Study compound the problem: As detailed in our "*ANALYSIS OF BUTLER – BURGHER MARKET STUDY ON STONEBROOK VILLAS APARTMENTS*" included in this package, there are a number of other errors. These included 1) the use of 1990 data when 2000 data was available 2) an incorrect % of Renter Households figure 3) an incorrect average Household Size figure 4) the exclusion of senior LIHTC units in estimating supply while including all seniors in estimating demand 5) the failure to include existing non-LIHTC (conventional) apartment units in estimating supply. These errors make the Market Study's claim of unmet or future demand completely unreliable. As confirmed by the Jordan report, correction of these errors indicates an oversupply of LIHTC units to meet demand through 2005. Not only is the capture rate for the 10-mile ring more than the 25% maximum mandated under TDHCA guidelines, the capture rate for the City of McKinney is many times greater than 25%. The supply coming on line and proposed for McKinney is actually 1,015 units[3], not 776 as claimed by the revised Market Study and the HFC.

2) HFC Statement:

Project description *– The project will consist of (9) 2-story garden style buildings ... complete with perimeter fencing and landscaping.*
Parking *– 110 open parking spaces and 220 covered carports for 330 total spaces.*

Citizen's Response:

The complex contains eight **three-story** buildings located 35 feet from a single-family development, plus two 2-story buildings, one of which is just 15 feet from a single-family backyard. (It meets the city's set-back requirements to the inch). It contains 224 covered parking spaces and 278 open parking spaces, for a total of 502 total spaces. Five of those spaces are handicapped.

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[2] Apartment Locator Network, a standard industry reference

[3] Based on TDCHA, Texas Low Income Housing Information Service, and the Market Study data.

3) HFC Statement:

***School Impact** – If the partnership that will own Stonebrook Villas includes a 501 (c)(3), the project is legally exempt from real estate taxation. Southwest Housing Management has stated that they are willing to pay school taxes, however, in order to mitigate impact on McKinney ISD. The actual impact on MISD is unknown at this time, as at least some portion of the residents will relocate from neighborhoods already served by MISD.*

Citizen's Response:

The developer's indicated school tax contribution is approximately $134,000 annually. The MISD indicates that it takes $4,600 (net of state funding) per child to educate the approximately 112 school age children expected at the complex, or approximately $515,000 total. Obviously, the developer's tax contribution is going to fall well short of the cost to fund the education of these children.

4) HFC Statement:

Q3: Is McKinney going to become the multi-family affordable housing capital of Collin County?

A3: We hope not. Following guidelines set by the Texas Department of Housing and Community Affairs (TDHCA), the present board of MHFC believes the completion of Stonebrook Villas and the other tax advantaged multi-family projects currently under development will provide adequate multi-family affordable housing. Therefore we will focus on developing single family and senior-only affordable housing and may oppose future applications for tax advantaged multi-family housing in the city of McKinney based on market demand.

Citizen's Response:

McKinney has only 9% of the population of Collin County, but has 62% of the LIHTC units in the county. In truth, McKinney already has more LIHTC units than Plano, Allen, Frisco and Richardson combined. Though TDHCA has placed a cap of **one** LIHTC unit **for every 4** income-qualified residents, the City of McKinney already has **1.3** LIHTC units **for every** income qualified household. This figure would increase to about 1.5 units for every such household if Stonebrook Villas is built. Clearly, demand has been more than met within the city for some time to come.

5) HFC Statement:

Q4: Why does MHFC believe it is in the "best interest of the citizens of McKinney" for MHFC to own Stonebrook Villas?

A4: 1) The developer can build it with or without the MHFC.

Citizen's Response:

This is not true if the demand capture rate exceeds the 25% TDHCA guideline (which it does by a wide margin); if the TDHCA does not feel that the project has support of the citizens of McKinney (it does not, over 2,000 McKinney residents have signed a petition opposing the project, and over 700 signed in as being in opposition at the 2 TEFRA hearings); or if the TDHCA feels that market demand and feasibility for this project are not established for this project (they are not); among other issues. In short, as we have told the HFC on multiple occasions, if the project does not conform to state requirements as we maintain it does not, why support it? McKinney has met the affordable housing needs of its citizens in this income band. Because the city will have to subsidize additional LIHTC projects through lost taxes and/or increased economic costs, these projects will take funding directly away from other programs such as public housing and infrastructure rehabilitation programs.

6) HFC Statement:

4) Ownership provides MHFC significant funds (at no additional cost to taxpayers) to develop affordable single family housing.

Citizen's Response:

There will be a significant cost to the taxpayers, due to the tax-exempt status of this property, of approximately $500,000 to $600,000 per year in lost taxes, increased educational costs for children moving here from neighboring suburbs, and increased costs of city services and infrastructure. Further, HFC will only get $200,000 from the developer in Year 1 of the project. The developer's own financial projections illustrate that HFC would derive no further income from the project until Year 12 of operations as a "best case" scenario. That means it will likely be 11 years before the HFC would receive any further financial benefit, while McKinney residents would shoulder the burden of approximately $6 million in increased school and city costs.

9) HFC Statement:

A7: SWH initially proposed a total of 270 units on this 10+ acre tract. They have since reduced the density as follows:

	2BR	3BR	4BR	TOT
ORIGINAL	*160*	*98*	*12*	*270*
CURRENT	*124*	*92*	*8*	*224*

It is important to note that SWH made offers to reduce the total number of units to 18/ acre or less than 200 total units if they received the support of the adjacent neighborhood. Unfortunately, neighborhood support was not received and at this late date it is doubtful the density of the current proposal will be reduced.

MCBG Response:

This was positioned to the community that the developer made these concessions to "work with the neighborhood." This statement is false and misleading. Southwest Housing reduced the density to meet the zoning requirements. The zoning in place on this land permits 22 units/acre and was never eligible for 270 units.

Second, the offer by Southwest Housing to reduce the density further was based upon a conversation with our group to support development of a portion of the adjoining commercial tract (to make the development even larger at 20 acres) with LIHTC units. Southwest Housing has also applied for a second LIHTC reservation at the same address under the name "Stonebrook Courtyards." It should be understood that MCBG does not have authority to "make deals" for the City of McKinney to reduce density. Finally, this offer did not address the real issues in this matter. Density of the project has never been the real issue; lack of adequate demand to support the feasibility of the project, economic costs to the citizens, and an over-concentration of the LIHTC cost burden in McKinney as opposed to surrounding cities are the real issues.

10) HFC Statement:

Q9: How many school age children will be in Stonebrook Villas, upon full occupancy?

A9: MISD demographers indicate approximately one school age child for every two units or approximately 112 when fully occupied. Many may already be attending MISD and the new enrollments should be somewhat equally distributed between elementary, junior high and senior high. Therefore, it is impractical at this time to project added impact on MISD.

Citizen's Response:

Because the City of McKinney already has 1.3 LIHTC units for every income-qualified household and some apartment complexes in the LIHTC price point are less than 90% occupied, it is only logical to assume the vast majority of the students will be coming from neighboring suburbs outside the district.

11) HFC Statement:

There is currently a one year waiting period for affordable housing in McKinney (Housing Authority of McKinney). The quality and location of Stonebrook Villas will ensure there will be a waiting list and only high quality applicants will be accepted. The residents will be working families, many in direct service occupations for other citizens of McKinney.

Citizen's Response:

The waiting list is for McKinney Housing Authority and Section 8 Housing, which have different income-qualifying criteria than LIHTC housing. Not one of the LIHTC complexes in McKinney has a waiting list, quite the opposite. They are running rent concessions and one has an occupancy of 83%. According to Leonard McGowen, with the McKinney Housing Authority, the people on the waiting list are at a lower maximum income level than can qualify for Stonebrook Villas. Again, if there were demand for LIHTC units in McKinney, all such complexes would be full. They are not. In fact, the HFC later states, "*Stonebrook Villas Apartments are not intended to serve the same folks that would qualify for public and assisted housing.*"

12) HFC Statement:

Q13: Can a McKinney school teacher, policeman or fireman qualify for these apartments?

A13: Yes, depending on family income and size of the family. For example, a single parent with two children and an MISD starting salary of $35,100 would qualify for a two bedroom. The same for a married teacher with one or more children and a stay at home spouse. There will also be police and firefighters who may similarly qualify.

Citizen's Response:

We find this much-repeated marketing statement about this complex being for "school teachers, policemen and firemen" troubling in the context of affordable housing. All citizens should feel welcomed into an affordable housing environment, and these complexes should not be built or managed by organizations or developers who are subject to stereotyping citizens based on their type of employment or other personal characteristics. To make the apparent suggestion that these civil servants will fill up a significant number of these of the units is not only misleading, but implies a preference toward professionals.

These job classifications were frequently mentioned to the community by the developer and are repeated here by the HFC, even though few of these public servants would qualify for the complex. The $35,000 + *starting* salaries for these positions are too high for one- or two-person families, or larger families with a second income.

Texas Department of Housing and Community Affairs
Concentration Policy for Multifamily Housing

Objective:

The objective of this policy is to prevent a sudden over saturation of affordable housing in a specific primary market or submarket. This policy is intended to apply to all types of multifamily new development funds provided through the Department, including tax credit allocations and determinations, awards, grants, and/or loans.

Definitions:

1. The primary market or submarket will be defined on a case-by-case basis by the market analyst engaged by the applicant to provide a market study for the project. As a general guide for the market analyst, the Department encourages the use of natural political/geographical boundaries whenever possible. Furthermore, the primary or submarket for a project chosen by the market analyst will generally be most informative if it contains between 50,000 and 250,000 persons, though a sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so.

2. The market analyst will also quantify demand for rental units from income-eligible and project-specific targeted populations in the primary market or submarket. The final demand calculation may primarily include demand due to:

- documented population and household growth trends for targeted income-eligible rental households;
- documented turnover of existing income-eligible targeted rental households;
- confirmed new employment growth for targeted income-eligible rental households; and,
- other well reasoned and documented sources of demand determined by the market analyst.

3. As an outcome of the market analyst's primary or submarket definition and analysis, the market analyst should evaluate all new and proposed comparable affordable multifamily housing within the sub-market to determine when each has or will become stabilized. The Department defines comparable units as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable multifamily units included in the market study and will ensure that all projects previously allocated funds through the Department are included in the final analysis.

4. The Department defines the capture rate as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new units in the sub-market divided by the total income-eligible targeted renter demand identified by the market analysis for a specific project's primary market or submarket and discussed in (2) above.

Policy:

The Department intends to limit the approval of funds to new multifamily housing projects requesting funds where the anticipated capture rate is in excess of 25% for the primary or sub-market unless the market is a rural market. In rural markets, the Department intends to limit the approval of funds to new multifamily housing projects requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand.

Additional guidelines for market analysts will be included in the Department's market analysis and appraisal policy. This quantitative approach will be weighed heavily in the Department's approval process and applicant's for funding are encouraged to research thoroughly the existing markets and impact of affordable housing on the market.

RESOLUTION NO. 02-28

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (STONEBROOK VILLAS APARTMENTS) SERIES 2002; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Stonebrook Villas Apartments) Series 2002 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Stonebrook Villas Housing, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 17, 2001, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust”) from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Collin County; and

WHEREAS, the Board has determined that the Department, the Trustee and Wachovia Bank, National Association, a national banking association (the "Bank"), will enter into an Intercreditor Agreement (the "Intercreditor Agreement") that will outline the interests of the various parties with respect to the Indenture, Loan Agreement, Deed of Trust and Regulatory Agreement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Intercreditor Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be, from the date of issuance until paid on the maturity date or earlier redemption or acceleration thereof, 7.0%; (ii) the aggregate principal amount of the Bonds shall be $12,200,000; and (iii) the final maturity of the Bonds shall occur on May 1, 2042.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and deliver the Intercreditor Agreement to the Trustee and the Bank.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments
Exhibit F - Purchase Agreement
Exhibit G - Intercreditor Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman or Vice Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit F to the Loan Agreement and shall be annually redetermined by the Issuer as stated in Section 2.3(s) of the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 9th day of May, 2002.

By:__________________________________
Michael E. Jones, Chairman

Attest: _________________________
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Stonebrook Villas Housing, L.P., a Texas limited partnership

Project: The Project is a 224-unit multifamily facility to be known as Stonebrook Villas Apartments and to be located at the northwest corner of the intersection of Peregrine Drive and Virginia Parkway in McKinney, Collin County, Texas. The Project will include a total of ten (10) two- and three-story residential apartment buildings with a total of 229,400 net rentable square feet and an average unit size of 1,024 square feet. The unit mix will consist of:

124 two-bedroom/two-bath units
92 three-bedroom/two-bath units
8 four-bedroom/two-bath units

224 Total Units

Unit sizes will range from approximately 950 square feet to approximately 1,300 square feet.

Common areas will include a swimming pool, a children's play area, and a community building with kitchen facilities, laundry facilities, vending area, parlor with television and fireplace, fitness center and telephones. All ground units will be wheelchair accessible and all individual units will have washer/dryer connections.

b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Veteran's Memorial (a.k.a. Parkway Pointe), Houston, Texas in an Amount not to Exceed $14,700,000 and Other Related Matters

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2002 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

VETERANS MEMORIAL
$11,560,000 (*) Tax Exempt – Series 2002A
$2,890,000 (*) Tax Exempt – Series 2002B

TABLE OF EXHIBITS

(*) Preliminary - subject to change

507 Sabine, Suite #800
Austin, Texas 78701
(512) 475-2213/(512) 475-3362 [Fax]
Attn: Director of Multifamily Finance

FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM
May 9, 2002

PROJECT:	Veterans Memorial a.k.a. Parkway Pointe Apartments, Houston, Harris County, Texas
PROGRAM:	Texas Department of Housing & Community Affairs 2002 Multifamily Housing Revenue Bonds (Reservation received 02/06/2002)
ACTION REQUESTED:	Approve the issuance of multifamily housing revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.
PURPOSE:	The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Trails of Sycamore Townhomes Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential rental development to be constructed on approximately 23 acres of land located on the southwest corner of the intersection of Veterans Memorial Drive and Gears Road, Houston, Harris County, Texas 77067 (the "Project").
BOND AMOUNT:	\$11,560,000 Series 2002A, Tax Exempt Senior Bonds \$ 2,890,000 Series 2002B, Tax Exempt Subordinate Bonds \$14,450,000 Total (*) (*)The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.
ANTICIPATED CLOSING DATE:	The Department received a volume cap allocation for the Bonds on February 6, 2002 pursuant to the Texas Bond Review Board's 2002 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before June 6, 2002, the anticipated closing date is June 5, 2002. A detailed Critical Date Schedule is included as Exhibit 2.
BORROWER:	Trails of Sycamore Townhomes Limited Partnership, a Texas Limited Partnership. It's managing general partner is Parkway Pointe Limited Partnership and it's general partner is Housing Initiatives Corporation, IV, the President of which is Frank Mendez. An affiliate of SunAmerica Affordable Housing Partners, Inc. will provide the equity for the transaction by purchasing a 99.99% limited partnership interest.
COMPLIANCE HISTORY:	The Compliance Report reveals that the above principles of the

managing general partner have a combined total of ten properties monitored by the Department. Of the ten properties being monitored, six have received a compliance score. Five of these six properties received a score of zero (no compliance issues) and one received a score of 1. All of these scores are well below the material non-compliance threshold score of 30.

ISSUANCE TEAM:

Ambac Assurance Corporation (Bond Insurer)
SunAmerica Inc. (Construction Phase Credit Facility Provider)
SunAmerica Inc. (Guaranty Provider, Subordinate Bonds)
Legg Mason, Wood Walker, Inc. (Underwriter)
Kirkpatrick, Pettis, Smith, Polian Inc. (Subordinate Bond Purchaser)
Bank One, National Association (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER:

The Senior Bonds will be publicly offered on a limited basis on or about May 23, 2002 at which time the final pricing and Bond Purchaser(s) will be determined.

The Subordinate Bonds will be privately purchased by Kirkpatrick, Pettis, Smith, Polian Inc.. The Series B (Subordinate Bonds) will have the same terms as the Series A bonds, except that the note rate will be forty-one (41) basis points higher than the longest term bond of the Series A Bonds.

PROJECT DESCRIPTION:

The Project is a 250-unit multifamily residential rental development to be constructed on approximately 23 acres of land located on the southwest corner of the intersection of Veterans Memorial Drive and Gears Road, Houston, Harris County, Texas 77067 (the "Project"). Preliminary architectural plans call for twenty-nine (29) two-story buildings, with a total of 292,756 net rentable square feet and an average unit size of 1,171 square feet. Each unit will have washer/dryer hookups, central air and heat, two full bathrooms, a full appliance package including a refrigerator, disposal, dishwasher and range, cable television outlets, and wall to wall carpet. The property will also have a clubhouse consisting of office and leasing space, a community room, kitchen, recreation room, kid's room, computer room, and bathrooms. The development will include a swimming pool, play area, playground equipment, and a picnic area.

# Units	Unit Type	Square Footage
30	2 bed/2 bath	1,028
30	2 bed/2 bath	1,017
24	2 bed/2.5 bath	1,158
34	2 bed/2.5 bath	1,115
18	3 bed/2 bath	1,251
18	3 bed/2 bath	1,325
6	3 bed/2 bath	1,251

12	3 bed/2 bath	1,146
16	3 bed/2 bath	1,152
4	3 bed/2 bath	1,213
24	3 bed/2 bath	1,297
34	3 bed/2 bath	1,279
250		

SET-ASIDE UNITS: For bond covenant purposes, forty (40%) of the units in the Project will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 100% of the units at sixty percent (60%) of the area median income.

RENT CAPS: For bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income (see Exhibit 6).

TENANT SERVICES: Borrower has provided an executed Supportive Services Agreement with a qualified service provider for acceptable supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the Regulatory and Land Use Restriction Agreement.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$72,250 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

$14,450 Bond Administration (0.10% of first year bond amount)
$6,250 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $6,250 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credits equate to $689,077 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $5,507,101 of equity for the transaction.

BOND STRUCTURE & SECURITY FOR THE BONDS: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the

Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Project. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Project. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Ambac will provide a Bond Insurance Policy for the Senior Bonds. This insurance provides a guaranty for the full and timely payment of the principal and interest on the Senior Bonds should the Borrower fail to make any payments under the Mortgage Loan. In such event, the Trustee will have the right to require Ambac to fund any payment(s) in default.

During the Construction Phase, the Construction Phase Credit Facility Provider will provide a Construction Phase Credit Facility to the benefit of Ambac to cover the construction and lease-up risk. This interim credit facility will be secured by a 2nd lien mortgage on the property. According to the Intercreditor Agreement between the Interim Lender and the Bond Insurer, the Construction Phase Credit Facility will fund any deficiencies in payments on the Senior Bonds during the construction and lease-up period. Upon satisfaction of certain stabilization requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Ambac will return the Construction Phase Credit Facility to the Construction Phase Credit Facility Provider. At this time, the Construction Phase Credit Facility Provider's Deed of Trust and security documents will cease to exist.

The Subordinate Bonds do not have the benefit of the bond insurance policy or the Construction Phase Credit Facility. The Subordinate Bonds will carry term risk credit support provided by SunAmerica. The Subordinate bonds will be privately placed with Kirkpatrick, Pettis, Smith, Polian Inc.. The Department expects the initial purchaser of the Subordinate Bonds to transfer the Subordinate Bonds into a custodial trust arrangement whereby beneficial interest in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The initial Subordinate Bond purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. As required by SunAmerica, purchasers of the trust certificates will be Qualified Institutional Buyers.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consist of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds) and any investment earnings thereon. See Funds and Accounts section, below.

The Bonds are mortgage revenue bonds and, as such, create no liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

CREDIT ENHANCEMENT:

Ambac's bond insurance allows for an anticipated rating of AAA/Aaa on the Senior Bonds and an anticipated interest rate of 5.55%. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate of from investors on similar maturity bonds.

While the Subordinate Bonds themselves are not rated, the guarantee provided by SunAmerica or AIG indirectly provides credit support for the Subordinate Bonds which allows for an interest rate of approximately 5.96%. Without the credit support, the Subordinate Bonds would command a higher interest rate from investors of approximately 10% or higher on similar maturity bonds.

FORM OF BONDS:

The Senior Bonds will be issued in book entry form and in denominations of $5,000 or any integral multiples thereof. The Subordinate Bonds will be issued in physical form and in denominations of $100,000 or any integral of $5,000 in excess thereof.

MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months beginning in the 36th month. The Stabilization Date is anticipated to occur within thirty-six (36) months from the closing date of the Bonds, but must occur before the Final Balancing Date which is forty-eight (48) months from closing of the Bonds. Stabilization of the Project will convert the Mortgage Loan from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the documents. Among other things, these requirements include completion of the Project according to plans and specifications and achievement of certain occupancy and debt-coverage thresholds.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a fixed rate until maturity, which is anticipated to be December 1, 2035 for the Senior Bonds and November 1, 2035 for the Subordinate Bonds.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in Permitted Investments; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by Ambac under the bond insurance policy.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Senior Bonds are subject to optional redemption by the Borrower on or after December 1, 2012 without premium (a preliminary date that is subject to change). After that date, the Bonds are subject to optional redemption with certain applicable premiums. The Subordinate Bonds are subject to optional redemption by the Borrower on or after December 1, 2012 without premium.

Mandatory Redemption:

(1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption beginning on November 1, 2005 (a preliminary date that is subject to change). The Subordinate Bonds will only be redeemed to the extent that sufficient funds are available for such redemption and any insufficient amount for a period will be added to the installment due in the next succeeding period.

(2) The Bonds are subject to special mandatory redemption:

(a) in part to the extent that funds remain in the Construction Fund that are not required to pay costs of the Project;
(b) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Project;
(c) in whole or in part upon the occurrence of certain events of default under the documents;
(d) in whole with respect to the Senior Bonds at the direction

of AMBAC if stabilization of the Project does not occur;

(e) in whole with respect to the Subordinate Bonds at the direction of the Construction Phase Credit Facility Provider if stabilization of the Project does not occur;

(f) in part with respect to the Senior Bonds within 60 days of the Stabilization Date to satisfy stabilization requirements, or

(g) in part with respect to the Subordinate Bonds within 60 days of the Stabilization Date to satisfy stabilization requirements.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of either a conversion failure or certain events of default under the documents (during the period that the Construction Phase Credit Facility from the Construction Phase Credit Facility Provider is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of a designated purchaser selected by the Construction Phase Credit Facility Provider. Upon this special purchase, the Bonds would not benefit from the bond insurance and would not be transferable to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, Bank One, National Association (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Senior Bonds. The Senior Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Senior Bonds will be deposited with DTC. The Subordinate Bonds will be physical bonds.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to seven (7) funds with the following general purposes:

1) Revenue Fund (containing an Administrative Fees Account) – Used as the repository for most revenues and payments paid to the Trustee. The Administrative Fees Account is used to administer various ongoing administrative fees and expenses such as the Credit Enhancement fee, Trustee fee, Asset Oversight Agent's fee, and Issuer fee;

2) Bond Fund (containing an Interest Account, Principal Account, Redemption Account and Subordinate Bond Account) – Used to receive, hold and payout bond interest and principal;

3) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;

4) Mortgage Recovery Fund – A fund used for receipt and disbursement of insurance or condemnation proceeds, if any, or proceeds realized from a foreclosure upon the occurrence of an event of default;

5) Servicing Fund (containing a Real Estate Tax and Insurance Account and Replacement Reserve Account) – A fund used in the servicing of the mortgage loans as a repository of certain payments made by the Borrower for on-going Project related costs and expenses;

6) Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

7) Construction Fund (containing a Bond Proceeds Account) - The Trustee shall deposit net bond proceeds and disburse for the purpose of paying the costs of the project and paying interest on the Bonds during the Construction Phase.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 36 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee – Bank One, National Association was selected as

bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Underwriter – Legg Mason, Wood Walker, Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department through an RFP process in early 1999.

5. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

(Statements regarding participation of women and minorities are contained within Exhibit 8).

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

Veterans Memorial
EXHIBIT 3

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2002A Tax-Exempt Bond Proceeds	$ 11,560,000
Series 2002B Tax-Exempt Bond Proceeds	2,890,000
	-
Tax Credit Proceeds	5,507,101
GIC Earnings from Bond Proceeds	-
Net Operating Income Prior to Stabilization	-
Deferred Developer's Fee	1,678,524
Total Sources	$ 21,635,625

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 16,473,787
Capitalized Interest and Expenses	1,537,217
Marketing Reserves	70,437
Developer's Overhead & Fee	2,735,860
Costs of Issuance	
Direct Bond Related	302,963
Bond Purchaser Costs	308,338
Other Transaction Costs	31,286
Real Estate Closing Costs	175,738
Total Uses	$ 21,635,625

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 72,250
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	6,250
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Borrower's Bond Counsel	30,000
Underwriter's Fee-Legg Mason (0.375% of A)	43,350
Underwriter's Reimburseable Costs (DTC/CUSIP/Fed Funds)	4,000
Underwriter's Counsel	10,000
Trustee's Fees (Note 1)	5,500
Trustee's Counsel (Note 1)	7,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	3,613
TEFRA Hearing Publication Expenses	2,000
Total Direct Bond Related	$ 302,963

Bond Purchase Costs	
AMBAC Counsel & Expenses	38,000

Veterans Memorial
EXHIBIT 3

AMBAC Fee (3 Years Capitalized on A @ 0.41%)	142,188
AMBAC Site Inspection	2,000
SunAmerica Subordinate Debt Origination Fee (@1.00%)	28,900
SunAmerica Councel	10,000
SunAmerica Interim Credit Facility (2 Years Capitalized on A+B @ 0.25%)	72,250
SunAmerica Bond Counsel & Expenses (Interim Credit Facility)	15,000
Developer FA (Kirkpatrick Pettis @ 0.625% A Bonds)	72,250
Rating Agency	24,000
Printing (POS & OS)	6,500
Total	$ 308,338

Other Transaction Costs	
Tax Credit Determination Fee (4% annual tax cr.)	27,536
Tax Credit Applicantion Fee ($15/u)	3,750
Total	$ 31,286

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	92,363
Property Taxes	83,375
Total Real Estate Costs	$ 175,738
Estimated Total Costs of Issuance	$ 818,324

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

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

DATE: April 29, 2002 **PROGRAM:** MFB 4% LIHTC **FILE NUMBER:** 2002-071 02404

DEVELOPMENT NAME

Veterans' Memorial Apartments

APPLICANT

Name: Trails of Sycamore Townhomes L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 7800 E. Kemper Road **City:** Cincinatti **State:** OH

Zip: 45249 **Contact:** Don Paxton **Phone:** (513) 489-1990 **Fax:** (513) 489-2780

PRINCIPALS of the APPLICANT

Name	(%)	Title
Housing Initiatives Corporation IV	0.1	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.9	Initial Limited Partner
Frank Mendez	N/A	President of non-profit G.P.
Brisben Advisors, Inc.	N/A	Fee developer

GENERAL PARTNER

Name: Housing Initiatives Corporation IV, Inc. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 816 Congress Avenue, Suite 1775 **City:** Austin **State:** TX

Zip: 78701 **Contact:** Frank Mendez **Phone:** (512) 404-7887 **Fax:** (512) 703-2860

DEVELOPER

Name: Brisben Advisors, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 7800 E. Kemper Road **City:** Cincinatti **State:** OH

Zip: 45249 **Contact:** Don Paxton **Phone:** (513) 489-1990 **Fax:** (513) 489-2780

PROPERTY LOCATION

Location: Veterans' Memorial Parkway & Gears Road ☐ **QCT** ☐ **DDA**

City: Harris County **County:** Harris **Zip:** 77067

REQUEST

Amount	Interest Rate	Amortization	Term
1. $14,700,000	5.91%	30 yrs	30 yrs
2. $673,861	N/A	N/A	N/A

Other Requested Terms:
1. Tax-exempt private activity mortgage revenue bonds
2. Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 29.312 acres 1,276,831 square feet **Zoning/ Permitted Uses:** No zoning (Houston)

Flood Zone Designation: Zone AE (100-yr floodplain) **Status of Off-Sites:** Partially Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 250 **# Rental Buildings** 29 **# Common Area Bldngs** 3 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
30	2	2	1,017
30	2	2	1,028
34	2	2.5	1,115
24	2	2.5	1,158
12	3	2	1,146
16	3	2	1,152
4	3	2	1,213
24	3	2	1,251
24	3	2	1,279
34	3	2	1,297
18	3	2	1,325

Net Rentable SF: 292,756 **Av Un SF:** 1,171 **Common Area SF:** 5,135 **Gross Bldng SF** 297,891

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 30% brick veneer/40% vinyl siding/30% stucco 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, laminated counter tops, individual water heaters

ON-SITE AMENITIES

4,428-SF community building with activity rooms, management offices, fitness facilities, kitchen, restrooms, computer/business center, & model unit; central mail kiosk, swimming pool, separate mainrtenance & laundry building, equipped children's play area, sports court, limited access gate

Uncovered Parking: 375 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: SunAmerica, Inc. **Contact:** Mike Fowler

Principal Amount: $14,700,000 **Interest Rate:** 9%

Additional Information: Bond proceeds

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

LONG TERM/PERMANENT FINANCING

Source: SunAmerica, Inc. **Contact:** Mike Fowler

Principal Amount: $14,700,000 **Interest Rate:** 5.91%

Additional Information: Bond proceeds

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

Annual Payment: $1,057,674 **Lien Priority:** 1st **Commitment Date** 4/ 2/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION			
Source:	SunAmerica Affordable Housing Partners, Inc.	**Contact:**	Mike Fowler
Address:	1 SunAmerica Center, Century City	**City:**	Los Angeles
State:	CA	**Zip:**	90067
Phone:	(310) 693-3203	**Fax:**	(310) 772-6179
Net Proceeds:	$5,385,494	**Net Syndication Rate** (per $1.00 of 10-yr LIHTC)	80¢
Commitment	☐ None ☒ Firm ☐ Conditional	**Date:**	3/ 28/ 2002
Additional Information:			

APPLICANT EQUITY			
Amount:	$1,914,436	**Source:**	Deferred developer fee

VALUATION INFORMATION			
ASSESSED VALUE			
Land:	$1,033,660	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$1,033,660		

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Earnest money contract		
Contract Expiration Date:	5/ 31/ 2002	**Anticipated Closing Date:**	4/ 31/ 2002
Acquisition Cost:	$ 1,025,000	**Other Terms/Conditions:**	$80,000 earnest money
Seller:	VA Beltway Partners, Ltd., C/O Richard Gould	**Related to Development Team Member:**	No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Veterans' Memorial Apartments is a proposed new construction development of 250 units of affordable housing located in northwest Houston. The development is comprised of 29 residential buildings as follows:

- Twelve Building Type I with two two-bedroom townhouse units, three three-bedroom townhouse units, and two three-bedroom flat units,
- Nine Building Type II with four two-bedroom flat units, two two-bedroom townhouse units, and four three-bedroom flat units;
- Three Building Type III with four two-bedroom flat units, two two-bedroom townhouse units, and two three-bedroom flat units;
- Three Building Type IV with four two-bedroom flat units, two two-bedroom townhouse units, and two three-bedroom flat units, and
- Two Building Type V with two two-bedroom townhouse units, ten three-bedroom townhouse units, and two three-bedroom flat units.

Based on the site plan the apartment buildings are distributed fairly evenly throughout the site, with the community building, mailboxes, swimming pool and sport court located near the entrance to the site. A 621-square foot laundry and maintenance building is be located in the northern third of the site. The 4,428-square foot community building is planned to have the management offices, adults' and children's activities rooms, an exercise room, kitchen, restrooms, and a business center. The community building also has a three-bedroom model unit attached which the Applicant has indicated in not included in the unit count or intended to be employee-occupied. There appears to be no reason the unit could not be rented to tenants if desired, however, as this unit has independent exterior access.

Supportive Services: The Applicant has contracted with National Realty Management, Inc. to provide the following supportive services to tenants: basic adult education, credit counseling, homebuyer education, and use of computer facilities. The Applicant has agreed to pay $80/unit/year ($20,000/year total) for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed in December of 2003, to be substantially leased-up in June of 2004, and to be placed in service in August of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This program allows for prospective tenants to be qualified at the 60% or less of AMGI income level.

Special Needs Set-Asides: There are no plans to reserve units exclusively for special needs tenants, but the Applicant has committed to compliance with TDHCA accessibility standards.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 15 years.

MARKET HIGHLIGHTS

A market feasibility study dated March 27, 2002 was prepared by The Danter Company and highlighted the following findings:

Definition of Market/Submarket: "The Site Effective Market Area [EMA] for the subject…site includes the near north area of Houston." (p. V-6) The EMA is an irregular shape that roughly resembles a rectangle, with Rankin Road as its northern boundary, Bammel North Houston Road as its western boundary, West Road as its southernmost boundary, and the Hardy Toll Road as its easternmost boundary. The site itself is in the middle of the western third of the EMA. The Underwriter estimates this EMA area to equate to somewhat less than the area of a three-mile radius.

Total Regional Market Demand for Rental Units: "In 2000, [Houston] households numbered 717,945. Households are expected to number 755,855 by 2005, a total increase from 2000 of 5.3%." (p. V-4)

Total Local/Submarket Demand for Rental Units: The analyst calculated "…5,505 renter households within the potential income range that are not being served by the area tax credit project[s]." (p. IV-17)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY*		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	32	2%
Resident Turnover	1,658	98%
TOTAL ANNUAL DEMAND	**1,690**	**100%**

*Calculated by Underwriter using market analyst's demographics

Capture Rate: Calculated by the Underwriter to be 15% for this development alone (the analyst calculated a *market penetration rate* of 4.5% of the existing income-qualified renter market). (p. IV-17) The Market Analyst failed to account for three new developments awarded low income housing tax credits in the past 12 months. Fallbrook Apartments is located in the extreme southwest corner of the EMA and was approved in December of 2001 as a 280-unit 4% LIHTC /private activity bond transaction. Almost immediately next door to Fallbrook Apartments will be Champion Forest, a proposed 192-unit mixed-income development approved as a 2002 9% LIHTC forward commitment in July of 2001 (this development has, as of April 2002 met the underwriting conditions for carryover/allocation). A third development in the extreme southeast corner of the EMA will provide another 248 units in a 4% LIHTC/Private Activity Bond transaction approved in July of 2001. With these three developments, totaling 720 additional unstabilized units, the calculated concentration capture rate soars to 57% or well above the 25% TDHCA policy limit established by the Board in July of 2001 and codified in the 2002 QAP. A forth development, Columbia Greens (approved in 2000), was identified by the Market Analyst as having been placed in service in 2001 and is already fully stabilized. However from a technical perspective it is not known when stabilization was accomplished and if this 232-unit property has been stabilized for less than 12 months it too should be considered in the concentration capture calculation according to the policy elevating the overall capture rate to 71%.

Local Housing Authority Waiting List Information: "There is a list of 600 applicants waiting to join the Harris County HUD Section 8 certificate/voucher program." (p. IV-18)

Market Rent Comparables: The market analyst surveyed 10 comparable market rate and two LIHTC apartment projects totaling 2,585 units in the market area. "Notably, the subject…project will have townhouse units that are significantly larger than many comparable projects, especially the…tax credit project[s] in the area. Along with the amenities, rent levels, and anticipated quality, the Veterans' Memorial proposed project would be in a good market position." (p. IV-39)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom	$596	$597	-$1	$672	-$76
3-Bedroom	$684	$685	-$1	$779	-$95

Ref: p. IV-26
(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 surveyed market rate properties are 93.2% occupied. Overall, vacancies within the Site EMA are somewhat high…Among the 46 area market rate properties, 13 are 100% occupied. The two tax credit properties are over 99% occupied. " (p. IV-6)

Absorption Projections: "…absorption is expected to average 16.0 to 19.5 units per month, resulting in a 14.5- to 17.5-month absorption period to achieve a 95% occupancy level." (p. IV-47) Given that an additional 720 units of affordable housing are planned within the EMA but were not accounted for in this calculation, and given that all these units will arrive in the market at roughly the same time, the true absorption period for all these units could be recalculated to be 50 to 60 months.

Known Planned Development: No information provided in the market study. As discussed above, this is a major flaw in the market study that leads the Market Analyst to a faulty conclusion.

Effect on Existing Housing Stock: No information provided.

While the Underwriter disagrees with the conclusions of the market study and finds it missed three recently approved LIHTC transactions in the EMA, the market study provided sufficient demographic information on which to base an underwriting recommendation. Based upon the excessive concentration capture rate, any allocation of tax credits for this development should be conditioned upon a waiver by the Board of the Department's concentration policy.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a very irregularly-shaped parcel located in the northwest area of Houston, approximately ten miles from the central business district. The site is situated on the west sides of Veterans' Memorial Parkway and Gears Road.

Population: The estimated 2000 population of the primary market area was 71,539 and is expected to increase by 6.4% to approximately 76,117 by 2005. Within the primary market area there were estimated to be 23,091 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, residential, retail, and public uses. Adjacent land uses include:

- **North:** Retail and Greens Road, with single-family residential beyond
- **South:** Undeveloped land and drainage canals with the Sam Houston Tollway beyond
- **East:** Veterans' Memorial Parkway and Gears Road with retail and single-family residential beyond
- **West:** Single-family residential, a drainage canal, and an elementary school

Site Access: Access to the property is from the southeast or northwest along Veterans' Memorial Parkway or Gears Road or the east or west from Greens Road. The project is to have two entries from Veterans' Memorial Parkway and one from Greens Road. Access to the Sam Houston Tollway and Interstate Highway 45 is three miles east, which provide connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the Houston bus system with a stop on Veterans' Memorial Parkway adjacent to the site.

Shopping & Services: The site is within one mile of a major grocery/pharmacy and a neighborhood shopping centers, and within three miles of a regional shopping mall and a variety of other retail establishments and restaurants. An elementary school is adjacent to the site and other schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

- According to the Federal Emergency Management Act (FEMA) Flood Insurance Rate Map (FIRM), the site lies within Zone AE, a 100-year flood area. The original application stated that the site was not in a 100-year floodplain, and this fact was also not identified by the environmental analyst. In response to the Underwriter's query regarding proposed flood hazard mitigation measures, the Applicant provided information that the residential buildings will be elevated so as to have a finished floor level 18 inches above the 100-year base flood elevation level. At the time of this report it is unknown if the Applicant also plans to elevate the parking areas, access roads, and other improvements. Such information has not been provided in this application and the sitework costs do not appear to account for these costs. The Applicant submitted no documentation from Harris County as to the conditions under which the proposed structures can obtain permits and be built within or up and out of the floodplain. Federal law prohibits federal funds from being used in new properties within the 100-year floodplain. For example, FHA will not close on a new construction transaction located within the 100-year floodplain. The LIHTC program, however, is generally not considered to be a direct source of federal funds. The Department has no formally approved policy on new development in the floodplain. The Department's previous experience has typically been in re-funding projects already built in the floodplain or projects on the edge of the floodplain which either include no improvements in the floodplain or which raise the base level of the improvements to above the floodplain with fill. In several prior instances, the Department has required proof of flood insurability, and the cost of such insurance could be included in the expense proforma. In addition, the Department has, in some instances, required that the net rents be reduced by an amount equal to the cost of flood insurance for the tenants' personal property, or required that the owner pay to insure the personal property of each of the ground floor tenants who could be affected by flooding. In this case, the entire site and immediately surrounding streets are within the 100-year floodplain, so that every unit would be affected and building out of the floodplain may serve at best to create an island during years in which the area is inundated with floodwaters. The Applicant did not provide a plan of mitigation, so it is not known if imported fill will be required to build above the floodplain. The project's sitework costs do not appear to contain items specific to the needs of a 100-year flood zone-impacted site. Such costs should generally be itemized and evaluated prior to committing to the allocation of funds. Because of this significant uncertainty and because a mitigation plan of the flood risk for buildings and tenants has not been clearly identified in the application, the Underwriter believes an affirmative recommendation for funding cannot be made. Any recommendation for funding should be conditioned upon acceptance of a floodplain mitigation plan approved by Harris County and the Department and a re-evaluation of the project's costs, proforma, and financing structure after all of the costs of mitigation including the fill cost, building insurance, and renter's insurance have been included and verified.
- The title commitment lists a vendor's lien in the amount of $750,000 that must be cleared by the closing. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title is a condition of this report.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 12, 2001 was prepared by CEI Engineering Associates, Inc. and contained the following findings and recommendations: "Based on information obtained and observations made, it is the opinion of CEI that this assessment revealed no evidence of recognized environmental conditions in relation to the subject property with the exception of the following:

- All necessary local, state, and federal permits should be obtained.
- The site is heavily wooded. Therefore, any woodland ordinances established by local, state, or federal agencies should be observed.
- There is a substantial amount of trash and debris located on the property. This debris should be removed to an approved landfill prior to the start of construction." (p. 17)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are attainable according to the market analyst. The Applicant's potential gross rent estimate is $3,103 lower than the Underwriter's due to the Applicant's rounding of the tenant-paid utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's originally submitted total expense estimate contained an erroneous total per unit figure of $3,278 instead of the actual amount of $2,433. This latter amount is 24% lower than an adjusted TDHCA database-derived estimate of $3,215 per unit for comparably-sized developments. The Applicant's budget shows that many line item estimates appear significantly understated when compared to the database averages, particularly:

- General and administrative: $43K/53% lower (the Underwriter used the low end of the TDHCA database range and also confirmed this figure as lower than the local Houston IREM historical figures).
- Payroll: $51K/25% lower (the Underwriter used the IREM per unit regional average of $833/unit).
- Repairs and maintenance: $10.6K/11% lower (the Underwriter used the low end of the database range and again confirmed this figure as lower than local IREM figures).
- Utilities: $37K/59% lower (the Underwriter's estimate is based on local utility allowances and is significantly less than the TDHCA database and local IREM figures).
- Water, sewer, and trash: $33.8K/36% lower (the Underwriter's estimate is based on local utility allowances and is lower than the TDHCA database and within the range for local IREM figures).
- Insurance: $28.7K/61% lower (the Underwriter's estimate of $0.16/NRSF is based on the low end of the TDHCA underwriting guidelines and is likely to be significantly understated in light of insurance industry trends within the past year, especially the damage caused by Hurricane Alison in Houston. While the local IREM figure is much lower and on par at a per foot basis with the Applicant's estimate, this historical figure has not yet been affected by the considerably higher insurance premiums reported statewide by developers in the past six to twelve months. NOTE: flood insurance specific to this site is not included in any of the estimates).
- Property tax: ($10.7K/15% lower (the Underwriter's figure is based on a PILOT agreement amount provided by the Applicant. A fully executed copy of this agreement which calls for the exemption of 75% of the assessed value has not yet been provided, and any approval of allocation of tax credits and bonds should be conditioned upon receipt, review, and acceptance of such an agreement. The anticipated net assessed value would be $8,750 per unit and based upon the existing tax rate would result in a tax payment of $73,156 per year.)
- The Applicant did not include an estimate for TDHCA compliance fees, which the Underwriter estimated to be $6,250 and included "below the line" along with estimated supportive service fees of $20K. This allows the debt service to reflect repayment of expenses that cannot be waived and repayment of bonds only. Should the debt have to be resized up to reach a 1.10 this would suggest that these expenses may need to be paid from cash flow or waived, deferred, or not paid if cash flow is insufficient.

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 expenses, the Underwriter's estimated aggregate debt coverage ratio (DCR) of 0.95 and bonds-only DCR of 0.99 are significantly less than the program minimum standard of 1.10. Therefore, the maximum bonds-only debt service for this project should be limited to $930,235. As it appears that the rate and terms of this debt have been set, the only method remaining to achieve this debt service goal would be a reduction of the debt amount not to exceed $13,055,352.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,025,000 ($0.80/SF or $35K/acre) is assumed be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,435 per unit are considered reasonable compared to historical sitework costs for multifamily projects. These costs, however, do not appear to include costs associated with flood hazard mitigation, as the problem did not appear to be identified when they were developed, and they are, therefore, expected to increase significantly. Receipt, review, and acceptance of a detailed cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required. Should this revised estimate exceed $6,500/unit, which appears likely, the cost breakdown must be certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis, as a condition of this report.

Direct Construction Cost: The Applicant's costs are more than $1.5M (12%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. Although a related general contractor is being used and a fixed price contract may be offered, this would still suggest that the Applicant's direct construction costs are understated, especially as they are unlikely to include significant costs associated with flood hazard mitigation.

Ineligible Costs: Through a transcription error the Applicant incorrectly overstated accounting fees by $81K; the Underwriter removed this overstatement, resulting in an equivalent reduction in the Applicant's eligible basis. Since this error only affected the Applicant's eligible basis, the Applicant's total development costs were not affected.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all at the maximums allowed by TDHCA guidelines. The Applicant's developer fees, however, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $286,824.

Conclusion: The Underwriter regards total costs to be understated by $1.73M or 7%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the project. The Applicant's requested credit amount, as adjusted for the current applicable percentage, is less than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $18,775,941 is used to determine a credit allocation of $689,077 from this method. This is $15,216 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.52% rather than the 3.67% underwriting rate used for developments using the 2002 QAP and submitting an application for credits in April 2002. 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 ANALYSIS

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

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with SunAmerica, Inc. As of the date of the underwriting analysis, the documentation provided indicated that there will be $11,760,000 in tax-exempt senior Series A bonds with an anticipated interest rate of 5.55%, and $2,940,000 in tax-exempt subordinate Series B bonds with an anticipated all-in interest rate of 5.96%. The Underwriter used a blended interest rate of 5.91%. The final interest rate will be made available at closing. The bonds will be amortized over 30 years. The original commitment reflects that 80% of the bonds will be credit enhanced by American International Group Inc., (AIG) or a financial institution selected by SunAmerica, however, details of this credit enhancement were not provided. The commitment also reflects that SunAmerica is a wholly-owned subsidiary of AIG. Subsequent to the submission of these documents the lender has indicated that the total debt amount has been reduced by $250K. Receipt, review, and acceptance of revised financial commitments reflecting the final bond structure, the terms of the credit enhancement, and the all-in debt rate and terms is a condition of this report.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through SunAmerica, Inc. in the amount of $14,700,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of three years for the construction portion and 30 years for the permanent. Interest-only payments will be made during the construction period at an interest rate of 9%; the construction loan will bear interest at an estimated fixed rate of 5.91%. Again, this commitment appears to have been premature and new commitments will be required. The Applicant intends to fund the remainder of the construction phase with $3,769,846 in LIHTC syndication proceeds and $3,530,084 from internal sources.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,385,494 based on a syndication factor of 80%. The funds would be disbursed in a two-phased pay-in schedule:

1. 70% up closing of the construction loan;
2. 30% upon attainment of 90% occupancy for three consecutive months and a DCR 1.15 for six consecutive months.

Deferred Developer's Fees: The Applicant's initially proposed deferred developer's fees of $1,914,436 amount to 70% of the total fees. However, with the lender's confirmed reduction in debt, this amount will increase by at least $250K, resulting in an Applicant expectation that 79% of the requested developer fees be deferred.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $689,077 annually for ten years, resulting in syndication proceeds of approximately $5,707,101. As a result of the Applicant's understated operating expenses as discussed earlier, the project is not expected to have sufficient net operating income available to service the requested amount of debt. Based on the Underwriting analysis the Applicant's first lien debt service should not exceed $930,235, which results in a reduction in the bond amount to $13,055,352. The Applicant initially anticipated the need to defer $1.9M in developer fee, but based on the Underwriter's estimate of total development cost it is anticipated there will be a need to defer $2,449,036 (100%) of the developer fee and $1,761,292 (100%) of the contractor fee, which will still leave an unfunded gap of $961,761. These deferred fees are unlikely to be repaid until after year 15, and the funding gap renders the proposed development infeasible.

Alternatively, if the Applicant's total development cost estimate is used to size the funding requirement, deferral of 100% of developer's fees would still be required but only approximately $988,441 (56%) of contractor's fees would need to be deferred. These combined fees would still be unlikely to be repaid until after year 15 but theoretically could make the project feasible. Accepting this alternative would involve a tremendous leap of faith in accepting the Developer's anticipated costs as feasible. Historically this developer has indicated that the Department's development costs did not adequately consider the higher costs of the proposed townhome product. Moreover, the Developer's costs n this instance do not appear to account for the cost of flood plain mitigation which will require significant fill work to bring the foundations of the buildings above the base flood elevation, much less the drives and parking areas. While the Developer is only a fee developer in this case and ultimate ownership of the development will reside in the hands of a non-profit organization based in Austin, the Developer will have significant medium- to long-term interest in the success of the project since they will have to defer a significant portion of their fees. In fact, the gap of funds needed to fully fund this development, even at the Applicant's lower total development cost, is nearly insurmountable. Moreover, there is a great risk of having a portion of the requested deferred fees being considered unrepayable because the amount exceeds that reasonably calculated to be repayable in 15 years, even at zero percent interest. Any such amount would need to be reduced from eligible basis, creating an unending spiral of eligible basis reduction and thereby leading to the collapse of the equity syndication structure. In addition, and due to these factors as well as the excessive capture rate, overstated debt service, and flood plain mitigation issues, the Underwriter strongly discourages the acceptance of this alternative.

REVIEW of ARCHITECTURAL DESIGN

The units are in mixed one- and two-story flat and townhouse-style structures with varied brick veneer/stucco/siding exterior wall finish and pitched roofs. Each unit has an individual covered exterior entry.

Exterior Elevations: The exterior building elevations are unusually attractive, with varied rooflines, wall finishes, and architectural elements such as archways, columns, and window shutters. The units are of larger than average size for market rate and LIHTC units.

Unit Floorplans: The units are all well arranged, with adequate storage space and a utility closets with hookups for full-size appliances. All of the two-story townhouse units have at least a half-bathroom on the first floor.

IDENTITIES of INTEREST

The principals of the Developer, William Brisben and Robert Schuler, also own the General Contractor and the Property Manager. These are common relationships for LIHTC 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.

∉ A consolidated financial statement for the main non-profit general partner affiliate, Housing Initiatives Corporation (HIC), was not provided, however, statements of several of the other affiliates and a personal financial statement of the president, Frank Mendez was provided. Receipt, review, and acceptance of a consolidated financial statement of Housing Initiatives Corporation, if it exists, is a condition of this report.

∉ The fee developer, Brisben Advisors, Inc., did not provide a financial statement, and receipt, review, and acceptance of same is a condition of this report.

Background & Experience:

∉ The Applicant and General Partner are new entities formed for the purpose of developing the project.

∉ The Developer, Brisben Advisors, Inc., and the related General Contractor, Brisben Development, Inc., listed completion of 63 affordable and conventional housing projects totaling 8,098 units.

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 Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

∉ The proposed sources of funding are insufficient to fund the development as proposed.

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

∉ Significant locational risks exist regarding location in the 100-year floodplain.

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

∉ The principals of the Applicant do not appear to have the development experience/financial capacity to support the development if needed.

∉ The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X NOT RECOMMENDED DUE TO THE FOLLOWING:

1. The recommended sources and amounts of funding are insufficient to fund the development as evaluated.
2. The development is unlikely to generate sufficient net operating income to allow an increase in debt, nor are there sufficient fees that could be deferred to fund the anticipated funding shortfall.
3. The development is located entirely within the 100-year floodplain and the Applicant did not provide a sufficient mitigation plan.
4. The concentration capture rate, based upon the Site Effective Market Area demographics, is

57% or well above the Department's policy limit of 25%.

ALTERNATIVE

ANY ALLOCATION OF AN LIHTC ALLOCATION FOR THIS DEVELOPMENT SHOULD NOT EXCEED $689,077, AND ISSUANCE OF TAX-EXEMPT BONDS SHOULD NOT EXCEED $13,055,352, TO BE FULLY AMORTIZED OVER 30 YEARS. THE BLENDED INTEREST RATE OF THE BOND SERIES SHOULD NOT EXCEED 5.91%. THESE AWARDS SHOULD BE CONDITIONED UPON THE FOLLOWING:

1. TDHCA Board waiver of the Department's concentration policy in regards to this project;
2. TDHCA Board acceptance of the Applicant's conservative construction cost estimate via receipt, review, and acceptance of a fixed price contract consistent with the Applicant's costs as proposed in the application and reflected in this report;
3. TDHCA Board acceptance of a 15+ year deferred developer and contractor fee repayment schedule;
4. Receipt, review, and acceptance of revised financial commitments reflecting the final bond structure, the terms of the credit enhancement and the final all-in debt rates and terms;
5. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs;
6. Should total estimated sitework costs exceed $6,500/unit, receipt, review, and acceptance of a third party detailed sitework cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required, certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis;
7. Receipt, review, and acceptance of a fully executed PILOT agreement reflecting not less than a 75% exemption of assessed value to be at net not greater than $8,750 per unit;
8. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title;
9. Receipt, review, and acceptance of a consolidated financial statement of Housing Initiatives Corporation;
10. Receipt, review, and acceptance of a financial statement from the fee developer evidencing financial capacity sufficient to develop and support the project;
11. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report; and
12. Should the terms of the proposed total cost, debt or equity syndication be altered, the financial elements of this report should be re-evaluated.

Credit Underwriting Supervisor:	____________________ *Jim Anderson*	**Date:**	April 29, 2002
Director of Credit Underwriting:	____________________ *Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Veterans' Memorial Apartments, MFB #2002-071/4% LIHTC #02404

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	30	2	2	1,017	$670	$597	$17,900	$0.59	$73.33	$29.07
TC (50%)	30	2	2	1,028	670	597	17,900	0.58	73.33	29.07
TC (50%)	34	2	2.5	1,115	670	597	20,287	0.54	73.33	29.07
TC (50%)	24	2	2.5	1,158	670	597	14,320	0.52	73.33	29.07
TC (50%)	12	3	3	1,146	775	685	8,224	0.60	89.64	33.17
TC (50%)	16	3	2	1,152	775	685	10,966	0.59	89.64	33.17
TC (50%)	4	3	2	1,213	775	685	2,741	0.57	89.64	33.17
TC (50%)	24	3	2	1,251	775	685	16,449	0.55	89.64	33.17
TC (50%)	24	3	2	1,279	775	685	16,449	0.54	89.64	33.17
TC (50%)	34	3	2	1,297	775	685	23,302	0.53	89.64	33.17
TC (50%)	18	3	2	1,325	775	685	12,336	0.52	89.64	33.17
TOTAL:	250		**AVERAGE:**	1,171	$725	$643	$160,875	$0.55	$81.94	$31.23

INCOME	Total Net Rentable Sq Ft:	292,756	**TDHCA**	**APPLICANT**		
POTENTIAL GROSS RENT			$1,930,495	$1,927,392		
Secondary Income	Per Unit Per Month:	$15.00	45,000	45,000	$15.00	Per Unit Per Month
Other Support Income:			0	0		
POTENTIAL GROSS INCOME			$1,975,495	$1,972,392		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(148,162)	(147,924)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$1,827,333	$1,824,468		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.46%	$326	$0.28	$81,544	$38,304	$0.13	$153	2.10%
Management		5.00%	365	0.31	91,367	91,223	0.31	365	5.00%
Payroll & Payroll Tax		11.40%	833	0.71	208,250	157,006	0.54	628	8.61%
Repairs & Maintenance		5.21%	381	0.33	95,261	84,614	0.29	338	4.64%
Utilities		3.43%	251	0.21	62,685	25,638	0.09	103	1.41%
Water, Sewer, & Trash		5.13%	375	0.32	93,704	59,910	0.20	240	3.28%
Property Insurance		2.56%	187	0.16	46,841	18,116	0.06	72	0.99%
Property Tax	3.34427	4.00%	293	0.25	73,156	62,500	0.21	250	3.43%
Reserve for Replacements		2.74%	200	0.17	50,000	50,000	0.17	200	2.74%
Other: security		0.06%	4	0.00	1,006	1,006	0.00	4	0.06%
TOTAL EXPENSES		43.99%	$3,215	$2.75	$803,814	$588,317	$2.01	$2,353	32.25%
NET OPERATING INC		56.01%	$4,094	$3.50	$1,023,518	$1,236,151	$4.22	$4,945	67.75%
DEBT SERVICE									
1st Lien Mortgage		56.34%	$4,118	$3.52	$1,029,609	$1,057,675	$3.61	$4,231	57.97%
Trustee Fee		0.19%	$14	$0.01	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees		0.79%	$58	$0.05	14,450	0	$0.00	$0	0.00%
Asset ovrst & compl.fees, spt sv		1.78%	$130	$0.11	32,500	20,000	$0.07	$80	1.10%
NET CASH FLOW		-3.09%	($226)	($0.19)	($56,540)	$158,476	$0.54	$634	8.69%
AGGREGATE DEBT COVERAGE RATIO					0.95	1.15			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					0.99				
BONDS-ONLY DEBT COVERAGE RATIO					0.99				
ALTERNATIVE BONDS-ONLY 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 bldng)		4.32%	$4,100	$3.50	$1,025,000	$1,025,000	$3.50	$4,100	4.66%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.78%	6,435	5.50	1,608,750	1,608,750	5.50	6,435	7.31%
Direct Construction		52.58%	49,915	42.63	12,478,807	10,971,912	37.48	43,888	49.87%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Requirem	5.36%	3.18%	3,019	2.58	754,840	754,840	2.58	3,019	3.43%
Contractor's G &	1.79%	1.06%	1,006	0.86	251,613	251,613	0.86	1,006	1.14%
Contractor's Pro	5.36%	3.18%	3,019	2.58	754,840	754,840	2.58	3,019	3.43%
Indirect Construction		4.12%	3,912	3.34	977,890	977,890	3.34	3,912	4.44%
Ineligible Expenses		8.06%	7,649	6.53	1,912,163	1,912,163	6.53	7,649	8.69%
Developer's G & A	3.49%	2.63%	2,493	2.13	623,175	683,965	2.34	2,736	3.11%
Developer's Profit	11.51%	8.65%	8,208	7.01	2,051,895	2,051,895	7.01	8,208	9.33%
Interim Financing		4.24%	4,028	3.44	1,007,061	1,007,061	3.44	4,028	4.58%
Reserves		1.22%	1,154	0.99	288,508	0	0.00	0	0.00%
TOTAL COST		100.00%	$94,938	$81.07	$23,734,542	$21,999,929	$75.15	$88,000	100.00%
Recap-Hard Construction Costs		*66.78%*	***$63,395***	***$54.14***	***$15,848,850***	***$14,341,955***	***$48.99***	***$57,368***	*65.19%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	$0 RECOMMENDED
1st Lien Mortgage	60.88%	$57,800	$49.36	$14,450,000	$14,450,000	$13,055,352
LIHTC Syndication Proceeds	22.69%	$21,542	$18.40	5,385,494	5,385,494	5,507,101
Additional Financing	0.00%	$0	$0.00	0	0	0
Deferred Developer's Fee	8.07%	$7,658	$6.54	1,914,437	1,914,437	4,210,328
Additional (excess) Funds Required	8.36%	$7,938	$6.78	1,984,611	249,998	961,761
TOTAL SOURCES				$23,734,542	$21,999,929	$23,734,542

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Veterans' Memorial Apartments, MFB #2002-071/4% LIHTC #02404

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 46.04	$13,478,842
Adjustments				
Exterior Wall Finis	2.50%		$1.15	$336,971
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.27)	(373,055)
Floor Cover			2.43	711,397
Porches/Balconies	$17.07	23,101	1.35	394,334
Plumbing	$675	458	1.06	309,150
Built-In Appliances	$2,000	250	1.71	500,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	535,743
Garages/Carports			0.00	0
Comm &/or Aux bldng	$54.23	5,135	0.95	278,468
Other:			0.00	0
SUBTOTAL			55.24	16,171,851
Current Cost Multiplier	1.04		2.21	646,874
Local Multiplier	0.91		(4.97)	(1,455,467)
TOTAL DIRECT CONSTRUCTION COSTS			$52.48	$15,363,259
Plans, specs, survy, b	3.90%		($2.05)	($599,167)
Interim Construction In	3.38%		(1.77)	(518,510)
Contractor's OH & Prof	11.50%		(6.03)	(1,766,775)
NET DIRECT CONSTRUCTION COSTS			$42.63	$12,478,807

PAYMENT COMPUTATION

Primary	$14,450,000	Term	360
Int Rate	5.91%	DCR	0.99
Secondary	$5,385,494	Term	
Int Rate		Subtotal DCR	0.98
Additional	$0	Term	
Int Rate		Aggregate DCR	0.95

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$930,235
Trustee Fee	3,500
TDHCA Fees	46,950
NET CASH FLOW	$42,833

Primary	$13,055,352	Term	360
Int Rate	5.91%	DCR	1.10
Secondary	$5,385,494	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.04

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	$1,930,495	$1,988,410	$2,048,062	$2,109,504	$2,172,789	$2,518,858	$2,920,047	$3,385,135	$4,549,338
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,975,495	2,034,760	2,095,803	2,158,677	2,223,437	2,577,573	2,988,113	3,464,042	4,655,383
Vacancy & Collection Los	(148,162)	(152,607)	(157,185)	(161,901)	(166,758)	(193,318)	(224,109)	(259,803)	(349,154)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,827,333	$1,882,153	$1,938,617	$1,996,776	$2,056,679	$2,384,255	$2,764,005	$3,204,239	$4,306,230
EXPENSES at 4.00%									
General & Administrative	$81,544	$84,806	$88,198	$91,726	$95,395	$116,062	$141,208	$171,801	$254,307
Management	91,367	94,108	96,931	99,839	102,834	119,213	138,200	160,212	215,311
Payroll & Payroll Tax	208,250	216,580	225,243	234,253	243,623	296,405	360,622	438,751	649,459
Repairs & Maintenance	95,261	99,072	103,034	107,156	111,442	135,586	164,961	200,701	297,086
Utilities	62,685	65,193	67,801	70,513	73,333	89,221	108,551	132,069	195,494
Water, Sewer & Trash	93,704	97,453	101,351	105,405	109,621	133,371	162,266	197,421	292,231
Insurance	46,841	48,715	50,663	52,690	54,797	66,669	81,113	98,687	146,081
Property Tax	73,156	76,082	79,126	82,291	85,582	104,124	126,683	154,129	228,148
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	1,006	1,046	1,088	1,132	1,177	1,432	1,742	2,119	3,137
TOTAL EXPENSES	$803,814	$835,053	$867,514	$901,246	$936,297	$1,133,248	$1,371,929	$1,661,232	$2,437,188
NET OPERATING INCOME	$1,023,518	$1,047,100	$1,071,103	$1,095,530	$1,120,382	$1,251,007	$1,392,076	$1,543,007	$1,869,042
DEBT SERVICE									
First Lien Financing	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	14,450	12,892	12,719	12,536	12,341	11,176	9,612	7,511	901
Asset ovrst & compl.fees	32,500	33,800	35,152	36,558	38,020	46,258	56,279	68,473	101,356
Cash Flow	42,833	66,672	89,496	112,701	136,285	259,838	392,449	533,289	833,049
AGGREGATE DCR	1.04	1.07	1.09	1.11	1.14	1.26	1.39	1.53	1.80
BONDS & TRUSTEE FEE-ONLY D	1.10	1.12	1.15	1.17	1.20	1.34	1.49	1.65	2.00
BONDS-ONLY DCR	1.10	1.13	1.15	1.18	1.20	1.34	1.50	1.66	2.01

LIHTC Allocation Calculation - Veterans' Memorial Apartments, MFB #2002-071/4% LIHT

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	$1,025,000	$1,025,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,608,750	$1,608,750	$1,608,750	$1,608,750
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$10,971,912	$12,478,807	$10,971,912	$12,478,807
(4) Contractor Fees & General Requirements				
Contractor overhead	$251,613	$251,613	$251,613	$251,613
Contractor profit	$754,840	$754,840	$754,840	$754,840
General requirements	$754,840	$754,840	$754,840	$754,840
(5) Contingencies				
(6) Eligible Indirect Fees	$977,890	$977,890	$977,890	$977,890
(7) Eligible Financing Fees	$1,007,061	$1,007,061	$1,007,061	$1,007,061
(8) All Ineligible Costs	$1,912,163	$1,912,163		
(9) Developer Fees			$2,449,036	
Developer overhead	$683,965	$623,175		$623,175
Developer fee	$2,051,895	$2,051,895		$2,051,895
(10) Development Reserves		$288,508		
TOTAL DEVELOPMENT COSTS	$21,999,929	$23,734,542	$18,775,941	$20,508,871

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$18,775,941	$20,508,871
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$18,775,941	$20,508,871
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$18,775,941	$20,508,871
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$689,077	$752,676
Syndication Proceeds	**0.7992**	**$5,507,101**	**$6,015,380**

RENTAL RESTRICTIONS EXPLANATION

Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2002

MSA/County: Houston **Area Median Family Income (Annual):** $59,600

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below 50%	60%	80%	Unit Type	At or Below 50%	60%	80%	(provided by the local PHA)	At or Below 50%	60%	80%
1	$ 20,850	$ 25,020	33,400	Efficiency	$ 521	$ 625	$ 835	$ 41	$ 480	$ 584	$ 794
2	23,850	28,620	38,150	1-Bedroom	558	670	894	51	507	619	843
3	**26,800**	**32,160**	**42,900**	**2-Bedroom**	**670**	**804**	**1,072**	**74**	**596**	**730**	**998**
4	29,800	35,760	47,700	3-Bedroom	775	930	1,240	90	685	840	1,150
5	32,200	38,640	51,500								
6	34,550	41,460	55,300	4-Bedroom	863	1,036	1,382	114	749	922	1,268
7	36,950	44,340	59,100	5-Bedroom	953	1,144	1,525	130	839	1,030	1,411
8	39,350	47,220	62,950								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning $26,800 could not pay more than $670 for rent and utilities under the affordable definition.

1) $26,800 divided by 12 = **$2,233** monthly income; then,

2) **$2,233** monthly income times 30% = **$670** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

RESULTS & ANALYSIS:

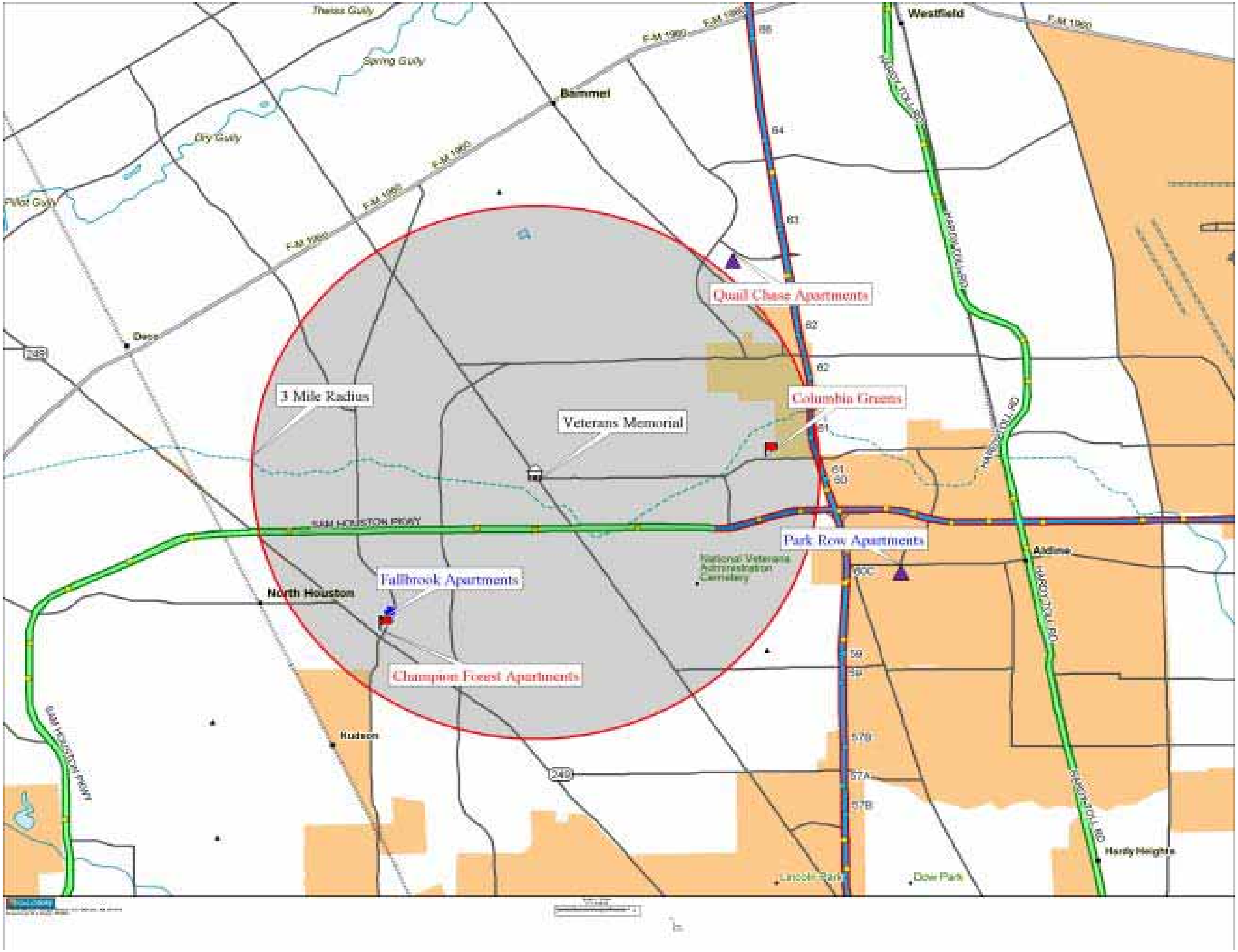
Tenants in the 60% AMFI bracket will **save $113 to $303** per month (leaving 4.2% to 9.4% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **15.9% to 30.7%**.

PROJECT INFORMATION				
		Unit Mix		
Unit Description		2-Bedroom	3-Bedroom	
Square Footage		1,109	1,252	
Rents if Offered at Market Rates		$709	$988	
Rent per Square Foot		$0.64	$0.79	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside		$596	$685	
Monthly Savings for Tenant		**$113**	**$303**	
Rent per square foot		$0.54	$0.55	
Maximum Monthly Income - 60% AMFI		$2,680	$3,220	
Monthly Savings as % of Monthly Income		**4.2%**	**9.4%**	
% DISCOUNT OFF MONTHLY RENT		**15.9%**	**30.7%**	

Market information provided by: The Danter Company, 363 East Town Street, Columbus OH 43215 (614) 221-9096 dated March 27, 2002.


Tomball
Rose Hill
45
Spring
494
Porter
Kingwood
F-M 1960
Westfield
Eagle Glen
Apartments
Kohrville
Bammel
Bordersville
Humble
Moonshine Hill
HARDY TOLL RD
Cypress
290
Veterans Memorial
SAM HOUSTON PKWY
F-M 1960
SAM HOUSTON PKWY
Aldine
SAM HOUSTON PKWY
North Houston
Satsuma
Kenwood Place
SAM HOUSTON PKWY
Jersey Village
Mt Houston
Highland Heights
HARDY TOLL RD
261
59
290
610
Spring Valley
Hilshire Village
90
Barker
Addicks
Hedwig Village
6
Bunker Hill Village
Hunters Creek Village
45
10
Jacinto City



Theiss Gully
Spring Gully
Dry Gully
Pillot Gully
Westfield
F-M 1960
Bammel
Deco
249
3 Mile Radius
Veterans Memorial
Quail Chase Apartments
Columbia Greens
Park Row Apartments
SAM HOUSTON PKWY
National Veterans Administration Cemetery
Aldine
North Houston
Fallbrook Apartments
Champion Forest Apartments
HARDY TOLL RD
Hudson
SAM HOUSTON PKWY
Hardy Heights
Lincoln Park
Dow Park

Veterans Memorial Map Legend

Proposed Community	
Veterans Memorial	White House
TDHCA Bond Transactions	
Fallbrook Apartments	Blue Pin Point
Local Bond Transactions	
Quail Chase Apartments	Purple Triangle
Park Row Apartments	Purple Triangle
Tax Credit Transactions	
Columbia Greens	Red Flag
Champion Forest Apartments	Red Flag

Compliance Status Summary

ID#	02404	
Project Name	Veteran's Memorial	
Address		
City		
Owner Name	Complete Previous Participation Info. not received	
Contact	William O. Brisben	

Type Funding
☐LIHTC 9%
☒LIHTC 4%
☒BOND
☐HOME
☐HTF
☐HSG. INFRAS.

Development Team	Role
William O. Brisben	Unknown
Robert Schuler	Unknown

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes☐
☒	Projects monitored by other states (National Previous Participation and Background Certification(s) attached)	Issues of Compliance N/A ☐ No ☒ Yes☐ Not all states have responded - Refer to 02402 for responses rec'd.
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes☐ - Single Audit not required.
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐ None

Completed by: (signatures required from each compliance area)

	Signature	Date
CMCM	[signature]	3-25-2012
CMAD	[signature]	3-25-2012
CMPM	[signature]	3/25/12

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department
Application ID # 02404

ID#	Project Name	Score
94164	Windsor Pointe Townhomes	0
96156	Centerville Pointe	0
98075	Azle Village	0
98104	Parkland Pointe	1
99059	Mainland Crossing Townhomes	0
99-05T	Heather Lane Apartments	N/A
99019T	Tiffany Square Apartments	N/A
01427	The Meridian	N/A
01428	Wildwood Branch	N/A
MF025	Greens of Hickory Trail	0

A score of material non-compliance (30 or above), reflected in the scoring column, was determined as of December 4, 2001. A ZERO (0) score signifies the compliance review resulted in zero compliance violations. N/A in the scoring column indicates that a compliance review has not been conducted or results are pending.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002

VETERANS MEMORIAL APARTMENTS

PUBLIC HEARING

Aldine Branch
Harris County Public Library
11331 Airline Dr.
Houston, Texas

March 25, 2002
6:00 p.m.

BEFORE:

WAYNE HARLESS, Multifamily Loan Officer

I N D E X

P R O C E E D I N G S

MR. HARLESS: Good evening. My name is Wayne Harless. I would like to proceed with the public hearing. Let the record show that it is 6:18 p.m. Monday, March 25, 2002, and we at the Aldine Branch Library at 11331 Airline Drive, Houston, Texas. I am here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which, for this issue, is the Attorney General.

No decisions regarding the project will be made at this hearing. There are no department board members present. The department's board will meet to consider the transaction on May 9, 2002 upon recommendation by the Finance Committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or the board at any of their meetings. The Department staff will also accept written comments from the public via facsimile at 512/475-

3362 up to 5:00 p.m. on April 26, 2002.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $15 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will be loaned to Trails of Sycamore Townhomes Limited Partnership, or a related person or entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 250-unit multifamily residential rental development to be constructed on approximately 23 acres of land located on the southwest corner of the intersection of Veterans Memorial Drive and Gears Road, Houston, Harris County, Texas 77067.

The proposed multifamily rental housing community will be initially owned and operated by Trails of Sycamore Townhomes Limited Partnership or a related person or entity thereof.

At this point I would like to open the floor for public comment, and at that time, if you have signed up and you wish to speak, I will call out your name in the order in which you signed, and at that time please come to the microphone and the table in front of me and state your name for the record. You will then have three minutes to make your comments.

If you have not already signed in and wish to speak, please come forward and sign in now before we begin.

(No response.)

MR. HARLESS: There being no one that wants to speak at this time, we have a presentation by the developer that will be entered into the record.

MR. VOWELL: My name is Kim Vowell; I'm vice president and director of development of the Brisben Companies, and I office in Wheatridge, Colorado. Our headquarters is in Cincinnati, Ohio.

Given that there's no one here representing the community, I really don't want to go through the entire presentation that I ordinarily have, but I wanted to have an opportunity, Wayne, to give you some information about our company.

As you know, we're looking at a 250-unit apartment development that would be financed with tax-exempt bonds and a combination of that and 4-percent tax credits.

We feel like this development is an excellent opportunity for our firm and is also an excellent opportunity for people who are of moderate income to have housing that they would otherwise not -- that would otherwise not be available to them.

The Brisben Companies has developed real estate in 17 states and over a hundred communities nationwide. We are a privately owned, family-owned company; has been in the business for the past 30 years, and we're consistently recognized by The Professional Builder and Builder magazines as ranking high on their annual list of the nation's top developers.

As you can see, we're in 17 states, something in the neighborhood of 17,000 units. We're currently -- we have in Texas currently two developments under construction in Fort Worth, and we have seven -- I think it's seven developments in other parts of the state that have been completed either using tax-exempt bond financing or tax credits.

We have a unique advantage, I believe, in that Brisben, being a nationwide developer, offers quality developments, and we're able to get high-quality developments built for as little amount of money as can be done in this industry, because of our national accounts that we have for construction materials and subcontractors.

Here are some pictures of typical developments, this being of one in Georgia, another in Ohio. These are some garden-style apartments. We have several developments in Colorado. This you can see overlooking the Rocky Mountains.

And then we have a couple of seniors' developments across the country that we're proud to offer people that would be 55 or older, in most communities, and sometimes 62 would be the threshold. Here's another Brisben-type garden-style product.

And then this is the Veterans Memorial property. You can see it's a mix of townhomes and garden-style apartments; it's a new product with Kaufman & Meeks, a very well respected architect here in the Houston area.

And you can see that the project -- the development is linear in design, has good traffic flow patterns and opportunity for exit onto thoroughfares that will give people opportunity to the Sam Houston Tollway, which is less than a mile to the north of the property.

Here is the building type and elevations that we have: a very stylish product utilizing townhome construction on the end units and garden-style apartment living in the -- on the middle units. That's another shot at it. And just for your view, a couple of floor plans.

I won't go into all the development features. We have, of course -- with multifamily developments we're able to produce the same quality of construction that any Class A apartment builder would do. We simply have the benefit of the tax-exempt bonds and tax credits to allow us to reduce the amount of permanent mortgage, consequently reducing our debt service, and we pass those savings along to the consumer who needs it most, and that's modest-income workers.

And that really concludes my presentation. I just want to say, Carol Dougherty is here with me. She has -- works as the national marketing director for the Brisben Companies and has worked with me in making certain that we had a good presentation, were anyone to be here to here it.

National Management is our management company that manages all of our affordable housing, workforce housing developments throughout the country, and we have very stringent standards for admission. We have a good, long-standing record with TDHCA and other state agencies around the country. We know how to manage affordable housing developments under the Section 42 rules, and we're excited we have an opportunity, Wayne, to do this development.

Thank you.

MR. HARLESS: Thank you, Kim.

And if there are no other comments at this time --

(No response.)

MR. HARLESS: -- then let the record show that there are no further comments. The meeting is now adjourned, and the time is now 6:28.

(Whereupon, at 6:28 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Veterans Memorial Apartments

LOCATION: Houston, Texas

DATE: March 25, 2002

I do hereby certify that the foregoing pages, numbers 1 through 10, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sue Brindley before the Texas Department of Housing and Community Affairs.

03/27/2002

(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

RESOLUTION NO. 02-29

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE SENIOR BONDS (PARKWAY POINTE APARTMENTS) 2002 SERIES A AND MULTIFAMILY HOUSING REVENUE SUBORDINATE BONDS (PARKWAY POINTE APARTMENTS) 2002 SERIES B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Senior Bonds (Parkway Pointe Apartments) 2002 Series A (the "Senior Bonds") and Multifamily Housing Revenue Subordinate Bonds (Parkway Pointe Apartments) 2002 Series B (the "Subordinate Bonds") (the Senior Bonds and the Subordinate Bonds are referred to herein, collectively, as the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Bank One, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Trails of Sycamore Townhomes Limited Partnership, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 17, 2001, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department its two promissory notes (the "Notes") one in an original principal amount corresponding to the original aggregate principal amount of the Senior Bonds and one in an amount corresponding to the original aggregate principal amount of the Subordinate Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Senior Bonds will be provided for initially by a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation; and

WHEREAS, it is anticipated that the Notes will each be secured by a separate Deed of Trust (with Security Agreement and Assignment of Rents) (collectively, the "Deeds of Trust") and a separate Assignment of Leases and Rents (collectively, the "Assignments of Leases and Rents") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan, including the Notes, the Deeds of Trust and Assignments of Leases and Rents, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Notes (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Senior Bonds of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement") for use in the public offering and sale of the Senior Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower, Legg Mason Wood Walker, Inc. (the "Underwriter") and Kirkpatrick, Pettis, Smith, Polian Inc. (the "Purchaser") and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Senior Bonds and the Purchaser will purchase the Subordinate Bonds from the Department and the Department will sell the Senior Bonds to the Underwriter or another party and sell the Subordinate Bonds to the Purchaser; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments of Leases and Rents, the Assignments, the Regulatory Agreement, the Preliminary Official Statement, and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; **NOW, THEREFORE,**

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE V

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 5.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

Section 5.2--Interest Rate, Principal Amount, Maturity and Price. (a) That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Agreement, the Senior Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture, and the Purchase Agreement; provided, however, that: (i) the net effective interest rate on the Senior Bonds shall not exceed 6.5% per annum; (ii) the aggregate principal amount of the Senior Bonds shall not exceed $12,000,000; (iii) the final maturity of the Senior Bonds shall occur not later than December 1, 2035; and (iv) the fee paid to the Underwriter in connection with the marketing of the Senior Bonds shall not exceed the amount approved by the Texas Bond Review Board;

(b) that: (i) the interest rate on the Subordinate Bonds shall be the interest rate on the Senior Bond with the longest maturity plus 0.41% per annum; (ii) the aggregate principal amount of the Subordinate Bonds shall be 25% of the aggregate principal amount of the Senior Bonds plus amounts necessary to meet the denomination requirements pursuant to the Indenture; and (iii) the final maturity of the Subordinate Bonds shall occur on November 1, 2035; and

(c) that the aggregate principal amount of the Bonds shall not exceed $15,000,000.

Section 5.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 5.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 5.5--Acceptance of the Deeds of Trust and Notes. That the Deeds of Trust and the Notes are hereby accepted by the Department.

Section 5.6--Approval, Execution and Delivery of the Assignments of Leases and Rents. That the form and substance of the Assignments of Leases and Rights are hereby approved; and that the officers of the Department are each hereby authorized to execute, attest and affix the Department's seal to the Assignments of Leases and Rents and to deliver the Assignments of Leases and Rents to the Trustee.

Section 5.7--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 5.8--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chairman and the Executive Director are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Senior Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Preliminary Official Statement and the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 5.9--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement is hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement and to deliver the Purchase Agreement to the Borrower, the Underwriter, any additional party to the Purchase Agreement and the Purchaser as appropriate.

Section 5.10--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 5.11--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Indenture
Exhibit C	-	Loan Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Assignments of Leases and Rents
Exhibit F	-	Assignments
Exhibit G	-	Preliminary Official Statement
Exhibit H	-	Purchase Agreement

Section 5.12--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 5.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 5.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE VI

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 6.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 6.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 6.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 6.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 6.5--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 6.6--Underwriter. That the underwriter with respect to the issuance of the Senior Bonds shall be Legg Mason Wood Walker, Inc.

Section 6.7--Purchaser. That the initial purchaser of the Subordinate Bonds shall be Kirkpatrick, Pettis, Smith, Polian, Inc.

Section 6.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Borrower and subject to review by the Department, as stated in Section 7.16 of the Loan Agreement.

Section 6.9--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE VII

CERTAIN FINDINGS AND DETERMINATIONS

Section 7.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 7.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 7.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 7.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 7.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 8.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 8.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 8.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 9th day of May, 2002.

By: ______________________________
Michael E. Jones, Chairman

Attest: ______________________________
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

The Project is a 250-unit multifamily facility to be known as Parkway Pointe Apartments and to be located on the southwest corner of the intersection of Veterans Memorial Drive and Gears Road, Houston, Harris County, Texas 77067. It will consist of 29 two-story residential apartment buildings with approximately 292,756 net rentable square feet. The unit mix will consist of:

118 two-bedroom/two-bath units

132 three-bedroom/two-bath units

250 Total Units

Unit sizes will range from approximately 1,110 square feet to approximately 1,322 square feet.

Common areas will include a swimming pool, community center and central laundry facilities, picnic area and a play area with playground equipment.

d) Approval of Request for Proposals for Trustee Services for the Departments Single Family Mortgage Revenue Bond Indentures and Other Related Matters

TDHCA last issued a request for proposals for trustee services in 1996. Since that time, TDHCA's single family bond indentures and programs, and the single family mortgage revenue bond markets in general, have undergone significant changes. Staff recommends that TDHCA issue a request for proposals ("RFP") from qualified institutions to serve as trustee for TDHCA's single family bond issues and/or refundings. The respondents are expected to provide trustee services as necessary to complete new money financings and refundings, and to assign experienced professionals employed by the company who are best suited to appropriately respond to TDHCA requests in a timely manner.

Responses to the RFP will be due Friday, June 21, 2002. Staff will present its recommendations at the July 2002 Board meeting.

RECOMMENDATION

The Board approve issuing a RFP for trustee services for TDHCA's single family mortgage revenue bond issues and/or refundings.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Request for Proposals
For Trustee Services
May 24, 2002

I. Purpose of Request

The Texas Department of Housing and Community Affairs (“TDHCA") requests proposals from qualified institutions to serve as Trustee for TDHCA’s single family bond issues and/or refundings.

II. Nature of Services Required

The respondents are expected to provide trustee services as necessary to complete new money financings and refundings, and to assign experienced professionals employed by the company who are best suited to appropriately respond to each request in a timely manner.

The scope of services to be provided to TDHCA by the Trustee in connection with the financings will include, but not be limited to, the following:

1. Developing standard procedures to be used by bond counsel in structuring bond financing and preparing bond documents.
2. Reviewing all documents prepared by bond counsel and by other counsel.
3. Investing and transferring funds in accordance with TDHCA’s instructions and indentures.
4. Providing recommendations on the investment of funds in compliance with TDHCA’s Investment Policy and the timing of expenditures and receipts such that it serves the best interest of TDHCA.
5. Providing reports on bond issues and fund balances to TDHCA on a regular basis and upon request.
6. Tracking and reporting on investments of TDHCA for such things as arbitrage rebate compliance and compliance with the Public Funds Investment Act.
7. Working with TDHCA, its financial advisor, bond counsel and other State personnel in fulfilling responsibilities as trustee to TDHCA.
8. Advising TDHCA’s officers and directors in the regular conduct of TDHCA’s business, by telephone and in office conferences, both at the State and at other offices, and in writing.
9. Assisting in the development of policy guidelines and program criteria pertaining to bond issues.
10. Examination of all documents and procedures related to bond issues.
11. Assisting in disclosure requirements under SEC 15(c)(2)12.

12. Participating in activities associated with rating agency review of documentation and Department activity.

13. Assisting TDHCA, its financial advisor and underwriters in other matters as necessary to ensure the successful marketing, sale, and closing of bonds and subsequent matters which may affect bond transactions.

14. Providing on-going documentation and information to TDHCA and its financial advisor regarding cashflow reporting requirements.

III. Response Timeframe and Other Information

Response Due: Friday, June 21, 2002 4:00 PM C.S.T.

Faxed or emailed responses will not be considered a valid response. No response received after the time and date above will be accepted for any reason. ***It is the expressed policy of TDHCA that responding firms refrain from initiating any direct contact or communication with members of the Board of Directors or TDHCA staff not listed below in regard to the selection of firms relative to this Request for Proposals ("RFP") while the selection process is open. <u>Any violation of this policy will be considered a basis for disqualification</u>.***

Also, in releasing this RFP, TDHCA shall not be obligated to proceed with any action on the RFP and may decide it is in TDHCA's best interest to refrain from pursuing any selection process. TDHCA reserves the right to negotiate individual elements of any Trustee proposal.

Questions arising from the RFP may be directed to TDHCA or its Financial Advisor, RBC Dain Rauscher, Inc., as follows:

Mr. Byron V. Johnson
Director of Bond Finance
Texas Department of Housing
and Community Affairs
507 Sabine Street
8th Floor
Austin, Texas 78701
(512) 475-3856

Mr. Gary P. Machak
Managing Director
RBC Dain Rauscher Inc.
Cityplace
2711 N. Haskell Avenue, Suite 2400
Dallas, Texas 75204-2936
(214) 989-1659

IV. Oral Presentations

TDHCA reserves the option to request oral presentations from any number of respondents.

V. Delivery of Responses

Responses should be delivered as follows:

10 Copies to:

Texas Department of Housing and Community Affairs
507 Sabine Street
5th Floor
Austin, Texas 78701

Attn: Mr. Byron V. Johnson

Director of Bond Finance
(512) 475-3856

1 copy each to:

RBC Dain Rauscher, Inc. Cityplace 2711 N. Haskell Ave., Suite 2400 Dallas, Texas 75204-2936	RBC Dain Rauscher, Inc First City Tower 1001 Fannin, Suite 400 Houston, TX 77002-0220
Attn: Mr. Gary P. Machak Managing Director (214) 989-1659	Attn: Mr. J.C. Howell Vice President (713) 651-3345

VI. Response Format

1. Each question in Section VII of this Request for Proposals should be specifically addressed. Otherwise, indicate why no response is given.

2. **Responses should be submitted by individual firms only; no responses should be submitted on a joint basis.**

3. Please limit your response to relevant material and your proposal to 25 pages in length; additional information must be submitted in the form of an attachment or appendix.

4. Identify the question being answered in the introduction to each response.

VII. Proposal Content

A. Organizational and Personnel Background

1. Provide an overview of your company, emphasizing its qualifications and major organizational strengths and achievements that would serve TDHCA. Why do you believe you should be selected as TDHCA's trustee?

2. Provide the names, office location, and brief resumes (including State of Texas, TDHCA and other state housing finance agency experience) for the professionals who will be assigned to TDHCA's account. Include their level of responsibility and availability. Describe the professional background of these individuals, in particular their relevant state housing finance experience. Please designate the percentage of work for which each team member will be responsible.

3. How many employees (full-time) do you have in Texas and what are their duties? Over the past year, has your firm relocated employees into or out of the State? Does your firm have any plans for relocation of employees into or out of the State over the next three years? Please provide any additional information that demonstrates your firm's commitment to Texas.

4. Does your firm maintain a specialty group focused solely on serving single family mortgage revenue bonds? If yes, please list how long this group has been operating, the group's size (full-time employees) and the group's location? Please specify which individuals from this group would work directly with TDHCA.

B. Financial

4. Provide your firm's most recent audited financial statement, along with a brief description of your firm's ownership and capital structure.

5. Provide a description of liability, error and omissions insurance policies your company may carry and the dollar limits of these policies.

6. Provide a statement discussing any imminent merger or acquisition activities affecting the trust services of your firm.

C. Experience

7. Provide a list of state housing agencies for which your which your company served as trustee during 2001 for single-family mortgage revenue bond issues, and indicate what the current relationship is to each agency as well as the name of the Account Representative assigned to the agency. Provide a list of three references from the agencies listed above, including names, addresses, and telephone numbers.

8. Provide a list of single family mortgage revenue bonds sold by state housing agencies for which your company acted as trustee during 1999, 2000 and 2001. Indicate the sale date, size, issuer, description and structure of the issue (senior/subordinate bonds, external credit enhancement, rated/unrated, etc.). Provide annual and aggregate totals.

9. Provide a list of Texas local housing bond issuers for which your company served as trustee during 2001 for single-family bond issues, and indicate what the current relationship is to each issuer as well as the name of the Account Representative assigned to the issuer.

10. Provide a list of single family mortgage revenue bonds sold by Texas local housing issuers for whom your company acted as trustee during 1999, 2000 and 2001. Indicate the sale date, size, issuer, description and structure of the issues (senior/subordinate bonds, external credit enhancement, rated/unrated, etc.) Provide annual and aggregate totals.

11. Describe your direct experience with the Texas Treasury Safekeeping Trust Company.

12. Describe your experience and capabilities with Commercial Paper Notes, Variable Rate Demand Notes, and other short term instruments.

13. Describe how your firm manages general accounting for single family bond issues and redemptions, etc. How do you keep track of and inform your clients of bonds outstanding, fund investments, mortgage repayments and prepayments? Describe your computer capabilities. Is your system PC-based? Do you provide internet/dial-in capabilities to your clients? Include a sample report that would be provided as part of your administration of a single family transaction.

D. Miscellaneous Discussion Questions

14. List your firm's publications and other information and resources that will be available to TDHCA.

15. What is your policy with regards to advance notice requirements for withdrawals or other transactions?

16. What is your firm’s Community Reinvestment Act (“CRA”) rating? Please provide an explanation of your CRA rating derivation and include a copy of your CRA Statement.

17. What has been your experience with Guaranteed Investment Contracts (“GICs”) and Repurchase Investment Agreements on housing issues?

E. Disclosure

18. Describe any litigation, arbitration, or other actions current, pending, or past against the firm arising from the firm's involvement in municipal or public purpose debt. Please indicate your willingness to provide additional information on any litigation pending against your firm should TDHCA request it.

19. Discuss how your firm deals with professional ethics in connection with public finance engagements. What process do you maintain so as to provide a consistently high standard of professional ethics?

F. Compensation

20. Please prepare and submit a table, as illustrated below, detailing your proposed fees.

Trustee Fee Proposal												
Issue Size:	**$ 5,000,000**		**$ 10,000,000**		**$ 25,000,000**		**$ 5,000,000**		**$100,000,000**		**$150,000,000**	
	Actual	$/Bond	Actual	$/Bond	Actual	$/Bond	Actual	$/Bond	Actual	$/Bond	Actual	$/Bond
Fees:												
Acceptance												
Semi-annual	$	$	$	$	$	$	$	$	$	$	$	$
Legal												
Other (Specify)												
Other (Specify)												
Total Fees	$	$	$	$	$	$	$	$	$	$	$	$

If the company proposes that TDHCA bear the costs of incidental expenses associated with its representation of TDHCA, the proposal should clearly state the nature of such incidental expenses and their estimated costs to TDHCA. Please indicate minimum charges on any of the fees. Invoices presented for payment must be itemized and contain details of specific expenses. Reimbursement for time spent traveling will be negotiated with TDHCA. All proposals must include a statement that fee rates are valid for the duration of the contract. Any fees not disclosed will not be considered.

Although TDHCA seeks to minimize transaction costs, submission of the lowest bid may not result in an appointment.

21. Express your willingness to defer any fees you have proposed in the above table. State which fees would be deferred.

G. Affirmative Action

22. It is the policy of TDHCA to encourage the participation of historically underutilized businesses ("HUB's"), including minorities and women in all facets of TDHCA's activities. To this end, the extent to which minorities and women participate in the ownership, management and professional work force of a firm will be a primary consideration by the Board in the selection of a trustee. Applicants are therefore requested to submit a historical profile of their firm in terms of ownership and management, as well as by professional, administrative, clerical and support personnel. Please use year-end numbers for year by year profiles. **Do not submit the Employer Information Report Form EE01. Use the matrix provided to present your data.**

23. Provide a copy of your firm's equal employment opportunity and affirmative action policy.

VIII. Program Information

Additional information regarding TDHCA may be obtained from Byron Johnson at the aforementioned address. All requests must be in writing and faxed to (512) 475-3362 no later than June 20, 2002. All questions and responses will be made available to all applicants and will be subject to disclosure under the Open Records Act.

IX. Open Record

Information submitted to TDHCA is public information and is available upon request in accordance with the Texas Public Information Act, Chapter 552 of the Government Code (the "Act") after the Board has approved Staff's recommendations. A firm submitting any information it considers confidential as to trade secrets or commercial or financial information which it desires not to be disclosed must clearly identify all such information in its proposal. If information so identified by a firm is requested from TDHCA, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination as to whether such information is excepted from disclosure under the Act. Information not clearly identified as confidential will be deemed to be non-confidential and will be made available by TDHCA upon request.

X. Cost Incurred In Responding

All costs directly or indirectly related to preparation of a response to this RFP or any oral presentation required to supplement and/or clarify the RFP which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

EEO MATRIX

REQUEST FOR PROPOSALS FOR TRUSTEE SERVICES

Job Category	--TOTALS--		NUMBER of EMPLOYEES as of December 31, 2001									
			----------------MALES-----------------					------------FEMALES------------				
	Employees	**% Total**	**WHIT E (NOT OF HISP ANIC**	**BLAC K (NOT OF HISPA NIC**	**HISPAN IC**	**ASIAN OR PACIFI C ISLAN DER**	**AMERI CAN INDIAN OR ALASK AN**	**WHITE (NOT OF HISPANI C ORIGIN)**	**BLAC K (NOT OF HISPA NIC**	**HISPA NIC**	**ASIAN OR PACIF IC ISLAN DER**	**AMERI CAN INDIA N OR ALASK AN**
Officials & Managers												
Professionals												
Technicians												
Sales Workers												
Office & Clerical												
Craft Workers (Skilled)												
Operatives (Semi-Skilled)												
Laborers (Unskilled)												
Service Workers												
Total												

d) Approval of Resolution Approving Documents Relating to the Issuance of Single Family Mortgage Revenue Bonds, Series 2002 A, 2002 Series B, 2002 Series C and 2002 Series D and Other Related Matters

APPROVAL OF RESOLUTION APPROVING DOCUMENTS RELATING TO THE ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, AND 2002 SERIES D AND OTHER RELATED MATTERS (PROGRAM 57A)

The structure of the Department's Single Family Mortgage Revenue Bonds Series 2001A/B/C/D issue is substantially complete. The Series 2001A/B/C/D bonds will create lendable mortgage funds of approximately $100,000,000 upon closing.

The Department's Year 2002 volume cap allocation for single family bonds equals approximately $156,512,826. The Department will use only a portion of the Year 2002 volume cap, $38,750,000, for this transaction. The balance of the volume cap will be incorporated into the Department's next transaction in December 2002. The Department also anticipates refunding the Department's outstanding Single Family Mortgage Revenue Bond ("SFMRB") 1991 Series A issue. This refunding will produce economic savings for the SFMRB indenture but will not generate any surplus cash.

The following table outlines this pending bond issue.

Program	**Series**	**Amount ***	**Purpose**	**Lendable Proceeds**
57A	2002A	$ 38,750,000	Tax-Exempt New Money	Yes
57A	2002B	54,300,000	Convertible Option Bond Refunding	Yes
57A	2002C	12,950,000	Commercial Paper Refunding	Yes
57A	2002D	13,920,000	SFMRB 1991 Series A Refunding	No
Issue Total		**$ 119,920,000**		

The new mortgages will be assisted and unassisted, low-rate mortgages with interest rates approximately 25 – 100 basis points below market mortgage rates. Subprime "A-" mortgages, with interest rates approximately 200 basis points below comparable mortgage rates, will comprise approximately ten percent of Program 57A's portfolio. All mortgages will be securitized into mortgage-backed certificates.

Mortgage Product	**Credit Grade**	**Assisted Mortgage Rate ***	**Downpayment Assistance**	**Unassisted Mortgage Rate ***
FHA, VA, RH	A, A+	6.90%	4%	6.15%
Conventional	A, A+	6.90%	4%	6.15%
Expanded Approval – Level I	A-	7.45%	4%	N/A
Expanded Approval – Level II	A-	7.70%	4%	N/A

* Preliminary, subject to change

The Department incorporated premium planned amortization class bonds into the bond structure for purposes of providing downpayment assistance. The mortgages will be marketed to very low, low and moderate income residents of Texas. If authorized, the bonds will be sold in May 2002 and the bond closing will occur approximately 30 days subsequent to bond pricing. The attached resolution authorizes the issuance of the bonds and approves the bond documents in substantially completed form.

RECOMMENDATION

The Board approve the attached resolution authorizing the issuance of Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C, and 2002 Series D.

FannieMae
FOUNDATION

Financial Services in Distressed Communities: Issues and Answers

Financial Services in Distressed Communities:
Framing the Issue, Finding Solutions
By James H. Carr and Jenny Schuetz

and

Predatory Lending: An Overview
By James H. Carr and Lopa Kolluri

August 2001

Executive Summary [*]

The American financial system is arguably the most sophisticated and efficient in the world. The power of our financial services industry derives from the complexity of the nation's financial intermediaries including commercial banks, savings institutions, mortgage banks, credit unions, investment banks, securities firms, insurance companies, specialized credit intermediaries, and a variety of specialized government and government-sponsored or -regulated financial institutions.

But this sophisticated financial services infrastructure differs markedly from the world of finance in lower-income and minority communities. There, the language of finance is increasingly pawnshops, check-cashing outlets, payday lenders, and rent-to-own stores. Largely unregulated in many states, the fees charged by these alternative financial services outlets are frequently excessive and their business practices often differ greatly from the asset-building and wealth-creation services provided by mainstream financial institutions.

In addition, excessive subprime, as well as predatory, lending tend to flourish in communities saturated with check cashers, pawnshops, and related financial services outlets. The heavy concentration of these practices in lower-income and minority communities further erodes the asset-building potential of financially vulnerable households. This concentrated negative impact on households translates into increased financial distress at a community level as households already living on the margin are forced to navigate a minefield of high-cost, unscrupulous, and often fraudulent financial services providers.

The following two articles focus on the financial services infrastructure that typically serves lower-income, minority, and distressed communities. They document how the failure to ensure efficient financial services markets in those areas exposes residents to wealth-stripping financial services activities and greatly contributes to their financial marginalization. The articles offer several policy recommendations to improve the delivery of lower-cost, asset-building financial services to the nation's most financially vulnerable consumers.

The first article, titled "Financial Services in Distressed Communities: Framing the Issue, Finding Solutions," by James H. Carr and Jenny Schuetz, examines the recent explosive growth of alternative financial services outlets in distressed communities and the corresponding growth of subprime and predatory lending in those same markets. Carr and Schuetz document the high costs for households relying primarily or exclusively on those lenders. Recognizing that fringe lenders have filled an important credit gap by developing products and services to meet the unique needs of lower-income consumers, the article cautions that those services, nevertheless, often come at staggering costs. Further, the article explains that because alternative financial services providers do not offer savings products, households that rely exclusively on them to meet their financial services needs have neither the incentive nor opportunity to save.

Carr and Schuetz also highlight the substantial costs to households exploited by excessive subprime and predatory lending. The article notes that while subprime lending is a critical source

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of credit for millions of families, minority households are disproportionately steered to higher-cost subprime lending. The extreme reliance on subprime lending by minority households raises the question of whether they are steered on the basis of their race or ethnicity rather than due to legitimate creditworthiness issues. The article documents that as much as 35 to 50 percent of the borrowers in the subprime market could have qualified for lower-cost prime market loans and provides examples of the extraordinary costs to households of being unfairly steered to subprime credit. The article notes that steering of borrowers to the subprime market contributes to confusion in the policy-making community in distinguishing between legitimate subprime and predatory lending.

Carr and Schuetz conclude with three policy recommendations to improve the financial services environments of distressed communities. They are: (1) Enhance data collection on finance services transactions and increase enforcement of fair lending, equal credit opportunity, and consumer protection laws and regulations; (2) Create greater competition for financial services in distressed communities by improving the range of available financial products and services and enhancing government's role as a facilitator and supporter of financial services innovation; and (3) Enhance and expand consumer outreach and financial education and awareness.

In the area of enhancing financial innovation, the recommendations include creation of partnerships between mainstream financial services providers and alternative financial services outlets that would leverage the strengths of both sets of institutions. Such partnerships would leverage the economies of scale that could be provided by mainstream firms while leveraging the customized products and outreach techniques perfected by fringe lenders.

The second article, "Predatory Lending: An Overview," by James H. Carr and Lopa Kolluri, examines more closely the issue of predatory lending. It notes that predatory lending represents some of the most abusive lending behavior in the financial services community and highlights the fact that predatory lending is not a simple issue of high-cost lending. Rather, Carr and Kolluri note that predatory lenders structure loans to force borrowers to default for the express purpose of extracting the equity homeowners have accumulated in their properties. But the article also notes that steering households to high-cost subprime loans on the basis of race/ethnicity or other personal characteristics is also a predatory practice that should be considered in the context of debates on predatory lending. A three-part definition for predatory lending is offered to explain how lenders utilize a variety of otherwise legitimate marketing techniques and loan terms to create fraudulent and financially destructive loans. The article concludes with a series of recommendations to directly address predatory lending.

Carr and Kolluri note that because predatory lending thrives in an environment where competition for financial services is limited or lacking, effectively eliminating predatory lending requires the same three-pronged approach recommended by Carr and Schuetz to enhance the efficiency of financial services generally in distressed communities. Carr and Kolluri further point out that as few as five to seven practices constitute the bulk of the most egregious predatory lending behavior and meaningfully addressing those practices would greatly reduce the most blatant forms of predatory lending.

Financial Services in Distressed Communities: Framing the Issue, Finding Solutions*

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Introduction

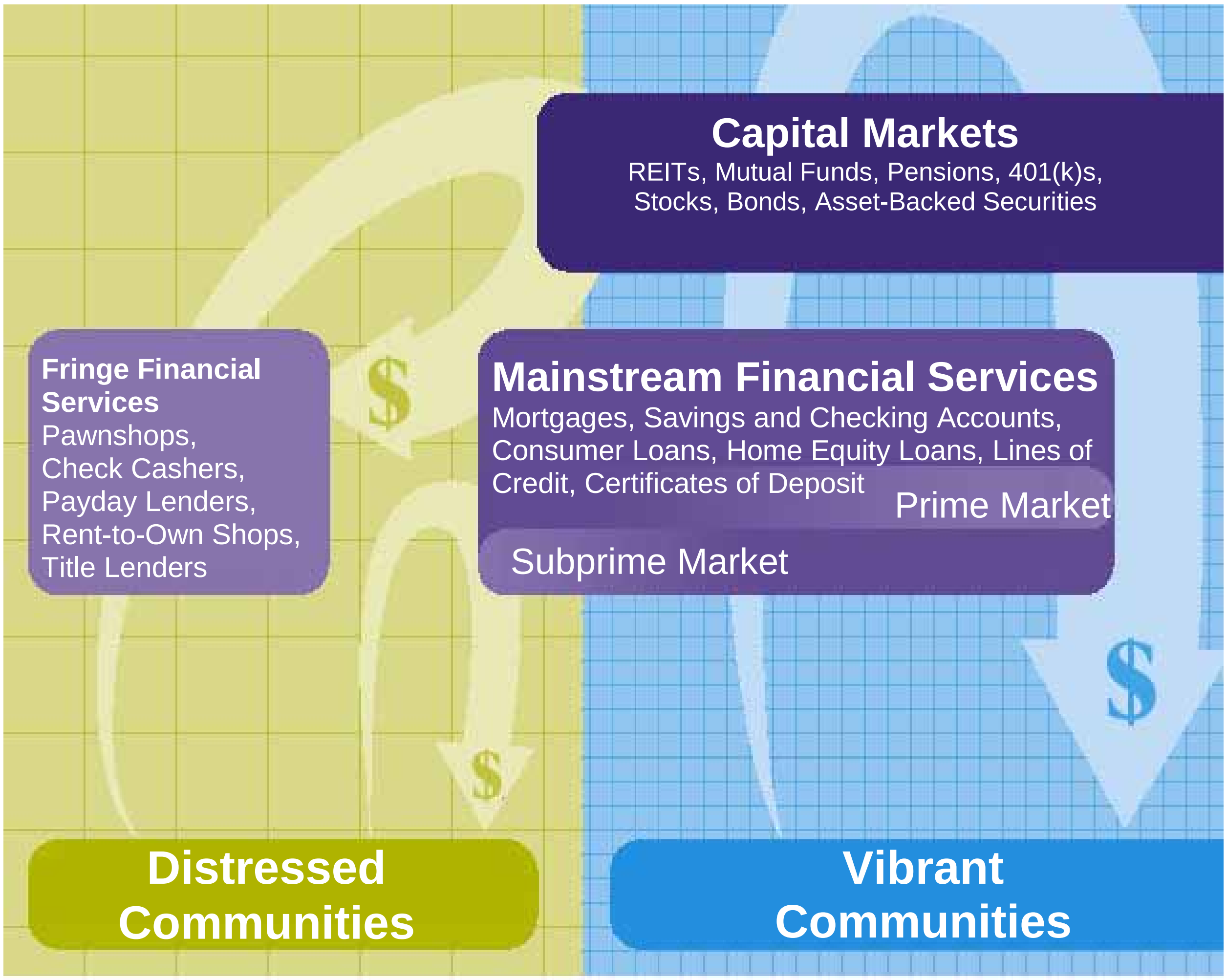
The American financial system is arguably the most sophisticated and efficient in the world. The power of the U.S. financial system comes from the complexity of financial intermediaries that include commercial banks, savings institutions, mortgage banks, investment banks, securities firms, insurance companies, specialized credit intermediaries, and a variety of specialized government and government-sponsored financial institutions.

But this sophisticated financial services infrastructure differs markedly from the world of finance in lower-income and minority communities (see figure 1, Bifurcated U.S. Financial System). There, the language of finance is increasingly pawnshops, check-cashing outlets, payday lenders, and rent-to-own stores. Largely unregulated in many states, the business practices of these financial services outlets differ greatly from the asset-building and wealth-creation services accessed by the majority of Americans.

Further, excessive subprime, as well as predatory, lending tend to flourish in communities saturated with check cashers, pawnshops, and related financial services outlets. Creating greater efficiency in, and competition for, financial services in distressed communities is the key to enabling lower-income and minority residents to maximize their asset-building capabilities and limit the negative influence of excessive high-cost and predatory financial services providers.

This article discusses the recent rapid growth of the alternative or fringe financial sector and highlights how its high-cost fee structure greatly undermines the ability of individual households to accumulate assets and build wealth. The article further notes that, to the extent that fringe financial services providers concentrate in, and are the primary financial services providers for, distressed lower-income and particularly minority communities, the neighborhoods in which they locate are also seriously disadvantaged. The article concludes with a series of recommendations to promote efficient financial markets in lower-income and minority communities. A companion article focuses explicitly on predatory lending (see "Predatory Lending: An Overview").

Figure 1. **Bifurcated U.S. Financial System**



Financial Services in Distressed Communities

As many as 12 million households in the United States either have no relationship with traditional financial institutions or depend on fringe lenders for financial services. These households are disproportionately poor and minority. Among lower-income families surveyed in a 1995 Federal Reserve Survey of Consumer Finances, 25 percent were unbanked, as well as one-third of African-American households and 29 percent of Hispanic households. Without banks, these households operate largely in a cash economy or resort to fringe banking services that routinely charge significantly higher fees for services than those assessed by mainstream financial institutions. The situation is particularly daunting for African-American households, 60 percent of which have zero or negative net financial assets, according to a report by the Corporation for Enterprise Development.

Lack of physical proximity to mainstream financial institutions is perhaps the most frequently cited reason for the disparity in financial services utilization by low-income and minority populations compared with wealthier households. A 1999 *Harvard Business Review* article, for example, cites extreme disparity in financial services options available to residents of two neighborhoods in Los Angeles—one in South Central and the other in Pacific Palisades. South Central has one depository institution for every 36,000 people, while Pacific Palisades has one for every 1,250 people.

Yet while physical proximity is important, it is not the only—and often not the most significant—barrier to the use of mainstream financial services among lower-income and minority households. There are a variety of complex reasons why many lower-income and minority households do not use traditional financial services even when they have access. Those reasons include unfamiliarity with banking and savings services, a belief by consumers that they do not write enough checks to justify an account, and lack of trust of the mainstream financial services providers. In addition, mainstream financial services can also be very expensive for households that do not have a relationship with those institutions, when customers cannot fulfill minimum balance requirements, or when poor management of an account results in bounced-check or related fees.

In fact, fringe lenders attribute their rapid growth to large, unmet consumer financial services needs among many lower-income households. According to the Financial Service Centers of America (FiSCA) (formerly the National Check Cashers Association) alternative sources of credit are filling an important credit gap for "individuals with limited financial means or who may lack the tangible assets to pledge in connection with traditional types of collateralized transactions…" FiSCA further asserts that alternative financial services providers are in higher demand than banks or credit unions in many markets because they provide a wider range of services and more flexible hours of operation tailored to meet the unique needs of their clients.

There is little debate that fringe lenders provide critical services to customers whose extremely low or unreliable incomes, limited tangible assets, or inability to manage credit make them unlikely candidates for mainstream financial services. But the explosive growth of these financial services storefronts over the past decade raises many critical policy issues. First, because fringe lenders do not provide savings accounts, households that rely exclusively on them lack both the incentive and option to save. Second, the heavy concentration of fringe lenders in minority communities means that those areas are disproportionately burdened with second-class financial services options. Finally, reliance on fringe lenders, even to the extent they provide needed financial services, routinely comes at a very high cost.

Consider these examples for check cashers, payday lenders, pawnshops, auto title lenders, and various other fringe financial activity:

- Check cashers—Although the average fee at a check cashing outlet for a government or payroll check ranges from 1.5 to 3 percent of its face value, fees can run as high as 20 percent for personal checks. At least 19 states regulate some aspects of check cashing services.

- Payday lenders—institutions that offer small consumer loans of $100 to $300—routinely charge 15 percent per two-week period. In addition to annualized interest rates of more than 400 percent, such loans encourage households to spend the next paycheck before it arrives, thus encouraging a dangerous cycle that can trap a household in permanent debt.

- Pawnshops offer small, short-term loans using personal items as collateral. State-imposed interest rates are capped as high as 25 percent monthly, which, annualized, can exceed 300 percent. Loopholes in some states allow “lease back” or “roll over” agreements that add fees, sometimes doubling the already high interest rate.

- The rent-to-own industry offers purchasing credit to consumers for a variety of merchandise, such as furniture and home electronics, for weekly or monthly payments that can be applied toward ownership. Leased items are typically priced at two to three times the standard retail amount. No equity builds up in the leased items until the final payment. According to a Federal Trade Commission survey, 60 to 70 percent of customers who initiate leases eventually purchase the items. The Association of Progressive Rental Organizations estimates that the percentage of customers who complete a purchase is less than 25 percent.

- Auto title lending is a variation on traditional pawnbroking. A person with clear title to a vehicle can borrow money from a lender by giving him or her power of attorney to transfer the title should the borrower default. Title loans are typically made for about 25 percent of the car’s value. Interest rates and other service charges vary between 2.5 and 25 percent per month, depending on a state’s pawnshop laws. Title loans are particularly dangerous for working families because defaults can result in the loss of the car and, consequently, the job, if there is no other way to get to work.

- Robert Manning in his book, *Credit Card Nation*, also describes direct marketing campaigns for high-interest “secured” credit cards that are marketed to customers who likely would not qualify for a standard-rate bank-issued credit card. In one example, he cites an offer for a $400 line of credit for which, in return for applying for the credit card, an unsuspecting consumer agrees to pay a variety of fees totaling $369. Such “offers” may be widely distributed, but the people most likely to accept the offer are the most financially vulnerable populations with the least financial sophistication and the fewest credit options.

Compensating for Risk

While the fees charged by fringe lenders are justified on the basis of the perceived high risk of their borrowers, most of these financial services providers have devised creative ways to reduce or protect themselves against borrower default on top of the high fees they charge. Payday lenders, for example, not only require proof of employment, income, and a personal checking account, but the borrower also must provide a postdated personal check. The rent-to-own industry allows no equity to be built up until the final payment, so a customer may meet all weekly payments and default near or at the end of the loan term, losing the item plus all previous cash payments. The retailer can then re-lease the item at the same weekly or monthly rate. Pawnshops provide cash loans in return for collateral left in the possession of the pawnbroker. And “cash leasing,” a cross between payday loans and pawn loans, involves small, short-term cash advances that carry monthly interest charges of up to 30 percent, backed by an active checking account and “pledged” household items, such as a stereo, computer, or television. Some states are better than others in affording consumer protections in these types of transactions.

In fact, Progressive Policy Institute analyst Anne Kim notes that the two largest check-cashing companies in the United States cashed roughly $6.5 billion in checks last year. According to Kim, the majority of those checks were payroll or government benefit payments. The value of bad checks—that is, the checks for which the check cashers could not collect—totaled less than one-fourth of one percent of the total amount of checks cashed. The nation’s two largest check cashers thus realized healthy profits charging on average 2.2 and 3.5 percent, respectively, of the face amount of the checks they cleared.

The Problem Is Growing

As table 1 illustrates, alternative financial services activity is big business. Fringe services engage in at least 280 million transactions each year for gross revenues of more than $168 billion that extract fees of at least $5.5 billion. According to Norman D’Amours, former chairman of the National Credit Union Administration, the number of unregulated and unlicensed financial services providers is growing nationwide, but the increase is exponential in low- and moderate-income and minority communities.

He notes that while the number of credit unions, banks, and thrifts has been steadily decreasing over the past five years in the United States, the number of check-cashing outlets has doubled. An April 2000 report by Dove Consulting for the U.S. Department of the Treasury reveals that about 11,000 check-cashing outlets in the United States cash more than 180 million checks annually, worth roughly $60 billion. D’Amours also estimates that there are between 12,000 and 14,000 pawnshops across the country, outnumbering credit unions and banks. Further, in 1996 there were 8,000 rent-to-own stores that served 3 million customers, according to a recent Federal Trade Commission survey. And in *Savings for the Poor*, Dr. Michael Stegman of the University of North Carolina, Chapel Hill, reported that payday lending grew nationally from 300 stores seven years ago to more than 8,000 in 1999.

Table 1. **Fringe Lending Is Real Money: Estimated Annual Transactions**

Service	Fee/Rate per Transaction	Volume of Transactions	Gross Revenues	Fee Total
Check Cashing	2–3 % payroll and government checks (can exceed 15% for personal)	180 million	$60 billion	$1.5 billion
Payday Loans	15–17% per 2 weeks 400% APR	55–69 million	$10–13.8 billion	$1.6–2.2 billion
Pawnshops	1.5–25% monthly 30-300% APR	42 million	$3.3 billion	N/A
Rent-to-Own	2–3 times retail	3 million	$4.7 billion	$2.35 billion
Auto Title Lenders	1.5–25% monthly 30–300% APR	N/A	N/A	N/A
Total	**N/A**	**280 million**	**$78 billion**	**$5.45 billion**

It Undermines Households and Communities

Even at the most modest levels, alternative financial services fees can greatly undermine the asset-building capacity of lower-income households. According to research cited by the Federal Reserve, fringe services for cash conversion and bill paying would cost an average $20,000-income household between $86 and $500 per year, while the same services at a bank would cost only $30 to $60 (assuming that low-cost banking services are available and the prospective customer is not disqualified for an account by lack of credit). Yet, $500 per year saved for a period of 10 years at a modest interest rate of only 4 percent would grow to more than $6,000. That amount would be sufficient for a down payment on a modestly priced home.

Moreover, the actual costs to many households using fringe banking would be even higher if those same households also resort to payday loans, pawnshops, rent-to-own retail, or auto title pawn loans. An example Manning offers in *Credit Card Nation* is of a $196 Magnavox TV that costs $9.99 a week for 78 weeks from a rent-to-own shop, for a total of $779. Compare it to buying the same television with a credit card at 22.8 percent interest from a national discount electronics store over the same time period for a total of $231. The difference in finance charge would be $548. Assuming a household relied on fringe lenders for only an additional $300 worth of services per year, the new total of $800 of potential savings would grow to nearly $10,000 over a 10-year period, again assuming a modest 4 percent rate of return.

Even if these households actually were able to save some of their earnings, their failure to access mainstream financial services institutions undermines their long-term asset accumulation. To illustrate, table 2 calculates the different investment vehicles. If, in 1989, a family had $3,000 in savings, but saved the money in a shoebox, 10 years later that $3,000 would be still be worth $3,000 in nominal dollars but only $2,233 when adjusted for inflation. However, the same sum invested in a 10-year Treasury note would have grown to more than $5,000 by 1999. Investment in an S&P index fund would have yielded $9,180 over that 10-year period. And if the family had, by prophetic insight, invested their savings in Microsoft Corporation in 1990, their wealth could have grown to a staggering $211,360 by 1999.

Table 2. **The Value of Saving $3,000***

Year	Shoebox	Treasury Note	S&P 500 Index Fund	Microsoft Stock
1989	$3,000	$3,000	$3,000	$3,000
1999	$3,000	$5,072	$9,180	$211,360

* In nominal dollars.

Excessive Subprime Home Mortgage Lending

As with fringe lending, subprime mortgage lending has also experienced tremendous growth in recent years. A recent U.S. Department of Housing and Urban Development (HUD) study indicates that between 1993 and 1998, the dollar volume of subprime loans grew sevenfold, from $20 billion to $150 billion, and the number of subprime refinance loans grew tenfold, from 80,000 loans to 790,000 loans. This growth in subprime lending compares to less than a 40 percent increase in prime lending for home purchases and a 2.5 percent increase in prime refinance loans.

HUD reports that subprime loans are heavily concentrated in lower-income and minority communities—the same communities that are the target for fringe financial outlets. HUD's analysis indicates that subprime loans are three times more prevalent in lower-income neighborhoods than in high-income areas, and five times more likely in black communities than in white neighborhoods. In fact, in black neighborhoods, high-cost subprime loans accounted for 51 percent of home loans in 1998, compared with 9 percent in white areas. Moreover, homeowners in high-income black communities are six times as likely to have a subprime loan as homeowners in high-income white neighborhoods. Estimates by Fannie Mae, Freddie Mac, and others conclude that many households in the subprime market could reasonably qualify for a prime market loan (see article on Predatory Lending in this report).

The Financial Impact of Excessive Subprime Lending

Subprime loans do not have to be predatory to seriously undermine the financial viability of households. Targeting or referring households to the subprime market in instances in which those loan applicants could reasonably have qualified for prime market loans greatly undermines the long-term asset-building potential of those households. Each additional interest point on a home mortgage totals tens of thousands of dollars on the total cost of a mortgage over the life of the loan. Subprime mortgages are routinely 3 to 4 percentage points or more higher than a comparable prime market loan. Yet, a mere 1 percentage point of additional interest can make a substantial financial impact over the life of a loan (see table 3).

Table 3. **Comparing Mortgage Payments for Different Interest Rates**

30-Year Fixed-Rate Loan **House Value $85,000** **Down Payment $4,250 (5%)** **Loan Amount $80,750**				
Annual Interest Rate	**Monthly Payment**	**Annual Payment**	**Annual Difference from 8%**	**Lifetime Difference from 8%**
8%	592.51	7,110.18	N/A	N/A
9%	649.73	7,796.79	686.61	20,598.43
10%	708.64	8,503.67	1,393.49	41,804.69
11%	769.00	9,228.01	2,117.83	63,535.05
12%	830.60	9,967.26	2,857.08	85,712.32

Take the example of a home modestly priced at $85,000. Assuming a 5 percent down payment, the mortgage is slightly under $81,000. With a base interest rate of 8 percent on a 30-year loan, a loan 1 percentage point higher results in $687 more annually. Over the lifetime of this 9 percent loan, it would be a $21,000 difference. At 2 percentage points—a 10 percent interest rate—the difference from a prime loan of 8 percent would be $42,000, half the original loan amount. Now, take that same $687 a household could save each year by shaving off a percentage point on their mortgage and invest it at 6 percent. At the end of 30 years, that household would have $57,572 instead of having to pay $21,000 in additional interest. The 2-percentage-points savings of $1,393 per year, invested at 6 percent, would total $116,736 at the end of 30 years for the household. And if the subprime loan carried a 12 percent interest rate, the extra interest payment over the base 8 percent loan would be $85,712 over the life of the loan. Invested at 6 percent for 30 years, that $85,712 of additional payments would grow to $239,421 in savings over a 30-year period.

Reasons for Rapid Growth

Three trends in recent years appear to have strengthened the alternative financial services sector: 1) increasing consolidation into large, publicly held firms with standardized business outlets across the nation, 2) increasing involvement by mainstream financial institutions in fringe lending outlets, and 3) enhanced products and services and effective marketing schemes to capitalize on rising consumer debt and the disconnect between low-income households and the mainstream financial system.

Industry Restructuring

Restructuring within both the mainstream and fringe financial services industries are contributing to the growing significance of fringe financial storefronts in disenfranchised communities. Michael Stegman cites consolidation in the banking industry as one reason for the decline in the presence of traditional banks in neighborhoods of all income levels. In *Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor,* John Caskey suggests that banking deregulation and pressure for increased profits have led banks to charge for previously free services and close unprofitable branches (often in low-income and minority areas) as well as eliminate money-losing services, such as small-balance deposit accounts.

Over the same period, several fringe financial outlets, such as pawnshops, check cashers, and payday lenders, have engaged in major consolidations. In the check-cashing industry, for example, six firms owned at least 50 outlets each in 1991. By 1999, one of the largest of these establishments had grown to more than 1,000 company-owned stores with franchises in 30 states. Further, this company has expanded its traditional in-store check-cashing business to include bill payment services as well as automated check cashing using advanced function ATMs with user-friendly touch screen menus.

Pawnshops, too, have grown into national chains. Data from *Fringe Banking* report the existence of at least five large, publicly traded nationwide pawnbroking firms. The largest of these chains went public in 1987, and by 1999 had acquired 414 stores in the United States. The rent-to-own industry has shown similar trends of consolidation. The largest firm was founded in 1986, and by 1999 owned 2,300 stores across the nation, or roughly one-fourth of all rent-to-own stores.

Convergence of Fringe and Mainstream Lenders

Wall Street has also fueled the growth in fringe and subprime activity. A recent *Business Week* article notes, for example, that through securitization—that is, the practice of issuing securities based on a pool of mortgages that can be sold to investors—leading Wall Street firms resold $60 billion of subprime mortgage loans in 1999, up from $3 billion in 1995. Between 1995 and 1998, subprime loan note sales rose from $10 billion to $87 billion. Banks now control 5 of the nation's top 10 subprime lenders and 10 of the top 25 subprime lenders.

Effective Marketing and Customized Services

While many low-income households exhibit reluctance to use traditional banks, fringe financial services providers have well-developed marketing strategies to draw in and retain customers by focusing on the relationship between customers and staff. Pawnshops and rent-to-own stores emphasize treating customers with personal attention and encourage small weekly payments made in person, allowing the retailer to market additional products to existing customers. These types of businesses rely heavily on repeat customers, which they cite as a means of increasing transactions while reducing risk, as Caskey reports in *Lower Income Americans, Higher Cost Financial Services.*

Role of Financial Markets in Community Reinvestment

Creating efficient markets in distressed communities is essential to successful revitalization of those areas. Stated otherwise, building community wealth requires the building of individual wealth. Mainstream financial institutions are the engines of wealth creation and upward financial mobility in America. Improving access to, and utilization of, the mainstream engines of wealth creation would by itself promote significant community investment.

Each dollar that is spent on overpriced financial services by a lower-income household represents potentially important savings that could lead to wealth building. For example, the more than $5.45 billion in fringe financial services fees that are collected from financially vulnerable consumers each year is slightly less than the entire asset base of the more than 460 community development financial institutions (CDFIs) operating in the United States. It is also moderately less than the fiscal year 2000 HUD budget for Community Development Block Grants plus all HOPE VI and Empowerment Zone/Enterprise Community funding.

Moreover, the fees represent an annual funding stream. If only a portion, perhaps 20 percent, of those dollars lost each year to fringe financial services could be captured and redirected to housing, that would represent more than $1 billion for home-buyer assistance or housing rehabilitation in many of the most distressed communities in the nation. And, that funding stream would not require any additional taxpayer contributions. Add to that sum the hundreds of millions of dollars unnecessarily paid each year, by households unfairly and unnecessarily steered into high-cost subprime loans, and it is immediately clear how better organizing the financial markets in distressed communities and connecting households to the engines of wealth creation can provide a major boost to the community revitalization process.

Flowing to a broader range of consumer goods and services, that money could encourage the opening of new business based on market demand for locally desired products or services. Helping to create wealth could reduce the need for complex tax-related government subsidies that encourage businesses to relocate to distressed communities that have no economic rationale for being there other than to benefit from untargeted and questionable tax subsidies. If channeled into savings, money lost to check cashers and similar high-cost services could offer financial institutions and community residents enormous wealth-generating potential.

Fixing the Problem

Enhancing financial services options for lower-income and minority households and communities will require action in three areas:

1. Improving the availability of data on financial services transactions and aggressively enforcing fair lending, equal credit opportunity, and consumer protection laws and regulations.

2. Enhancing availability of products and services designed to meet the unique needs of lower-income and lower-wealth customers.

3. Offering consumer financial education and outreach programs.

Collecting Additional Data and Enforcing Laws

An important missing tool to address the issue of market failure in distressed communities is a robust set of data that could more easily enable policy makers, regulatory agency personnel, researchers, nonprofit community activists, and other interested parties to pinpoint critical areas and issues for examination and possible action. Enhancing data collection is always controversial. But it is simply not possible to resolve a problem that cannot be identified and examined. When the federal government first sought to include borrower race/ethnicity information in the Home Mortgage Disclosure Act database, many argued that added information would be useless because it would answer only *who* was accepted or rejected for mortgage credit but not *why*. Yet that data exposed major and critical areas for concern throughout the mortgage lending industry related to lending to traditionally underserved borrower groups. The net result has been explosive growth in affordable lending to lower-income and minority households over the past decade.

Because alternative financial services providers are regulated at the state level, with widely varying regulatory oversight, a single national reporting requirement could greatly enhance the ability of regulators, community groups, and research institutions to examine the practices of these firms. Data elements might include fee schedules, collateral requirements, number of customers served, and revenue and earnings statements.

The goal of greater regulation with respect to fringe lenders should not be to eliminate those sources of credit. In moderation, they provide important access to credit for a variety of consumers. Rather, enhanced regulation should ensure that to the extent those services are provided, they are offered at costs that more reasonably reflect the real risks presented by consumers. Interest rates, for example, that when annualized can exceed 300 percent or more, are hard to justify under any circumstance. Further, the targeting of high-cost financial services on the basis of personal characteristics such as race or ethnicity, rather than on the basis of income or creditworthiness, should be closely monitored and effectively addressed.

For subprime loans, additional information might include key loan terms such as the inclusion of credit life insurance, balloon payments, prepayment penalties, and related major loan characteristics. Further, interest rates, points, processing fees, and closing costs would also be critical. This data could highlight areas for further investigation and allow for a more aggressive enforcement of fair housing, equal credit opportunity, and a variety of consumer protection laws.

To the greatest extent possible, reporting requirements for similar financial transactions should be the same for the greatest number of institutions possible. Dissimilar reporting requirements across institutions that perform similar services create opportunities for abuse by institutions that are not covered. At the same time, institutions that are covered may be discouraged from attempting to enter emerging markets with new or innovative products. Further, because data collection can be very costly, care should be taken to ensure that any new reporting requirements do not overwhelm financial institutions with requests for insignificant and extraneous information.

Further, an explicit focus on how equal credit opportunity and consumer protection laws are violated in distressed communities would provide financially vulnerable households with the kind of support offered to middle-income and wealthy households in vibrant communities. Each year, millions of dollars are spent on financial system regulation through agencies such as the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Department of the Treasury, and Federal Reserve System, to name a few. But federal institutions can do relatively little to protect the financial interests of households operating in a cash economy or relying on fringe financial services providers whose activities are not covered by those key federal financial regulators.

Enhancing Products to Serve Lower-Income Households

Efforts to promote a wider range of financial products and services for low-income and minority households can be divided into three categories: 1) efforts to connect households receiving government benefits to low-cost access to those funds through electronic transfer accounts (ETAs) and related initiatives; 2) enhanced utilization of technology, such as sophisticated ATMs and the Internet; and 3) innovative products and partnerships designed to meet the unique needs of lower-income, lower-wealth households.

Government Initiatives. The Debt Collection and Improvement Act of 1996 is one of several promising initiatives launched by the federal government to decrease processing costs, reduce fraud, and provide a lower-cost alternative for benefit recipients than sending them paper checks that must be cashed, usually for a fee. The law mandated that, by 1999, all federal benefit payments would be delivered electronically—a measure that is expected to save the federal government an estimated $100 million annually on processing and delivering payments. Since the legislation went into effect, Congress has mandated that states convert food stamp programs to electronic payment by 2002, using point-of-sale (POS) terminals at participating retailers. Additionally, more than 40 states have voluntarily decided to add their emergency cash assistance programs to the plastic food stamp cards so that welfare benefits will be accessible at ATMs and POS networks.

These laws create even more opportunities to link low-income families and people living in underserved areas to banks and other savings institutions. Michael Stegman, in his forthcoming article, “Banking the Unbanked,” says the electronic delivery of government benefits “promotes financial inclusion” and recognizes that “economic opportunity cannot thrive where access is denied.” In fact, an estimated 3 million of the roughly 12 million unbanked individuals in the United States receive federal government benefits—a large market that has gone largely untapped.

Expanding Use of Technology. A Ford Foundation white paper, “Financial Technology and the Lower-Income Consumer” by Steve Davidson et al., notes that new types of ATM and card-based technology have the potential for “turning the unbanked to the self-banked” while lowering costs and increasing access and convenience to financial services and products. The report provides several examples: Umbrella Bank in Illinois plans to put ATM-equipped kiosks in lower-income housing developments; FirstTel is gearing up for similar services in HUD housing in Florida; and Banco Popular offers an all-electronic account to customers without a traditional bank account.

Similar to the federal government’s ETAs is a U.S. Treasury Department pilot initiative that uses ATMs to limit the reliance on fringe lenders and check cashers in traditionally underserved markets. Treasury is piloting a program to put ATMs in post offices to distribute Social Security payments, federal retirement payments, and other government benefits. Consumers use a debit card or credit card to access their benefits with no extra fees. The ATMs would provide safe and convenient access to banking services in traditionally underserved areas. The project, in partnership with the U.S. Postal Service and Key Bank of Cleveland, which owns and operates the ATMs, is testing the use of the free-of-charge ATMs at three urban locations in Baltimore and three rural locations outside Tallahassee, Florida.

Efforts to lower the cost of banking by using technologial advances should be encouraged among the private sector as well, since an estimated half of the country’s private sector employees do not participate in direct deposit. Comptroller of the Currency John D. Hawke Jr. recently told the National Community Reinvestment Coalition that expanding the structure of the direct deposit account to make it more appealing to the unbanked is critical to bringing them into the mainstream banking system. Creating these connections—and adding functions such as transfer of funds to other countries at a lower cost than wire transfer fees—can create links between banks and lower-income residents.

Innovative Products and Services. Mainstream financial services providers can learn from the considerable finesse demonstrated by alternative financial services providers in marketing, packaging, and bundling services. One example is bundling services such as check cashing, money orders, money wiring, utility and cable bill payment, and related services (see the summary of John Caskey's proposed solution following this article). Mainstream financial institutions can take a lesson from and form partnerships with fringe service providers, creating efficient operating structures that lower costs and then pass along savings to clients.

Innovative programs that have recently been introduced or are being test-marketed by institutions such as community development credit unions (CDCUs) and CDFIs should be encouraged and expanded. Woodstock Institute's *Reinvestment Alert No. 16* provides two examples of CDCUs that are offering alternative payday loan products to counter the often-excessive fees charged by fringe payday lenders. The Faith Community United Credit Union in Cleveland and the Louisiana-based ASI Federal Credit Union offer affordable alternatives to their members, and their experiences can show how other mainstream credit unions and financial services providers can establish similar consumer loan products. Both offer interest rates of 17 to 18 percent, with $15 to $30 processing fees and timely repayment requirements. Credit counseling is offered with the service, and a savings plan can be integrated into the loan.

Davidson et al. also provide examples of how some mainstream financial services providers are expanding their reach to lower-income consumers by lowering the cost of those services to help "transition" these customers to mainstream markets. Union Bank of California has created a division called Cash & Save that offers check-cashing services at a lower-than-average 1.0 percent to 1.5 percent fee on payroll checks issued by area employers. Customers are permitted to open Union Bank savings accounts at Cash & Save outlets. Another company, Directo Inc., is serving lower-income customers—many of whom were denied bank accounts—with a payroll debit card, allowing employees to access their pay electronically through an ATM. Directo also has an innovative wire service/ATM feature that enables customers to wire money to foreign bank accounts that can then be accessed through an ATM. The fees are much lower than those for most wire services.

New partnerships between fringe lenders and mainstream financial services providers can also prove to be highly beneficial to residents of distressed communities and the financial institutions that serve them. By moving away from an exploitative model and toward a model that lays the foundation for a long-term, mutually beneficial relationship, mainstream financial institutions can help to build the assets of lower-income consumers that can lead to more valuable and substantial relationships over time.

In *Banking the Unbanked,* Stegman cites the Chicago Community Reinvestment Act Coalition and Bank One as an example of this type of partnership. The organizations teamed up to increase lending, service, and investments in lower-income communities in the Chicago region. They are also piloting a program to promote deposit services to unbanked customers. This pilot, the "Alternative Banking Program," offers a safe, convenient, and inexpensive alternative to check-cashing services and conducts financial literacy workshops to demonstrate the cost savings of using alternatives to check cashers.

The incentive to reform the financial services environment characterized by high-cost and inefficient financial services providers is compelling for policy experts interested in helping to promote the building of wealth among lower-income and minority households. The extraordinary sums of money involved in excessive fringe and subprime lending clearly demonstrate the fact that there is substantial potential for lower- and moderate-income households to build their financial assets. Further, recent research by Hogarth and O'Donnell in the *Journal of Consumer Policy* shows that when low- to moderate-income households are brought into institutions with a transaction account, there is a high probability of moving them "in and up" into other product lines.

Improving Financial Education and Outreach

Even if there is improved enforcement of laws, it is very important to educate consumers about the types of institutions, products, and services they should use, and ones they should avoid. Many lower-income households have limited financial savvy and do not know the most basic aspects of household budgeting. Well-conceived, -designed, and -delivered consumer education programs can be instrumental in helping households more effectively mange their finances.

In addition, consumers need to know how to identify potentially fraudulent or otherwise questionable lenders. They need to know, for example, that when they see ads that read: "No credit, no job, no problem," they should respond with "No thanks!" Financially vulnerable households need help understanding that substantial wealth can be built from relatively small amounts of money. They need support to best understand how to properly and effectively evaluate the financial services options available to them and how to select the options that best meet their needs.

Having said that, caution needs to be exercised with respect to our expectations on the ability of financial education to aid borrowers facing predatory lenders. Households with limited education are little match for sophisticated criminals intent on defrauding a household of their wealth. Loan documents are challenging and complex even for borrowers with masters degrees in business.

Mortgage loan contracts can involve 30 or more separate documents written in the legal prose and not intended to be understood by a lay person. Expecting a poorly educated borrower to defend himself or herself in this type of situation is unrealistic. For borrower education to be most effective, it will need to include education prior to selecting a lender as well as third party review at the time of closing.

Conclusion

Improving the financial services environment for lower-income and minority households is imperative to enabling them to fully benefit from the wealth-building opportunities available to most Americans. With regard specifically to minority households, it is useful to keep in mind that discrimination has played a significant role in creating many of the distressed markets heavily populated by fringe, excessive subprime, and predatory lenders—and that for many years government policies directly supported and even enforced many of the most discriminatory actions. As a result of that history, government has an important role to play in helping eliminate the legacies of those discriminatory actions. Principal among them are the inefficient markets in distressed communities. Improving the markets can be accomplished by supporting financial institutions to reposition themselves to be more effective in meeting the financial services needs of residents of underserved communities.

Rather than acting solely as a policeman—enforcing laws and penalizing institutions that fail to perform—government should work with financial institutions to provide them with the flexibility to test programs or with the funding to pilot innovative financial services approaches that are too expensive for private financial institutions to pursue on their own.

The federal government is constantly engaged in the credit markets to ensure the efficient functioning of those markets as they pertain to middle- and upper-income households. In fact, even today, most households benefit from a substantial infrastructure of government agencies that work to perfect the operation of market mechanisms to ensure the most efficient delivery of financial services possible. But because most of the financial institutions supported or regulated by this infrastructure do not directly serve unbanked households, this elaborate infrastructure does little to promote the financial well-being of the residents of distressed communities.

Greater information and enforcement of relevant laws, combined with increased financial sophistication on the part of consumers, could go a long way toward eliminating in the near term some of the most egregious and abusive financial services practices in struggling, lower-income and minority communities. By combining the private market's innovation with publicly supported initiatives to understand and address market failure, the full range of financial services that serve the majority of Americans can be made accessible in all communities.

Strengthening Financial Services

Five Key Elements in Bridging the Banking Gap[1]

In a paper recently presented at a Federal Reserve System conference on *Changing Financial Markets and Community Development*, John P. Caskey outlined a five-point strategy to bring into the financial mainstream the "unbanked" who, without any type of deposit account, are typically customers of check-cashing outlets (CCOs). He suggests that specially bundled financial programs would help this population build savings and improve credit-risk profiles, qualifying them for lower-cost services and eliminating a common source of stress.

1. Open specialized bank branch "outlets" that provide CCO services.

Banks could provide a range of financial services to unbanked communities by creating bank "outlets" for check cashing. By locating in places convenient to large numbers of low- and moderate-income households that tend to use CCOs, these outlets could initiate banking relationships and build trust among the unbanked. Additional products and services that could be offered include money orders, stamps and envelopes, international and domestic cash wire transfers, phone cards, bus tokens and transit passes, and payment of utility and phone bills. By charging lower fees for check-cashing services than CCOs and offering discounted rates for frequent customers, bank outlets could encourage repeat business, enabling many to "graduate" to banks. The outlets could also work with customers to build savings and address credit problems.

2. Offer "starter" bank accounts with low minimum-balance requirements that cannot be overdrawn, and include access to low-cost money orders for making long-distance payments.

To encourage the unbanked to become traditional bank customers, their accounts could be tailored to their unique situations. Low-cost, low–minimum balance checking and savings accounts could be offered with nontraditional features, such as discounted money orders, stamped envelopes, convenient processing of utility bills, and electronic deposit of wages and government transfers. By blocking the account from being overdrawn, CCO customers can avoid the high costs of bouncing checks that might have dissuaded them from having traditional accounts. ATM and debit-card access could also be given, along with the service of making long-distance payments.

3. *Create accounts specifically designed to build savings.*

"Savings-building" accounts that allow individuals to pledge to save a fixed amount in small increments over a specified time period, usually a year, could also assist the unbanked. Contributions would coincide with receipt of regular income such as a paycheck and, if possible, would be automatically debited. Caskey suggests separating these accounts from a regular checking or savings account to keep a psychological distinction between the two. He also

[1] Material in this section © John P. Caskey. Used with permission.

suggests imposing a penalty for early closure of the account and for failure to make specified deposits at regular intervals.

4. *Offer deposit-secured emergency loans to individuals whose credit histories make them ineligible for traditional mainstream credit.*

With credit-scoring and other cost-saving technologies, bank outlets could find it more feasible to make unsecured non-revolving loans of less than $1,000 to customers with good credit records. This would allow them to compete with payday lenders and pawnbrokers to offer smaller loans often not practical at larger banks because of high risk factors and administrative costs. For customers with impaired credit histories, outlets could offer deposit-secured credit cards, or loans made against the balance of a savings-building account. In addition, outlets could partner with community-based organizations (CBOs) to establish philanthropic deposit accounts to provide collateral for loans to lower-income households without financial savings.

5. Seek community-based partners and offer financial literacy programs.

Banks can benefit in many ways by forming partnerships with carefully chosen nonprofit CBOs. A well-connected CBO can help overcome distrust between community residents and banks. Also, CBOs benefit from increased financial services in the neighborhood, and can initiate and promote financial literacy initiatives.

Caskey also offered two case studies of these strategies:

"Cash & Save" Outlets of Union Bank of California

Union Bank of California began opening "Cash & Save" outlets in 1993 in Los Angeles and San Diego offering check-cashing and banking services. By 2000, there were 12 stores, the most successful of which were stand-alone outlets in large discount stores that catered to middle- and lower-middle-income shoppers. "Check-cashing" is prominently advertised and the hours of operation include evenings and weekends. In addition to traditional banking services, the Cash & Save outlets offer a full range of commercial check-cashing services. A first-time check-cashing customer pays a $3 fee to become a Cash & Save "member" with a digital photo, signature, and employment information on file.

To encourage repeat business, discounts are offered, including a $10 annual "Money Order Plan" that allows six "free" money orders a month and a discounted 1 percent check-cashing fee for the year. Other services include cashing of government checks and paychecks for nondepositors, originating domestic and international wire transfers, handling the payment of utility bills, selling prepaid phone cards, faxing and photocopying, and in some locations selling bus tokens and passes. Basic checking accounts have low minimum-balance requirements. Among nontraditional accounts is a deposit account similar to an Electronic Transfer Account that receives electronic deposits of government benefits payments with a passbook interest rate. Maintenance fees are waived, but all cash withdrawals carry a 1 percent fee. Cash & Save also offers two savings plans: The "Nest Egg" account requires a commitment to deposit at least $25 a month for one year after a $10 initial deposit, and the "Combo" account combines the Nest Egg account with the Money Order Plan. Cash & Save outlets formed partnerships with CBOs to offer personal financial management seminars. The CBOs host the seminars and the banks publicize them. Union Bank reports that about 40 percent of its regular check-cashing customers use at least one traditional bank product within a few years.

"Over-the-Rhine" branch of Cincinnati Central Credit Union

The Cincinnati Central Credit Union (CCCU), realizing the lack of depository financial institutions in the Over-the-Rhine neighborhood, formed a partnership with a local nonprofit organization based there called SmartMoney Community Services. SmartMoney raised the capital to acquire and equip a storefront credit union branch and then provided subsidized office space. The partnership is mutually beneficial: SmartMoney provides one-on-one financial counseling sessions and helps build trust between the community and the CCCU, and the credit union provides the community with convenient, professional depository and credit services. Services include low-cost, low–minimum balance checking and savings accounts, and a small-scale individual development account program.

The branch also sells low-cost money orders, postage stamps, envelopes, and bus passes. To provide small loans to residents with impaired credit histories, the "Smart Loan" program was designed. SmartMoney collected donations from churches and individuals to use as collateral for Smart Loans, with the maximum loan amount being $3,000. SmartMoney requires that recipients enroll in its Smart Change budget counseling course to repair credit records and build savings. CCCU reports that the branch, which is largely self-supporting, has successfully met residents' needs for convenient financial services and support.

Case Study on Neighborhood Trust Federal Credit Union

Neighborhood Trust Federal Credit Union (NTFCU) in New York City is one of the fastest-growing community development credit unions in the United States. Opened in 1997, it has accumulated $5 million in assets, about double the amount in deposits in most neighborhood credit unions, according to the *New York Times.* Based in an abandoned Chemical Bank branch in the Port Authority Terminal on Fort Washington Avenue and 178th Street, the nonprofit credit union provides services to low-income residents of the Washington Heights and West Harlem communities, where check-cashing outlets and pawnshops are on nearly every corner and predatory lenders proliferate. An estimated 70 percent of NTFCU customers have never had a bank account.

Background/Structure

The idea of creating a nonprofit organization to provide financial and educational services for community development was conceived in 1994 by New York City school teachers Mark Levine and Luis De Los Santos. Recognizing the disparities of service in the Washington Heights community, Levine, a graduate of the Kennedy School at Harvard, conducted a population survey that revealed a desperate need for affordable financial services. He enlisted friends to help him conduct research to determine how to create a community-owned and -run community credit union.

Three years later, the NTFCU was born. A daughter organization of the nonprofit Credit Where Credit is Due organization—which provides outreach, education, and training on financial management, banking services, and homeownership—NTFCU now has a staff of 12 and 3,000 members, each of whom is a shareholder.

Population Served

The two communities served by NTFCU have a total population of about 500,000 with a median household annual income of $10,000 to $12,000. In Washington Heights, 80 percent of the population is Dominican and in West Harlem it is 55 percent African American and Latino. A large proportion of the local businesses are home-based child care, beauty salons, grocery stores and convenience stores, and eateries. Most of the credit union's customers have never used mainstream financial institutions. Instead, they were typically served by pawnshops, check cashers, and predatory lenders.

Services Provided

NTFCU provides a number of financial services, including:

- Personal and business banking: Customers can open a no–minimum balance checking account with $100 and have no limit on the number of checks that can be written for a monthly service fee of $5. Savings accounts require $50 minimums. The credit union also offers ATM cards.

- Lending services in the form of personal loans, securitized credit, and mortgage lending: Personal loans ($500 to $10,000) are offered for personal needs or to start or build micro-businesses. Interest rates are higher on personal loans than for business development. Repayment periods vary by loan and borrower profiles, but generally do not exceed four years. At the time of this writing, the loan portfolio consisted of 700 loans totaling $1.9 million, with a repayment rate of 97 percent. Default rates of 3 percent are consistent with commercial banks serving higher-income populations. Securitized and partially securitized credit cards are also offered. These are basically prepaid credit cards. Mortgage lending is primarily for cooperative housing purchases, normally not exceeding $150,000. Although the majority of owner-occupied housing stock in upper Manhattan is cooperative housing, these mortgages are often viewed as risky loans for commercial banks because they are considered nontraditional.

- Education through financial literacy programs. The Credit Where Credit Is Due (CWCID) organization, the Neighborhood Trust's mother organization, conducts four different educational and outreach programs.

1. The *Personal Financial Literacy Program* focuses on developing basic accounting skills to open and use bank accounts, write checks, draft monthly budgets, save for college, and understand concepts of stock market investment. Graduates of this program can use the pro bono services of the investment company, First Investor.

2. The *Enterprise Training Program* series coaches entrepreneurs on business concepts, how to prepare business plans and budgets, access capital, handle accounting and book-keeping, and better understand the basics of business law and employee management. After completion of the eight-class series, entrepreneurs are entitled to one hour of free consultation with the CWCID education program manager, as well as free consultations with the law firm of Chadbourn and Parke.

3. The *Youth Education Program* or *School Banking* teaches local fourth and fifth graders to use banking services and to save for their futures. Participants open bank accounts and can make deposits with as little as one cent. Withdrawals require parental consent. The program operates in local schools and includes lessons in basic math as applied to banking. More than $23,000 has been saved by the 750 participants.

4. The *Home Ownership Training Program* teaches community members how to obtain a home mortgage loan, assess one's financial capacity to repay it, calculate the terms of an affordable mortgage, and assess the value of a house. Because the majority of housing in the area is cooperative housing, the program also offers specific information about what cooperatives are and about cooperative lending.

Strategies for Success

The credit union's success is attributed to its ability to fine-tune its services to community needs, and its commitment to local economic development. The survey conducted in the beginning of CWCID's project helped identify these needs. The organization is also in a constant mode of self-evaluation and regularly asks clients to fill out evaluation questionnaires. Another strength is Neighborhood Trust's sound business practices and modeling of commercial banking operations, combined with a balance between its commercial approach and nonprofit developmental agenda. Finally, successful fund raising to cover a variety of support activities has also added to the ultimate success of Neighborhood Trust.

Individual Development Accounts

Individual development accounts (IDAs) are matched savings accounts designed to help low-wealth families or individuals build assets. Participants can use the money saved through these accounts to buy a house, develop a business, or increase job skills through education and training.

Similar to other defined contribution plans, such as 401(k)s, IDAs offer a monetary incentive for participation for every dollar saved. Individuals make regular savings deposits in their IDAs that are then matched by funds from the sponsoring bank, foundation, other charitable organization, or local government.

IDA programs often include personal finance literacy counseling and training on such issues as homeownership, household budgeting, record keeping, and long-term economic planning.

Although the main goal of the program is to increase wealth, the accounts also provide opportunities for banks to attract new customers by increasing the comfort level of participants with financial institutions.

Several foundations, community organizations, elected representatives, and government officials have provided crucial support for IDA programs. Both the Corporation for Enterprise Development and the Center for Social Development at the University of Washington at St. Louis have played central roles in the implementation of a national IDA pilot demonstration, research on the effectiveness of IDAs, proliferation of federal and state IDA legislation, and the development and dissemination of program development materials. As a result, a proposed national IDA tax credit, called the Savings for Working Families Act, is expected to come before Congress for a vote this year.

The national demonstration has achieved the goal of proving that low-income and low-wealth individuals can save when given the proper incentives and educational tools. Over a three-year period, the 2,000-plus demonstration participants deposited more than $1.3 million. The success of the national demonstration has generated tremendous interest in and support for IDA programs at the federal, state, and local levels. In considering further initiatives, however, it is important to keep in mind that these early IDA initiatives have been relatively costly to set up. Services such as outreach and consumer education can be costly.

Community Development Financial Institutions

Definition, Structure, and Population Served	**Mission**	**Strengths**
Community Development Financial Institutions (CDFIs)		
CDFIs are private-sector financial intermediaries with community development as their primary mission. They are bridge institutions that link unconventional borrowers and conventional financial institutions. There are 6 basic types of CDFIs: 1) community development credit unions, 2) community development banks, 3) community development loan funds, 4) microenterprise funds, 5) community development corporation-based lenders and investors, and 6) community development venture funds. CDFIs target their efforts to distinct geographic	CDFIs bring private-sector capital to bear on problems that have historically required public sector solutions. They all have community development as their primary mission and carry out that mission by: 1) financing businesses and community facilities, job creation and development, and affordable housing in low- and moderate-income communities; 2) providing technical assistance to assist "unbankable" customers; 3) demonstrating that poor urban and rural areas can be profitable markets; 4) helping banks target their	The strength of CDFIs is their flexibility to adapt lending guidelines to the needs of borrowers; to accept unconventional collateral for loans; and to provide education, training, and assistance to potential borrowers. CDFIs attract private investment, they don't substitute for it. They rely on capital-led strategies to address

areas that are economically distressed and/or to distinct demographic populations that are underserved. Some CDFIs, for example, target their efforts to a particular urban, rural, or reservation community. Others lend to particular groups of people (minorities, women, low-income families) or offer specific types of credit products not readily available in the conventional market.	community reinvestment funding; and 5) bringing innovative and trailblazing products and services to disinvested areas. CDFIs make possible loans and investments in community development that conventional financial institutions would consider unbankable.	economic and social problems, and seek to establish capital relationships within their markets that seed sustainability.
CDFI Fund		
The CDFI Fund was established by the U.S. government to facilitate the creation of and capitalize a national network of financial institutions that is dedicated to community development and is committed to serving and improving low-income and low-wealth communities. CDFI Fund supports these organizations with an aim to make the most effective use of limited federal resources. It uses relatively small amounts of federal money to leverage significant amounts of private and nonfederal dollars, promotes private entrepreneurship, and encourages self-help and self-sufficiency.	The Fund bolsters economic development by investing in and assisting CDFIs. By investing in institutions, not just projects, the Fund helps CDFIs better respond to their markets by increasing their ability to manage risk, enhance capacity, and be flexible in their financing. The CDFI Fund provides the following types of assistance: equity investments, credit union shares, loans, grants, and technical assistance (directly, through grants, or by contract with organizations with expertise in community development finance). The Fund supports the following uses of financial assistance: commercial facilities that promote revitalization, community stability, or job creation or retention; businesses that provide jobs for, that are owned by, or that enhance availability of products and services to low-income people; community facilities; basic financial services; housing for low-income people; other businesses and activities deemed appropriate by the Fund; and technical assistance for capacity building, training, and development of programs, investments, or loans.	The CDFI Fund is innovative, investment-oriented, and businesslike in approaching its funding. Recognizing that there are diverse organizational levels, the Fund has established different windows for participants. In addition to the "Core CDFI Program," the Fund has implemented an "Intermediary Program" through which organizations in need of assistance can participate through CDFI intermediaries, and a "Technical Assistance Program" that offers financial support to CDFIs working to build their organizational capacity. Current Initiatives: Core Program—provides financial and technical assistance to CDFIs; Intermediary Program—provides financial assistance to CDFI intermediaries (CDFIs that finance other CDFIs); Bank Enterprise Award Program—provides financial assistance to CDFI and non-CDFI depository institutions; Certification—non-monetary classification recognizing that CDFIs meet Fund eligibility requirements; Microenterprise Awards—non-monetary award program recognizing excellence in microenterprise development; Technical Assistance Component will provide financial assistance to training and technical assistance providers that work with CDFIs; Secondary Market Initiative—financial support to enhance CDFI liquidity.

Case Study of a CDFI: First Bank of the Americas

First Bank of the Americas (FBA) in Chicago is an FDIC-insured bank designated by the U.S. Treasury as a community development financial institution. Since its founding in 1997, FBA has served the predominately Mexican-American communities of Pilsen, Back of the Yards, and Little Village. In a speech in early 2000 to the Chicago Board of Alderman, First Bank of the Americas President and CEO David Voss described the bank's mission of providing reasonably priced financial services to the surrounding community where high-cost fringe bankers do brisk business in "lifeline banking transactions" of check cashing, bill payment, and money transfer.

During a five-month period between September 1999 and February 2000, FBA refinanced more than 150 high-rate mortgages, home equity loans, and consumer loans at market interest rates. Voss estimated that FBA's refinancing will save community members more than $4 million over the next five years.

To overcome neighborhood residents' distrust of traditional financial institutions, FBA, with some outside funding, has launched a community outreach and education campaign. It conducts monthly financial literacy seminars and provides information on local Hispanic TV and radio stations. FBA also has established "school banks" at two schools, Maria Saucedo Scholastic Academy and Cristo Rey High School. The banks, staffed and managed by students, offer savings accounts to students and school staff, serving a dual function of teaching children personal financial management and introducing them to the workings of a bank.

Microfinance for Enterprise Initiatives of Low- and Moderate-Income and Other Disadvantaged Communities

Microfinance is the extension of small loans to small enterpreneurs and households that are too poor to qualify for traditional bank loans or lack assets for collateral. These loans are typically used for income generation, enterprise development, and, in some instances, for community needs such as health and education. Typically microfinance, also called microcredit, loans have a short repayment period and have terms and conditions suited to the local conditions of the community.

The concept of microfinance is not new. Informal systems of credit have existed in societies for centuries, long before modern, commercial banking came into the picture. Many of the current microfinance practices, made popular in developing countries, derive from community-based mutual credit transactions based on trust and peer-based non-collateral borrowing and repayment.

Microcredit in the United States

Microcredit can be an effective program to help empower financially disenfranchised populations, enabling those without access to lending institutions to start small businesses at bank interest rates. In the last five years a surge of interest has spread across the United States to broaden access to credit to lower-income Americans.

In the United States, microlending is centered in community-based banks, credit unions, community loan funds, and other local CDFIs. These institutions provide loans to businesses or households that have one or more of the following characteristics: (1) operate in low- and moderate-income and other disadvantaged communities, (2) are a start-up business or have annual revenues below a specific benchmark, (3) have owners who personally create their product or deliver the service, (4) have fewer than 25 employees, and (5) have a local customer base. The principal amounts of microcredit loans may be as little as $300 or as much as $25,000.

Interest rates are comparable to commercial lending rates and loan repayment rates often exceed those in the commercial sector.

Effective Strategies

According to the OCC study of microcredit practices in the United States, microlending institutions have several common strategies in small business finance. They 1) commit resources, including expert staff, and actively solicit small business customers; 2) learn about small business needs and offer tailored products and services; 3) provide small business customers with easy access; 4) establish streamlined processing for timely credit decisions; 5) offer special handling for flexible loan underwriting; 6) consider partnerships to provide options for small business finance, such as guarantees and credit enhancements, technical assistance, and gap financing; and 7) establish systems to track loan performance and profit.

Microfinance Challenges

Microlending institutions in the United States, such as CDFIs and mainstream banks, face a number of challenges and barriers in providing credit to small businesses in traditionally underserved markets. These include incompatibility of traditional credit evaluation techniques adopted in the banking sector with a need for human subjective review in the decision-making process. It also requires working effectively with government and community-based partners to provide credit enhancements, technical assistance, and other resources. In addition, microcredit providers are often working with a community with information deficits. Many would-be entrepreneurs and small-business owners are unaware of the financial and technical support available to them, and they often have social and language barriers as well. Participation in government programs and with other community development organizations also requires extra time: While banks can make decisions on microcredit loans within three days, loans that involve guarantees from the U.S. Small Business Administration or funds from government agencies often may take much longer.

Rutgers University Research on Organizations as Leaders in Expanding Homeownership

With support from the Fannie Mae Foundation, a team of researchers led by David Listokin and Elvin K. Wyly of Rutgers University conducted case studies of organizations recognized by their peers as leaders in expanding homeownership opportunities for historically underserved households and communities. The case studies describe the efforts of small and large lenders, nonprofit community-based organizations, and lending consortia. The researchers document strategies used by these organizations in the areas of institutional management, attracting and qualifying mortgage applicants, and retaining new homeowners.

The case studies reveal a diverse array of strategies designed to address market imperfections related to information, discrimination, and limited household financial resources. These strategies expand homeownership opportunities, and indicate that a broad spectrum of actors in the housing finance system view historically underserved households and communities as viable markets, not regulatory burdens.

Challenges remain, however, in efforts to use housing finance to promote community development and household wealth accumulation. These challenges reflect inherent tensions between the industry trend toward standardized, efficient business practices and the customized, often expensive programs needed to address multiple obstacles to homeownership and community development faced by underserved households and communities. They also reflect a historically unequal distribution of risks and rewards associated with homeownership in America.

Predatory Lending: An Overview*

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Introduction

Predatory lending has become one of the most critical policy issues facing the financial services industry, particularly mortgage lending. Nearly every federal financial services regulatory agency has publicly denounced predatory lending and called for more effective regulation to address it. Legislation has been proposed in Congress and several states to combat predatory lending, and trade associations and individual financial institutions have declared their concerns. Also, the Federal Reserve Board has proposed a rule to require lenders to report annual percentage rates for all loans, a measure that could help identify predatory lenders.

Despite broad consensus to take action, efforts to end predatory lending have been modest at best. One reason for the slow response is the lack of consensus on what constitutes illegal predatory lending. While there is significant agreement on the key loan terms and lender behavior that generally constitute predatory lending, there is little political consensus at the national level within the housing finance community about how best to address the various areas of concern. Without national consensus on how most effectively to address key predatory lending practices, significant progress in this arena is not likely in the near term.

Predatory loans are characterized by excessively high interest rates or fees, and abusive or unnecessary provisions that do not benefit the borrower, including balloon payments or single-premium credit life insurance, large prepayment penalties, and underwriting that ignores a borrower's repayment ability. Yet, although high interest rates or fees are common characteristics of predatory loans, high-cost loans are not necessarily predatory. And depending on the unique characteristics of an individual loan and specific borrower, loan provisions that may be predatory in one instance, such as a prepayment penalty, may be reasonable and legitimate under others. For this reason, regulatory agencies and other institutions are cautious about instituting broad-based and sweeping regulations that could undermine legitimate sources of financing for credit-impaired households.

Further complicating efforts to stop predatory lending is the fact that there is little, if any, publicly available data regarding loan terms, such as interest rates, origination points, processing or closing fees, and special provisions such as balloon payments, credit life insurance, and prepayment restrictions. Without information on loan terms by borrower and neighborhood race/ethnicity and income, there is no way to effectively monitor or identify questionable lending patterns for further examination. Needless to say, a problem that cannot be identified and examined cannot be eliminated.

As mentioned in the accompanying article (see "Financial Services in Distressed Communities: Framing the Issue"), predatory lending generally does not occur in a vacuum. Rather, it breeds in an environment characterized by little competition for traditional financial services. Specifically, a community flush with "fringe lenders"—check cashing outlets, pawnshops, rent-to-own stores, title lenders, and similar operations—as well as excessive subprime lending, is the environment in which predatory lending activities often flourish.

This article provides a working definition of predatory lending and highlights some of the most common characteristics of predatory loans. It distinguishes predatory lending from subprime lending, and highlights the legitimate role that subprime lending plays for households with demonstrated credit problems. The article further points out, however, that despite a clear technical distinction between legitimate subprime lending and predatory lending, there exists a huge gray area between the two, in the form of excessive subprime lending. The article concludes with a series of recommendations and considerations for further action to limit both predatory and excessive subprime lending.

Defining the Problem

A clear definition of predatory lending is difficult due to the complexity of determining the appropriate level of fees for a given level of risk. Generally speaking, three features—alone or in combination—define predatory lending practices. Those features include targeted marketing to households on the basis of their race, ethnicity, age or gender or other personal characteristics unrelated to creditworthiness; unreasonable and unjustifiable loan terms; and outright fraudulent behavior that maximizes the destructive financial impact on consumers of inappropriate marketing strategies and loan provisions. Although a loan involving any one of these tactics might legally be considered predatory, most predatory lenders use some combination of all three to extract the greatest profit and, as a consequence, cause the greatest financial harm to the borrower.

Fraudulent Target Marketing

Predatory lenders use sophisticated technology and numerous sources of publicly available data to identify potential customers. They market their products to customers they identify as financially unsophisticated or vulnerable, and therefore most likely to accept highly unfavorable loan terms. In particular, predatory lenders look for people with limited education who are not adept in financial matters and lack the financial sophistication to scrutinize loans. Such lenders often prey on households that have limited incomes but significant equity in their homes. The elderly are a primary target for predatory lenders.

Marketing techniques include placing "cold calls" to potential borrowers, direct mailings, telephone and door-to-door solicitation, and television commercials. As with many other loan features, these practices by themselves are not predatory. Target marketing is used extensively by all types of mainstream businesses to identify potential customers and customize products to meet their particular needs. Predatory lenders use target marketing not to meet the needs of their customers, but rather to identify households most vulnerable to the lenders' aggressive or fraudulent behavior.

Predatory lenders' advertisements claim that easy and affordable home equity loans are a quick way for consumers to pay down credit card debt, take a desired vacation, or pay off other expenses, and still have lower monthly mortgage payments. Predatory lending also often involves fraudulent home improvement scams targeted to elderly homeowners because they are more likely than younger people to live in older homes that need repair, are less likely to undertake the repairs themselves, and may not have the cash to pay for someone else to perform them. Because these homeowners have built up substantial equity in their homes, they are particularly at risk of losing a major share, if not all, of their equity. Predatory lenders also make loans to homeowners who are mentally incapacitated and do not understand the nature of the mortgage transaction or papers to be signed.

Abusive Loan Terms

The second characteristic of a predatory loan is the set of abusive terms it contains. Predatory loan terms are structured to extract the greatest possible return to the lender. For equity stripping purposes, they are also routinely designed to preclude a borrower's ability to repay the loan. The loan itself may be unnecessarily large, even in excess of a 100 percent loan-to-value ratio. As long as the amount of the loan exceeds the fair market value of the home, it is difficult for the owner to refinance the mortgage or to sell the house to pay off the loan. Negative amortization loans are structured so that interest is not amortized over the life of the loan and the monthly payment is insufficient to pay off the accrued interest. The principal balance therefore increases each month and, at the end of the loan term, the borrower may owe more than the originally borrowed amount.

Aside from the loan itself—typically offered at very high interest rates—loan terms often include inflated and padded costs, such as excessive closing or appraisal charges, high origination and other administrative fees, and exorbitant prepayment penalties that trap lower-income borrowers into the subprime market. While prepayment fees are rarely charged in the prime market—some 2 percent of mortgages carry them—they are included in 80 percent of subprime mortgages, according to the Detroit Alliance for Fair Banking. And, unlike in the prime market, where prepayment fees are a tradeoff for lower interest rates, subprime mortgage holders rarely, if ever, get anything for the added fees, which can cost as much as a 6 percent penalty for early payoff. Consumers are locked into the subprime market even if they demonstrate improving creditworthiness, and are doubly hurt because they are not free to take advantage of lower interest rates as can prime market customers.

There may also be insertion of pre-dispute, mandatory, binding arbitration clauses in contractual documents. Such clauses are not necessarily offensive by themselves. When combined with other predatory loan provisions, however, they can greatly inhibit a borrower from receiving relief from highly unfavorable and unreasonable loan terms and conditions. Other typical predatory loan features include balloon payments that effectively force borrowers to refinance their loans at even higher rates later. Predatory loan terms also commonly feature single-premium credit life insurance that the lender requires as an up-front, lump-sum payment that the borrower must finance. Thus the borrower ends up paying additional interest—on top of the cost of overpriced and often unnecessary insurance. Maintenance provisions may increase the interest rate of a loan as a result of a 30- or 60-day late payment.

Fraudulent Lender Behavior

Fraudulent behavior is the third identifying characteristic of a predatory loan. It refers to illegal management by the lender of the loan transaction to extract the maximum value for the lender. Fraudulent behavior might include: 1) failing to explain the terms of the loan or providing obscure information, 2) using high-pressure tactics to force a prospective borrower to continue through the loan application process in cases in which the customer would prefer to discontinue the process, 3) omitting explanations of credit life insurance or balloon payments, and 4) discouraging borrowers from exploring lower-cost options.

One common tactic is to offer a short-term loan and quote a seemingly reasonable rate, without explaining that the "reasonable" rate becomes astronomical when translated into the annual percentage rate. "Flipping," or repeated refinancing, is another powerful tool of a predatory lender. The lender might offer to refinance a loan on the justification that the borrower can obtain a lower interest rate. But upon signing the new loan documents, the borrower finds out either that the interest rate is not lower or higher processing fees more than overwhelm any offset in interest rates. Or, a balloon payment provision in the original loan might make refinancing unavoidable.

Initiating loans without considering the borrower's ability to repay or structuring loans with payments that a borrower cannot afford can effectively strip the equity from a homeowner. And encouraging borrowers to consolidate consumer debts into a home equity loan with a higher interest rate than the underlying consumer credit debt—thereby also increasing the size of the loan—is a standard predatory lending practice. Further, predatory lenders may refuse to provide modest home equity loans and, instead, use high-pressure tactics to persuade borrowers to fully refinance their homes—again, usually at interest rates that exceed the underlying mortgage.

Other fraudulent behavior includes adding cosigners whom the lender knows have no intention of contributing to the payments, forging loan documents, and using abusive and high-pressure collection practices, such as harassing phone calls, letters, and threats. The combination of abusive loan terms and aggressive and fraudulent lender behavior that characterizes predatory lending illustrates how a loan can financially destroy an individual even in instances in which the loan's interest rate may not be alarmingly high. Because of the many tools in the arsenal of a predatory lender, a request for a relatively modest loan can be transformed into a major financial crisis for an unsuspecting borrower.

A real-life example is useful in understanding how predatory lenders operate: ABC television's "Prime Time Live" in April 1997 featured the story of an elderly man in poor health who could not read or write. The man initially sought a small loan to buy food. Eventually the lender converted his request into a $50,000 home-equity loan. The loan was flipped just 17 days after signing, even before the first payment was due. Subsequently, in less than four years, the lender flipped the loan 11 times, attaching a 10 percent finance fee each time. The lender foreclosed on the house after the man could not make his loan payments. In this case, the man sued and his loans were forgiven. This was a very unusual ending to a predatory lending story—most victims are unable to obtain successful or satisfactory legal redress.

Finally, it is worth noting that some practices of other real estate professionals, such as mortgage brokers and home improvement contractors, could reinforce and further promote predatory lending. Home improvement contractors, for example, sometimes target inner-city neighborhoods where houses are older and often in need of renovation, and where households are cash-poor but have accumulated significant equity in their properties. In these instances, contractors may steer their customers to predatory lenders for loans to pay for the home improvements. Brokers are an important part of the infrastructure of predatory lenders. Checking property deeds and other public records and spending time in a community, brokers identify homeowners who have substantial equity in their properties and encourage those households to refinance with a predatory lender who, in turn, provides the broker with a substantial referral fee. Elderly, black, widowed women are frequent targets.

Predatory Lending as Subset of Subprime Lending

Predatory lending is a subset of subprime lending. The difference between the two is important. By definition, subprime lending is the provision of loans to households that have demonstrated an inability or unwillingness to properly manage credit. By definition, the subprime market is the credit source of last resort for households with poor credit histories, insufficient documentation of requisite financial resources or other important loan application information, and other loan application shortcomings that would limit a prospective borrower's ability to secure credit from the prime market.

Subprime loans carry higher interest rates than prime loans with the justification that borrowers with higher risk factors should pay more to offset their perceived greater risk to the financial institution advancing the loan. Subprime loan rates are also higher, according to Ken Temkin of the Urban Institute, because underwriting guidelines in the subprime market are not standardized across the industry. The lack of standardization causes variation in interest rates offered by different lenders and makes it difficult for borrowers to "shop" for the most favorable rates.

Despite this clear conceptual distinction between predatory lending and legitimate subprime lending, the reality of subprime and predatory lending is much murkier. A loan does not have to be loaded with an excessive number of egregious provisions for it to unfairly undermine the financial solvency of a family. For example, steering minority households to the subprime market on the basis of race/ethnicity, rather than because of a demonstrated inability to properly manage credit, may be a violation of the Fair Housing Act and Equal Credit Opportunity Act—although it is not necessarily an act of "predatory lending."

In fact, even one percentage point unjustifiably added to a mortgage can add substantially to a household's financial burden and greatly undermine its asset-building capabilities. Over the 30-year life of an $81,000 home mortgage, one additional percentage point could add nearly $21,000 to the cost for the home buyer—not including the additional higher processing fees subprime loans typically carry. Note that the typical subprime loan is 300 to 400 basis points higher than a comparable prime market loan.

Concentration in Low-Income and Minority Neighborhoods

Just as fringe-lending activity is increasing, the subprime market has experienced exponential growth in lower-income minority communities. A recent study published by the U.S. Department of Housing and Urban Development (HUD) based on 1998 Home Mortgage Disclosure Act (HMDA) data uncovered striking racial disparities in the subprime market. The report finds that subprime loans are three times more likely in low-income neighborhoods than in high-income areas, and five times more likely in black neighborhoods than in white neighborhoods. In predominantly black communities, high-cost subprime lending accounted for 51 percent of home loans in 1998, compared with only 9 percent in predominantly white areas.

HUD further notes that homeowners in high-income black neighborhoods are six times as likely as homeowners in upper-income white neighborhoods, and twice as likely as homeowners in low-income white neighborhoods, to have subprime loans. Thirty-nine percent of homeowners in upper-income black neighborhoods had subprime loans, compared with 6 percent of homeowners in upper-income white neighborhoods and 18 percent for homeowners living in low-income white neighborhoods.

Does Risk Fully Explain the Size of the Subprime Market?

As noted above, the rationale for disproportionately high levels of subprime lending to lower-income and minority households is that those borrowers represent substantially greater risk than borrowers in the prime mortgage market. Unfortunately, there is little available public data on the credit quality of households that would allow for an examination of the reasonableness of the growth of subprime lending to lower-income minority households. Data that are available, however, do not support the recent explosive growth of this segment of the mortgage market.

First, several financial institutions in the past decade have confirmed that lower-income status is not synonymous with higher credit risk. Stated otherwise, lower-income consumers who receive mainstream credit perform roughly the same as middle- and upper-income households receiving similar credit. As a result, the much greater level of subprime lending to lower-income households relative to higher-income households is not immediately justified by available information on credit quality of these two groups. Second, although black households have been shown in studies to have greater credit problems than non-Hispanic white households, the level of subprime lending to black households and communities far exceeds the measured level of credit problems experienced by those households.

According to a 1999 Freddie Mac study, black households have roughly twice the credit problems of non-Hispanic white households. Yet HUD's data show that blacks rely on subprime refinance lending roughly four times as much for their mortgage credit. Credit quality alone therefore does not fully explain the extreme reliance of black households on the subprime market. Further research by Freddie Mac reports that as much as 35 percent of borrowers in the subprime market could qualify for prime market loans. Fannie Mae estimates that number closer to 50 percent.

If these estimates are accurate, it represents potentially hundreds of millions of dollars wasted each year by the very households that can least afford it.

Credit History Versus Creditworthiness

Although creditworthiness is the measure by which financial institutions determine the type of loan most appropriate for a particular borrower, there is substantial confusion between creditworthiness and credit history. Creditworthiness or credit risk is the measurement of the borrower's ability and willingness to repay a loan. Credit history is the financial transactions data on which a borrower's creditworthiness is determined. Stated otherwise, creditworthiness is the interpretation of an individual's credit history. An evaluation about creditworthiness of a borrower requires, among other things, judgments about the reliability and comparability of the underlying financial transactions data. There are a number of reasons why an individual's credit history may not accurately reflect his or her actual creditworthiness.

Confusion about credit history and creditworthiness inappropriately reinforces the idea that lower-income, and particularly minority, communities are largely bad credit risk environments. Several problems arise from interpreting creditworthiness from existing credit history data for minority households and comparing the data with that for non-Hispanic white households. First, low-income minorities are more likely to be financially unsophisticated, and thus may not attempt to correct poor credit histories before applying for a loan. Two borrowers may have similar credit behavior, but if one has taken steps to improve his or her credit records before applying for a loan, that borrower will be deemed more creditworthy. In fact, many households may be completely unaware of the need to maintain a good credit history, and the role that documentation plays in determining their access to credit.

A related issue is coaching of borrowers at the time of application for loans. Proper counseling at the time of loan application may enable a household to improve its credit score, but there may be substantial differences in the ways in which households receive such coaching along racial and ethnic lines. Third, comparing credit histories of households that have access to and use mainstream financial institutions with individuals that rely primarily on fringe banking services could result in biased assessments of creditworthiness across racial and ethnic groups.

Federal mortgage data, as well as the behavior of fringe and predatory lenders, suggest that minority households are more likely to have used finance companies and other fringe financial services whose terms and practices are more costly and harsh. In some cases, consumers may even have used predatory lending institutions that intentionally structure loans for default. In some instances, loan terms may be so oppressive and unreasonable that repayment is simply unrealistic. Or, some households may have used fringe lenders who might aggressively report even modest credit blemishes in an effort to hold onto their customers by ensuring they remain unattractive to mainstream lending institutions.

Finally, some households may default intentionally because they recognize, albeit after the fact, that the loan terms they have accepted are egregious and unfair if not outright fraudulent. In these instances, financially vulnerable households are penalized with additional credit blemishes for recognizing and acting to defend themselves from unscrupulous or fraudulent lenders.

Unfortunately for underserved households, data that might provide more accurate assessments of borrower creditworthiness are not readily available and therefore not generally used in sophisticated models of credit risk. The result is continued disparate evaluations of credit risk for lower-income, and particularly minority, households and consequently, lower homeownership rates than might be possible.

Recommendations and Solutions

Predatory lending is an outlying consequence of the inefficient financial markets that exist in many lower-income and minority communities. Predatory lending practices thrive in an environment where competition for financial services is limited or lacking, and where excessive marketing of subprime loans and fringe financial services are occurring. For this reason, effectively limiting predatory lending requires the same three-pronged approach recommended to reduce excessive fringe financial services in lower-income, minority, and distressed communities: 1) enhanced enforcement of the relevant federal and state lending and consumer protection laws, 2) increased prime market lending, and 3) improved borrower education and awareness of financial services options and opportunities (see “Financial Services in Distressed Communities”).

Laws that specifically relate to predatory lending and whose greater enforcement must play a key role in eliminating predatory lending include the Fair Housing and Equal Credit Opportunities Acts, the Real Estate Settlement Procedures Act, and the Homeowner’s Equity Protection Act. Some predatory lending practices also might violate various federal and state consumer protection laws, such as the Truth in Lending Act. Together, these laws provide a formidable regulatory infrastructure to make important strides in removing predatory lenders from the nation’s most vulnerable and distressed communities. Together, these laws cover practically every conceivable predatory lending arrangement. (For a more detailed discussion of possible legal strategies to fight predatory lending, see Engel and McCoy 2001.)

Yet, the strength of these federal laws can, nevertheless, be a weakness. Because so many different laws could pertain to various predatory lending practices, determining which law or laws may have been violated in any particular case can be complicated, time-consuming, and costly. Simplifying federal law to target predatory lending directly would greatly enhance the ability of lower-income households and their advocates to combat unfair and illegal lending behavior. Further, outlawing abusive practices would act as a preventive measure and would avoid the need for consumers to be harmed before there could be legal redress.

The North Carolina nonprofit Coalition for Responsible Lending, for example, points out that a handful of provisions account for the overwhelming majority of the most abusive predatory lending activities. The coalition recommends new legislation that focuses on seven loan terms and practices including: 1) credit insurance; 2) excessive fees charged to borrowers; 3) prepayment fees that do not benefit the borrower; 4) mortgage broker abuses including yield-spread premiums; 5) steering of borrowers to subprime loans on the basis of race/ethnicity, age, or gender; 6) mandatory arbitration clauses that restrict the rights of the borrower; and 7) loan flipping or repeated refinancings that do not benefit the borrower.

Many states have recently enacted or have begun to debate streamlining their state statutes to focus directly on predatory lending. The state of North Carolina enacted a comprehensive predatory lending law in July 1999. The North Carolina law defines two types of loans—“home loans” and “high-cost home loans.” For all home loans, the law prohibits lending abuses such as requiring credit life, disability, or unemployment insurance, and loan flipping. With regard to high-cost home loans, it imposes expanded protections against excessive balloon payments, high interest rates and fees, negative amortization, and predatory home improvement contractors. In addition, loan counseling is required and a borrower’s ability to repay must be taken into consideration.

Using the North Carolina model, the states of New York, Illinois, South Carolina, Minnesota, West Virginia, Utah, Maryland, and California are all considering predatory lending legislation. Another example of local action is Washington, DC’s, new “Predatory Lending Protections and Mortgage Foreclosure Improvements Act of 2000” that provides additional protections for District residents who might find themselves at risk of losing their homes through foreclosure as a result of corrupt lending practices. Among other features, this law attacks predatory activity by defining a subset of loans that might be predatory and providing homeowners with a quick judicial review prior to a foreclosure sale. Philadelphia is another city that has recently enacted a predatory lending law.

Perhaps the most comprehensive federal examination of predatory lending performed to date was pursued jointly by the U.S. Department of the Treasury and HUD. Their report, “Curbing Predatory Home Mortgage Lending,” included extensive discussion of predatory lending tactics and a wide range of recommendations to limit fraudulent lending behavior (see the full report at www.huduser.org/publications/hsgfin/curbing.html). The study highlighted and discussed practices ranging from loan flipping, targeting minority and low-income borrowers, and lending to borrowers based on the value of their home rather than the ability to repay a loan. Expanding borrowers’ access to the prime market by awarding banks and thrifts Community Reinvestment Act credit and amending many existing laws were among the recommended solutions. Additionally, the study revealed that the Federal Housing Administration is developing tools to help borrowers who have been victimized by predatory lenders to avoid foreclosure, retain their homes with a reasonable level of debt, and, if necessary, repair their credit.

The National Community Reinvestment Coalition has outlined a multipart strategy to address predatory lending. Among its recommendations are for the Federal Reserve Board to use its existing authority to prohibit unfair and deceptive mortgage lending practices, to step up its oversight of subprime lenders, and to improve data disclosure to more effectively track subprime and predatory lending.

Conclusion

The issue of predatory lending is, for good reason, an issue of national concern. Yet, while there is strong consensus to act, there is enormous inertia in taking definitive action that might impact lending of any type. Part of the failure to aggressively address predatory lending is based on a legitimate concern that price controls and blanket prohibitions of individual loan features could negatively impact market segments in unintended ways.

Moreover, as this article and the previous one on *Financial Markets in Distressed Communities* highlights, predatory lending is merely the extreme end of a spectrum of abusive, unscrupulous, and costly financial services practices that dominate lower-income and minority communities. Placing caps on certain practices and eliminating certain other behaviors would go a long way to removing some of the most destructive wealth-stripping activities from the mortgage markets in distressed communities. But limitations, restrictions, and caps on various financial services practices are not sufficient to address the broader issue of market failure that plagues these communities. That broader challenge requires positive action and initiative. Lower-income and minority communities need high-quality, low-cost financial services tailored to their low-income and low-wealth circumstances. Further, those households need access to savings vehicles that would enable them to build their assets to the greatest extent possible.

Assisting households to better understand how to make informed choices about the financial services and providers they choose is an important aspect of a comprehensive anti–predatory lending program. At the same time, however, there are real limits on the extent to which consumer financial education can help vulnerable households who are the focus of fraudulent professionals.

Mortgage loan documents can consist of dozens of provisions written in extremely complex, confusing, and technical legal language. Predatory lenders target lower-income and minority borrowers with limited education and vulnerable elderly consumers specifically because they cannot reasonably protect themselves. To expect that financially vulnerable consumers can reasonably review, understand, and challenge specific provisions in the dozens of legal documents that are routinely involved in the mortgage lending process is a highly unreasonable expectation.

Despite the inability to achieve consensus on the perfect response to predatory lending, some immediate intervention is needed and should be forthcoming at a national level. Failure to successfully remove predatory lenders from the financial services markets could, over a relatively short time, undermine much of the success that has been achieved over the past decade in enhancing the number of historically underserved households that are now homeowners. And it could further exacerbate the tenuous financial positions of many vulnerable, lower-income, elderly homeowners, many of whom reside in older, inner-city, and distressed communities.

Principles for Responsible Lending[1]
Coalition for Responsible Lending

Homeownership not only supplies families with shelter, it also provides a way to build wealth and economic security. Unfortunately, too many American homeowners are losing their homes, as well as the wealth they spent a lifetime building, because of harmful home equity lending practices. Some lenders target elderly and poor or uneducated borrowers to strip the equity from their homes, which traps borrowers in bad loans and creates a high risk of foreclosure. Subprime lending has increased 1,000% in the last five years, and abusive lending is up commensurately.

Seven principles should govern attempts to eliminate predatory lending and protect family wealth:

- Prohibit the financing of up-front credit insurance for all loans.
- Limit fees charged borrowers, direct and indirect, to 3% of the loan amount.
- Prohibit back-end prepayment penalties on subprime loans, since they act in an anti-competitive manner by keeping lenders from remedying abusive situations.
- Take sufficient steps to address mortgage broker abuses on purchased loans, including prohibiting yield-spread premiums.
- Address steering by making sure that borrowers receive the lowest-cost loan they qualify for.
- Avoid mandatory arbitration clauses in any home loans.
- Prohibit “flipping” of borrowers through repeated fee-loaded refinancings.

1. Credit insurance premiums should not be financed into the loan up-front in a lump-sum payment. One type of credit insurance, credit life, is paid by the borrower to repay the lender should the borrower die. The product can be useful when paid for on a monthly basis. When it is paid for up-front, however, it does nothing more than strip equity from homeowners, which is why Fannie Mae and Freddie Mac have both agreed not to purchase any loan that includes financed credit insurance. Conventional loans almost never include, much less finance, credit insurance.

2. The borrower should not be charged fees greater than 3% of the loan amount (4% for FHA or VA loans). Points and fees (as defined by HOEPA) that exceed this amount (not including third party fees like appraisals or attorney fees) take more equity from borrowers than the cost or risk of subprime lending can justify. By contrast, conventional borrowers generally pay at most a 1% origination fee.

3. Subprime loans (defined as interest rates above conventional) should not include prepayment penalties, for the following reasons:

    - Prepayment penalties trap borrowers in high-rate loans, which too often leads to foreclosure. The subprime sector serves an important role for borrowers who encounter temporary credit problems that keep them from receiving low-rate conventional loans. This sector should provide borrowers a bridge to conventional financing as soon as the

[1] “Principles for Responsible Lending” are from the Coalition for Responsible Lending and are used with permission. For more information, see www.responsiblelending.org.

borrower is ready to make the transition, though prepayment penalties are designed to prevent this from happening. Why should any borrower be penalized for doing just what they are supposed to do—namely, pay off a debt?

- Prepayment penalties are hidden, deferred fees that strip significant equity from over half of subprime borrowers. Prepayment penalties of 5% are common. For a $150,000 loan, this fee is $7,500, more than the total net wealth built up over a lifetime for the median African American family. According to Lehman Brothers' prepayment assumptions, over half of subprime borrowers will be forced to prepay their loans—and pay the 4% to 5% in penalties—during the typical five-year lock-out period. And borrowers in predominantly African-American neighborhoods are five times more likely to be subject to wealth-stripping prepayment penalties than borrowers in white neighborhoods. Prepayment penalties are therefore merely deferred fees that investors fully expect to receive and borrowers never expect to pay.

- Borrower choice cannot explain the prevalence of prepayment penalties in subprime loans. Only 2% of borrowers accept prepayment penalties in the competitive conventional market, while, according to Duff and Phelps, 80% in subprime do.

4. Lenders should take sufficient steps to address mortgage broker abuses, including prohibiting yield-spread premiums. Brokers originate over half of all mortgage loans and a relatively small number of brokers are responsible for a large percentage of predatory loans. Lenders should identif—and avoid—these brokers through comprehensive due diligence. In addition, lenders should refuse to pay "yield-spread premiums"—fees lenders rebate to brokers in exchange for placing a borrower in a higher interest rate than the borrower qualifies for. These lender kickbacks violate fair lending principles since they provide brokers with a direct economic incentive to steer black borrowers into costly loans.

5. To address steering, lenders should make sure that borrowers get the lowest-cost loan they qualify for. As Fannie Mae and Freddie Mac have shown, subprime lenders charge prime borrowers who meet conventional underwriting standards higher rates than necessary. This is particularly troubling for lenders with prime affiliates–the very same "A" borrower who would receive the lender's lowest-rate loan from its prime affiliate pays substantially more from the subprime affiliate. HUD has shown that steering has a racial impact since borrowers in African-American neighborhoods are five times more likely to get a loan from a subprime lender–and therefore pay extra–than borrowers in white neighborhoods. A minority borrower with the same credit profile as a white borrower simply should not pay more for the same loan. Therefore, lenders should either:

   - offer "A" borrowers loans with "A" rates, or
   - refer such borrowers to an affiliated or outside lender that offers these rates.

6. Lenders should not impose mandatory arbitration clauses in any home loans. Increasingly, lenders are placing pre-dispute, mandatory binding arbitration clauses in their loan contracts. These clauses insulate unfair and deceptive practices from effective review and relegate consumers to a forum where they cannot obtain injunctive relief against wrongful practices, proceed on behalf of a class, or obtain punitive damages. Arbitration can also involve costly

fees, be required to take place at a distant site, or designate a pro-lender arbitrator. Arbitration will always take time the consumer may not have if they are facing foreclosure. Such clauses are unfair to borrowers, who generally do not understand what rights they are giving up; if an informed consumer thinks that arbitration is a helpful step in resolving a dispute with a lender, the consumer and lender should be permitted to agree to arbitration then.

7. Lenders should prohibit “flipping” of borrowers through repeated fee-loaded refinancings. One of the worst practices is for lenders to refinance subprime loans over and over, taking out home equity wealth in the form of high fees each time, without providing the borrower with a net tangible benefit. Some lenders originate balloon or adjustable rate mortgages only to inform the borrowers of this fact soon after closing to convince them to get a new loan that will pay off the entire balance at a fixed rate. Others require borrowers to refinance in order to catch up if the loan goes delinquent.

Combating Predatory Lending Practices

Federal Banking Regulatory Agencies Call for Greater Oversight

The Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision in January issued a directive that strengthens the examination and supervision of institutions with significant subprime lending programs.

The "expanded guidance" decree specifies borrower characteristics that indicate an institution is targeting the subprime lending market, clarifies the standards to use when evaluating loss allowances, and identifies potentially predatory lending practices that safety and soundness examiners will criticize, among other features.

The expanded guidance is expected to help banks and thrifts engaging in subprime lending activities be more aware of the banking agencies' expectations regarding risk management processes.

Responses to Predatory Lending by the U.S. Department of Housing and Urban Development (HUD) and U.S. Treasury Department

A joint U.S. Department of Housing and Urban Development and U.S. Treasury Department Task Force on Predatory Lending has conducted five field forums around the country and, based on its findings, proposed a four-point plan to address predatory lending practices. The plan is detailed in the report, "Curbing Predatory Home Mortgage Lending," summarized below. The full report is available at: www.huduser.org/publications/hsgfin/curbing.html.

1. Provide improved disclosures to borrowers and enhance consumer literacy. Require creditors to recommend that high-cost loan applicants seek home mortgage counseling, disclose credit scores on request, and provide better information on loan costs and terms.

2. Prohibit damaging or unfair lending practices. Loan flipping and lending to borrowers without regard to their ability to repay should be prohibited, and brokers and lenders should be required to provide greater documentation of loan and payment history.

3. Restrict abusive terms and conditions on high-cost loans, including balloon payments, prepayment penalties, and the financing of points and fees; prohibit mandatory arbitration agreements on high-cost loans; and ban single-premium credit life insurance.

4. Use Community Reinvestment Act (CRA) credit to create a positive incentive structure for banks and thrifts. Grant CRA credit to institutions that promote borrowers from the subprime to prime mortgage market, and deny CRA credit to institutions that originate or purchase loans that violate applicable lending laws.

Proposals by the Federal Reserve Board to Strengthen Predatory Lending Prohibitions

The Federal Reserve Board has proposed amending two of its regulations to crack down on predatory lending:

The first proposal is to require additional disclosure of mortgage applications and loans under the Home Mortgage Disclosure Act (HMDA). The revision, which would mandate reporting of requests for mortgage preapprovals and home-equity lines of credit, is designed to track the level, trend, and underwriting characteristics of high-cost mortgage loans. It would help identify institutions engaged in subprime lending, make high-volume nondepository lenders subject to HMDA reporting requirements, and simplify the definition for “refinance” and “home improvement loan” to ensure more complete and consistent data.

The second proposed amendment broadens the scope of loans subject to the Home Ownership and Equity Protection Act (HOEPA) of 1994 by adjusting price triggers that determine coverage under the act. Interest rate triggers would be lowered by two percentage points (from 10 points to 8 points above current Treasury bill rates), and the fee-based triggers would include optional insurance premiums and similar credit protection products paid at closing.

The proposed amendment also prohibits certain practices, such as repeated refinancing of HOEPA-regulated loans over a short time when transactions are not in the borrower’s interest, and making loans without verification of a consumer’s repayment ability.

It is important to note that HOEPA still does not cover all home equity lenders and all home equity loans, and there are loopholes that allow room for abuse.

Calls for Additional Federal Action

The National Community Reinvestment Coalition (NCRC) has made several recommendations for additional federal anti–predatory lending action.

It recommends calling for federal banking regulations to increase their oversight of subprime lenders during CRA exams and accompanying fair-lending reviews. The NCRC suggests that regulatory agencies issue an interagency advisory letter saying that predatory lending will not receive credit under CRA exams and will be penalized through lower CRA ratings and fair lending referrals to the Department of Justice. It calls for the Federal Reserve Board to use its authority to conduct regular fair lending reviews of subprime affiliates of bank holding companies, as recommended by the General Accounting Office.

Secondly, the NCRC has called for Congress to pass more comprehensive anti–predatory lending legislation.

The NCRC is a national community reinvestment and fair lending trade association of more than 700 community-based organizations and local public agencies dedicated to increasing access to credit and capital for traditionally underserved urban and rural areas.

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Subprime Lending

Subprime lending is the provision of loans to households that have demonstrated an inability or unwillingness to properly manage credit. The subprime market is the credit source of last resort for households with:

- Poor credit histories
- Insufficient documentation of requisite financial resources or other important loan application data
- Other loan application shortcomings that would limit a prospective borrower's ability to secure credit from the prime market

Source: Fannie Mae Foundation

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- TDHCA currently offers non-conforming, non-traditional mortgage "subprime" loans e.g., contract for deed conversion and "Bootstrap" mortgage loans

- However, these loans do not qualify for bond securitization and thus, funding for such loans is limited

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- TDHCA seeks to offer subprime mortgage loans as an alternative to the traditional market's subprime loans
- Such loans will further reduce the cost of getting a mortgage loan for first time homebuyers i.e., TDHCA's subprime loans will carry less fees and highly competitive interest rates as adjusted for risk.
- These loans must qualify for securitization in the capital markets

- TDHCA has issued a "Request for Information" from potential vendors to conduct a market study as required by the legislation

- TDHCA has continuously conducted an analysis of the subprime mortgage and bond markets

Three factors exist which may delay TDHCA's entrance into the subprime mortgage bond market as a conduit issuer

- May have geographic concentration of the loans since all will be located in Texas
- Insignificant bond size
- Insufficient funds for loss coverage reserves

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- Accordingly, TDHCA is examining entering the subprime mortgage bond market in partnership with highly reputable entities already engaged in subprime mortgage bond securitizations and credit enhancement

- Product development and bond structuring should be completed by mid-December 2002

Predatory Lending

Predatory lenders use tactics to extract the greatest profit, causing the greatest financial harm to the borrower. Three features define predatory lending practices:

- Targeted marketing to households on the basis of their race, ethnicity, age, gender or other personal characteristics unrelated to creditworthiness
- Unreasonable and unjustifiable loan terms
- Outright fraudulent behavior that maximizes the destructive financial impact on consumers and inappropriate marketing strategies and loan provisions

Source: Fannie Mae Foundation

Subprime Lending
is not always
Predatory Lending

TDHCA will not tolerate predatory lending practices of any sort and will require participating lenders to adhere to best business practices such as those promoted by Fannie Mae and Freddie Mac

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

The Texas Department of Housing and Community Affairs will not purchase loans that do not comply with the following lending practices.

- **Steering** – TDHCA expects that lenders will have determined borrowers' ability and willingness to repay mortgage debt regardless of the underwriting method used. Consumers who seek financing through a lender's higher-priced subprime lending channel should be offered the lender's prime mortgage product line if they are able to qualify for one of the prime products.

- **Excessive Fees** – For loans originated under TDHCA's subprime mortgage program, points and fees charged to a borrower may not exceed a certain level. TDHCA will determine this level prior to the sale of the first series of bonds secured by subprime bonds.

- **Prepaid Single Premium Credit Life Insurance Policies** –

  TDHCA will not purchase or securitize any mortgage loans for which a prepaid single-premium credit life insurance policy was sold to the borrower in connection with or associated with the origination of the mortgage loan. This condition applies regardless of whether the premium is financed in the mortgage amount or paid from the borrowers' funds.

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- **Full Credit Reporting** – TDHCA will require lenders and servicers to report monthly the entire credit history of borrowers to national credit bureaus.

- **Mandatory Arbitration** – TDHCA will not purchase or securitize any mortgage loans under which borrowers are restricted to mandatory arbitration procedures in connection with or associated with the mortgage loan.

- **Prepayment Penalties** – Prepayment penalties, if any, will be contractual in nature and fully disclosed to borrowers. TDHCA will offer mortgages that have a prepayment penalty only if borrowers receive a benefit, such as a rate or fee reduction in exchange for the additional cost of a prepayment penalty. TDHCA will not charge prepayment penalties, if any, upon the acceleration of mortgage debt as a result of borrowers' defaults in making mortgage payments.

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

Prepared for

TDHCA Board

April 2002

Resolution No. 02-030

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE BONDS, 2002 SERIES A, SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES B, SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES C, AND SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES D; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE RESPECTIVE SERIES SUPPLEMENTS, THE PROGRAM GUIDELINES, THE FUNDING AGREEMENT, THE DEPOSITORY AGREEMENT, THE BOND PURCHASE AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENT, AND THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of Single Family ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on single family housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Act further authorizes the Department to issue its revenue bonds for the purpose of refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the "Agency"), under such terms, conditions and details as shall be determined by the Governing Board of the Department; and

WHEREAS, the Department has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Residential Mortgage Revenue Bonds, Series 2001E (the "2001 Refunded Bonds") pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 (as amended by supplemental indentures First through Twenty-Fourth and any amendments thereto, collectively, the "RMRB Indenture") between the Department, as successor to the Agency, and Bank One, National Association, as successor trustee (the trustee, in its capacity as successor trustee for the 2001 Refunded Bonds is hereinafter referred to as the "2001 Refunded Bonds Trustee"), and the Twenty-Fourth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of October 1, 2001 (the "2001 Supplemental Indenture"); and

WHEREAS, the Governing Board of the Department has authorized the issuance of its Texas Department of Housing and Community Affairs Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A (the "Series A Notes") in order to refund certain single family mortgage revenue bonds of the Department subject to redemption as a result of the receipt by the Department of prepayments on the mortgage loans securing such bonds; and

WHEREAS, the Agency has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Single Family Mortgage Revenue Refunding Bonds, 1991 Series A (the "1991 Refunded Bonds", the 2001 Refunded Bonds and the 1991 Refunded Bonds are referred to herein, collectively, as the "Refunded Bonds") pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as amended by supplemental indentures numbered First through Thirty-First and any amendments thereto, collectively, the "Single Family Indenture") between the Department, as successor to the Agency, and Bank One, National Association, as successor trustee (the "Trustee"), and the Fourteenth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of August 1, 1991, between the Department and the Trustee (hereinafter referred to as the "1991 Supplemental Indenture") (the Trustee, in its capacity as successor trustee for the 1991 Refunded Bonds, is hereinafter referred to as the "1991 Refunded Bonds Trustee"), to implement the various phases of the Agency's (now the Department's) Single Family Mortgage Revenue Bond Program; and

WHEREAS, Section 302 of the Single Family Indenture authorizes the issuance of additional Bonds for the purposes of acquiring Mortgage Loans or participations therein, payment of costs of issuance, funding of reserves, payments of certain Department expenses and refunding Bonds; and

WHEREAS, the Governing Board of the Department has determined to authorize the issuance of the Department's Single Family Mortgage Revenue Bonds, to be known as (i) its Single Family Mortgage Revenue Bonds, 2002 Series A (the "Series A Bonds") ; (ii) its Single Family Mortgage Revenue Refunding Bonds, 2002 Series B (the "Series B Bonds"); (iii) its Single Family Mortgage Revenue Refunding Bonds, 2002 Series C (the "Series C Bonds"); and (iv) its Single Family Mortgage Revenue Refunding Bonds, 2002 Series D (the "Series D Bonds") (collectively, the "Series 2002 Bonds") pursuant to the Single Family Indenture (1) with respect to the Series A Bonds, for the purpose of providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage-backed securities ("Mortgage Certificates") issued and guaranteed by Federal National Mortgage Association ("Fannie Mae") or Government National Mortgage Association ("Ginnie Mae")) (referred to herein as "Mortgage Loans"), and to pay costs of issuance of the Series 2002 Bonds; (2) with respect to the Series B Bonds, for the purpose of refunding the 2001 Refunded Bonds thereby providing funds to acquire Mortgage Certificates; (3) with respect to the Series C Bonds, for the purpose of providing funds to refund the Department's outstanding Series A Notes identified in Exhibit A to this Resolution (such Series A Notes identified on Exhibit A being referred to collectively as the "Refunded Notes") thereby providing funds to acquire Mortgage Certificates; and (4) with respect to the Series D Bonds, for the purpose of providing funds to refund a portion of the Department's outstanding 1991 Refunded Bonds within 90 days after the date of delivery of the Series D Bonds; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of the Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Thirty-Second Series Supplement") in substantially the form attached hereto relating to the Series A Bonds, the Thirty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Thirty-Third Series Supplement") in substantially the form attached hereto relating to the Series B Bonds, the Thirty-Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Thirty-Fourth Series Supplement") in substantially the form attached hereto relating to the Series C Bonds, and the Thirty-Fifth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Thirty-Fifth Series Supplement") in substantially the form attached hereto relating to the Series D Bonds; and

WHEREAS, the Thirty-Second Series Supplement, the Thirty-Third Series Supplement, the Thirty-Fourth Series Supplement, and the Thirty-Fifth Series Supplement are hereinafter collectively referred to as the "Supplemental Indentures"; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of any necessary amendments to the Mortgage Origination Agreement (the "Mortgage Origination Agreement") dated as of October 1, 2001, between the Department and certain mortgage lenders (the "Mortgage Lenders") participating in the Department's home loan purchase program designated as Bond Program No. 57 and No. 57A (the "Program") setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department; and

WHEREAS, in connection with the Mortgage Origination Agreement, the Governing Board desires to authorize the execution and delivery of any necessary amendments to the Program Supplement (the "Program Supplement") dated as of October 1, 2001, between the Department and Mortgage Lenders and the Program Guidelines (the "Program Guidelines") in substantially the form attached hereto, setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department and the terms of such Mortgage Loans; and

WHEREAS, under the Program Guidelines, 100% of the funds available under the Program will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system, with approximately 50% of such funds reserved for use in eleven geographic regions for up to three months and allocated to each region pro rata based on the region's population, 40% of such funds are expected to finance Mortgage Loans that include down payment and closing cost assistance to qualified eligible borrowers having a family income not exceeding 60% of applicable median family income (80% for targeted areas) (the "Assisted Mortgage Loans"); and

WHEREAS, the Governing Board of the Department has further determined that the Department should enter into one or more Bond Purchase Agreements relating to the sale of the Series 2002 Bonds (collectively, the "Bond Purchase Agreement") with Salomon Smith Barney Inc., as representative of the group of underwriters listed on Exhibit B to this Resolution (the "Underwriters") and/or Fannie Mae setting forth certain terms and conditions upon which the Underwriters and/or Fannie Mae will purchase the Series 2002 Bonds from the Department and the Department will sell the Series 2002 Bonds to the Underwriters and/or Fannie Mae; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of any necessary amendments to the Program Administration and Servicing Agreement (the "Servicing Agreement") dated as of October 1, 2001 setting forth the terms under which Countrywide Home Loans, Inc., as master servicer (the "Servicer"), will review, acquire, package and service the Mortgage Loans and sell the Mortgage Certificates to the Department; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of any necessary amendments to the Compliance Agreement (the "Compliance Agreement") dated as of October 1, 2001 setting forth the terms under which Countrywide Home Loans, Inc., as compliance agent (the "Compliance Agent"), will review and examine certain documents submitted by the Mortgage Lenders in connection with the Mortgage Loans to ensure compliance with the requirements of the Department set forth therein; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of a Funding Agreement (the "Funding Agreement") in substantially the form attached hereto setting forth the terms under which the Servicer will advance funds to the Department to be used to pay a portion of the costs of issuance of the Series 2002 Bonds; and

WHEREAS, the Governing Board of the Department has been presented with a draft of a preliminary official statement to be used in the public offering of the Series A Bonds, the Series B Bonds the Series C Bonds, and the Series D Bonds (the "Preliminary Official Statement") and the Governing Board of the Department desires to approve such Preliminary Official Statement in substantially the forms attached hereto; and

WHEREAS, the Governing Board of the Department has determined to authorize the execution and delivery of the 2002 Supplement to Depository Agreement (the "Depository Agreement") in substantially the form attached hereto relating to the Series 2002 Bonds by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company to provide for the holding, administering and investing of certain moneys and securities relating to the Series 2002 Bonds; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in substantially the form attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board of the Department has determined to authorize the purchase of a municipal bond insurance policy (the "Bond Insurance"), if needed, pursuant to which the timely payment of principal of and interest on the Series 2002 Bonds when due will be secured; and

WHEREAS, the Governing Board of the Department has determined to authorize the investment of the proceeds of the Series 2002 Bonds and any other amounts held under the Single Family Indenture with respect to the Series 2002 Bonds in one or more guaranteed investment contracts (the "GICs") or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board of the Department desires to provide the sale of all or a portion of the Series A Bonds at a premium in order to make funds available for down payment and closing costs assistance associated with Assisted Mortgage Loans; and

WHEREAS, the Governing Board of the Department desires to approve the use of an amount not to exceed $750,000 of Department funds to pay a portion of the costs of issuance of the Series 2002 Bonds or capitalized interest; and

WHEREAS, the Governing Board of the Department desires to approve the forms of the Supplemental Indentures, the Bond Purchase Agreements, the Funding Agreement, the Preliminary Official Statement, the Depository Agreement, the Continuing Disclosure Agreement and the Program Guidelines, in order to find the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to implement the Program in accordance with such documents by authorizing the issuance of the Series 2002 Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Series 2002 Bonds. That the issuance of the Series 2002 Bonds is hereby authorized, all under and in accordance with the Single Family Indenture, and that, upon execution and delivery of the Supplemental Indentures, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Series 2002 Bonds and to deliver the Series 2002 Bonds to the Attorney General of Texas for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Series 2002 Bonds to or upon the order of the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreement.

Section 1.2--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chairman of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine which series of the Series 2002 Bonds shall be issued on a taxable or a tax-exempt basis and to determine which series of the Series 2002 Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof) and (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rates, principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or Fannie Mae, the Series 2002 Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Supplemental Indentures, the Depository Agreement, the Bond Purchase Agreement and the Official Statements; provided, however, that: (a) the net effective interest rate on the Series A Bonds shall not exceed 7.0% per annum; the net effective interest on the Series B Bonds shall not exceed 7.0% per annum; the net effective interest rate on the Series C Bonds shall not exceed 7.0% per annum; and the net effective interest rate on the Series D Bonds shall not exceed 7.0% per annum; (b) the aggregate principal amount of the Series 2002 Bonds shall not exceed $38,750,000 for the Series A Bonds, $54,300,000 for the Series B Bonds, $12,950,000 for the Series C Bonds, and $13,920,000 for the Series D Bonds; (c) the final maturity of the Series 2002 Bonds shall occur not later than September 1, 2035 for the Series A Bonds, September 1, 2033 for the Series B Bonds, September 1, 2033 for the Series C Bonds, and September 1, 2028 for the Series D Bonds; (d) the price at which the Series 2002 Bonds are sold to the Underwriters and/or Fannie Mae shall not exceed 110% of the principal amount thereof for the Series A Bonds, 110% of the principal amount thereof for the Series B Bonds, 100% of the principal amount thereof for the Series C Bonds, and 100% of the principal amount thereof for the Series D Bonds; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board.

Section 1.3--Approval, Execution and Delivery of the Supplemental Indentures. That the form and substance of the Supplemental Indentures are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Supplemental Indentures, and to deliver the Supplemental Indentures to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Series 2002 Bonds to the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreement is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Underwriters and/or Fannie Mae.

Section 1.5--Preliminary Official Statement and Official Statement. That the Preliminary Official Statement relating to the Series 2002 Bonds, in substantially the form presented to the Governing Board of the Department, is hereby approved; that prior to the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Preliminary Official Statement for distribution by the Underwriters to prospective purchasers of the Series 2002 Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Preliminary Official Statement final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of the respective Preliminary Official Statement; and that within seven business days after the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statement, in substantially the form of the Preliminary Official Statement, with such changes as such authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.6--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.7--Approval of Funding Agreement. That the form and substance of the Funding Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Funding Agreement and to deliver the Funding Agreement to the Servicer and the Trustee.

Section 1.8--Approval of Depository Agreement. That the form and substance of the Depository Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreement and to deliver the Depository Agreement to the Trustee and the Texas Treasury Safekeeping Trust Company.

Section 1.9--Approval of Continuing Disclosure Agreement. That the form and substance of the Continuing Disclosure Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreement and to deliver the Continuing Disclosure Agreement to the Trustee.

Section 1.10--Approval of Purchase of Bond Insurance. That the purchase of the Bond Insurance is hereby approved and that the Executive Director and the Chairman of the Governing Board of the Department are hereby authorized to determine whether to obtain such Bond Insurance based on interest rate savings to the Department in comparison with the costs of such Bond Insurance and, if appropriate, complete arrangements for the purchase of the Bond Insurance and to deliver the Bond Insurance policy or the commitment therefor to the Trustee.

Section 1.11--Approval of Investment in GICs. That the investment of funds held under the Single Family Indenture in connection with the Series 2002 Bonds in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.12--Approval of GIC Broker. That the Executive Director or the Director of Bond Finance and the Chairman of the Governing Board are hereby authorized to select a GIC Broker, if any.

Section 1.13--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Single Family Indenture, the Supplemental Indentures, the Funding Agreement, the Bond Purchase Agreement, the Depository Agreement, and the Continuing Disclosure Agreement.

Section 1.14--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.15--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit C	-	Thirty-Second Series Supplement
Exhibit D	-	Thirty-Third Series Supplement
Exhibit E	-	Thirty-Fourth Series Supplement
Exhibit F	-	Thirty-Fifth Series Supplement
Exhibit G	-	Bond Purchase Agreement
Exhibit H	-	Preliminary Official Statement
Exhibit I	-	Program Guidelines
Exhibit J	-	Funding Agreement
Exhibit K	-	Depository Agreement
Exhibit L	-	Continuing Disclosure Agreement

Section 1.16--Authorized Representatives. That following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Governing Board; the Vice Chairman of the Governing Board; the Secretary of the Governing Board; the Executive Director of the Department; the Chief Financial Officer of the Department and the Director of Bond Finance of the Department.

Section 1.17--Department Contribution. That the Department authorizes the contribution of Department funds in an amount not to exceed $750,000 to pay certain costs of issuance of the Series 2002 Bonds or capitalized interest.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval of Submission to the Attorney General of Texas. That the Governing Board of the Department hereby authorizes the Department's Bond Counsel to submit to the Attorney General of Texas, for his approval, a transcript of the legal proceedings relating to the issuance, sale and delivery of the Series 2002 Bonds.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of the purchasers of the Series 2002 Bonds and Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary of the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Series 2002 Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the Series 2002 Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the Single Family Indenture and the Depository Agreement, to provide for investment and reinvestment of all funds held under the Single Family Indenture.

Section 2.7--Redemption of Refunded Notes. That the Executive Director or the Director of Bond Finance is authorized and directed (i) to instruct the Department staff and the issuing and paying agent for the Refunded Notes to redeem the outstanding Refunded Notes when the same mature and (ii) to take all other actions necessary to cause such redemption to occur.

Section 2.8--Eligibility for Refunding Under Commercial Paper Program. That Series 2002 Bonds qualify as "Refunded Bonds" for purposes of the Department's Amended and Restated Commercial Paper Resolution adopted on June 10, 1996, as amended from time to time.

Section 2.9--Redemption of Refunded Bonds. That the Executive Director or the Director of Bond Finance is hereby authorized and directed: (i) to instruct the Refunded Bonds Trustees to redeem the outstanding Refunded Bonds with the proceeds of the Series B Bonds and the Series D Bonds (as more fully identified in the Single Family Indenture, the Thirty-Third Series Supplement and the Thirty-Fifth Series Supplement) not later than 90 days after the date of issuance of the Series B Bonds and the Series D Bonds; (ii) to pay the redemption premium with respect to the Refunded Bonds, if any; and (iii) to take all other actions necessary to cause such redemption to occur.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the Mortgage Loans for the Program at the time and in accordance with the procedures set forth in the Single Family Indenture and the Program Guidelines and that such rates shall be established at levels such that the Mortgage Loans for the Program will produce, together with other available funds, the amounts required to pay for the Department's costs of operation with respect to the Program and debt service on the Series A Bonds, the Series B Bonds, the Series C Bonds, and the Series D Bonds, and enable the Department to meet its covenants with and responsibilities to the holders of the bonds issued under the Single Family Indenture without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such bonds.

ARTICLE IV
GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Series 2002 Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate pledged under the Single Family Indenture to secure payment of the bonds issued under the Single Family Indenture and payment of the Department's costs and expenses for the Program thereunder and under the Single Family Indenture and under no circumstances shall the Series 2002 Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Series 2002 Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Series 2002 Bonds and the implementation of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of Single Family housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing sufficient quantities for the construction or rehabilitation of such housing.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 9th day of May, 2002.

Chairman, Governing Board

ATTEST:

Secretary

(SEAL)

EXHIBIT A

SERIES A NOTES TO BE REFUNDED

New CP Issue Date:				11/1/01			***42 Month Rule***	***10 Year Rule***	***32 Year Rule***
Bond Series	*Refunded Bond Series*	*Tax Status*	*Amount*	*Original Bond Issue Date*	*Original Refunded Bond Issue Date (Earliest)*	*CP Cusip #*			
CHMRB 1992A-C		AMT	$ 3,360,000.00	6/29/92	11/5/91	88274WV74	5/5/95	11/5/01	11/5/23
Total			[illegible]						
Current Status: Still Outstanding.									

New CP Issue Date:				12/13/01			***42 Month Rule***	***10 Year Rule***	***32 Year Rule***
Bond Series	*Refunded Bond Series*	*Tax Status*	*Amount*	*Original Bond Issue Date*	*Original Refunded Bond Issue Date (Earliest)*	*CP Cusip #*			
RMRB 1998A		AMT	$1,665,000.00	12/3/98	N/A	88274WV83	6/3/02	12/3/08	12/3/30
RMRB 1999B-1		AMT	$ 440,000.00	12/2/99	N/A	88274WV83	6/2/03	12/2/09	12/2/31
RMRB 2000A		AMT	$1,270,000.00	5/1/00	12/2/99	88274WV83	6/2/03	12/2/09	12/2/31
RMRB 2000B		AMT	$ 45,000.00	10/26/00	N/A	88274WV83	4/26/04	10/30/10	10/30/32
Total			$3,420,000.00						
Current Status: Still Outstanding.									

New CP Issue Date:				2/15/02			***42 Month Rule***	***10 Year Rule***	***32 Year Rule***
Bond Series	*Refunded Bond Series*	*Tax Status*	*Amount*	*Original Bond Issue Date*	*Original Refunded Bond Issue Date (Earliest)*	*CP Cusip #*			
SF 1995A-1		AMT	$2,555,000.00	11/16/95	N/A	88274WW33	5/16/99	11/16/05	11/16/27
SF 1996D		AMT	$2,145,000.00	11/14/96	N/A	88274WW33	5/14/00	11/14/06	11/14/28
SF 1997A		AMT	$ 360,000.00	9/17/97	N/A	88274WW33	3/17/01	9/17/07	9/17/29
SF 1997D		AMT	$1,110,000.00	12/4/97	N/A	88274WW33	6/4/01	12/4/07	12/4/29
Total			$6,170,000.00						
Current Status: Still Outstanding.									

EXHIBIT B

List of Co-Managers and Underwriting Group

Senior Manager

Salomon Smith Barney Inc.

Co-Managers

First Southwest Company
Goldman, Sachs & Co.
M. R. Beal & Company
Siebert Brandford Shank & Co., LLC

e) Approval of Underwriting Team for the Issuance of Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C, 2002 Series D and Other Related Matters

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF UNDERWRITING TEAM FOR THE ISSUANCE OF SINGLE FAMILY MORTGAGE REVENUE BONDS, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2002 SERIES D

AND OTHER RELATED MATTERS

(PROGRAM 57A)

The structure of the Department's Single Family Mortgage Revenue Bonds Series 2001A/B/C/D issue is substantially complete. The Series 2001A/B/C/D bonds will create lendable mortgage funds of approximately $100,000,000 upon closing.

The Department's Year 2002 volume cap allocation for single family bonds equals approximately $156,512,826. The Department will use only a portion of the Year 2002 volume cap, $38,750,000, for this transaction. The balance of the volume cap will be incorporated into the Department's next transaction in December 2002. The Department also anticipates refunding the Department's outstanding Single Family Mortgage Revenue Bond ("SFMRB") 1991 Series A issue. This refunding will produce economic savings for the SFMRB indenture but will not generate any surplus cash.

The attached page lists the investment banks recommended by the Department's Staff to manage the next single family bond transaction.

RECOMMENDATION

The Board approve the investment banks recommended for structuring and marketing the Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C, and 2002 Series D issue.

Program 57A Investment Banking Underwriting Team Recommendations

Estimated Transaction Size: $ 119,920,000

Firm	Underwriting Role	Liability%
Salomon Smith Barney, Inc.	Senior Manager	45.0%
M.R. Beal & Company	Co-Senior	25.0%
Goldman, Sachs & Co.	Co-Manager	10.0%
First Southwest Company	Co-Manager	10.0%
Siebert Brandford Shank & Co., Inc.	Co-Manager	10.0%
		100.0%

	Per Bond	Dollars
Management Fee	$ 0.50	$ 59,960.00
Take-Down	6.25	749,500.00
Expenses	0.50	59,960.00
Structuring Fee	0.75	89,940.00
Underwriters' Counsel	0.50	59,960.00
Underwriters' Risk	0.00	0.00
	$ 8.50	$ 1,019,320.00

The proposed designation policy follows:

- Three (3) or more firms must be designated.
- No more than 45% allocated to any one firm.
- Minority designations must be at least 10%.

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

DATE: April 29, 2001 **PROGRAM:** MFB 4% LIHTC **FILE NUMBER:** 2002-056 01465

DEVELOPMENT NAME

Stonebrook Villas

APPLICANT

Name: Stonebrook Villas Housing, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PRINCIPALS of the APPLICANT

Name: Stonebrook Villas Development LLC **(%):** .01 **Title:** Managing General Partner

Name: Related Capital Company **(%):** 99.99 **Title:** Initial Limited Partner

Name: Brian Potashnik (Southwest Housing Development, Inc.) **(%):** **Title:** Owner of G.P.

GENERAL PARTNER

Name: Stonebrook Vilas Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PROPERTY LOCATION

Location: Peregrine Drive at Virginia Parkway ☐ **QCT** ☐ **DDA**

City: McKinney **County:** Collin **Zip:** 75070

REQUEST

Amount	Interest Rate	Amortization	Term
¬ $12,200,000	7%	40 yrs	40 yrs
- $654,271*	N/A	N/A	N/A

Other Requested Terms: ¬ Tax-exempt private activity mortgage revenue bonds per revised project cost schedule, Since application this has been amended to $12,200,000
- Annual ten-year allocation of low-income housing tax credits *This figure has not been modified in the application after reduced project costs were provided

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 10.43 acres 454,330 square feet **Zoning/ Permitted Uses:** RG-18, multifamily permitted

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 224 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
124	2	2	950
92	3	2	1,100
8	4	2	1,300

Net Rentable SF: 229,400 **Av Un SF:** 1,024 **Common Area SF:** 5,000 **Gross Bldng SF** 234,400

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 25% stucco/ 75% cultured stone (per revised building plans) exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, centralized water heat

ON-SITE AMENITIES

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, perimeter fencing with limited access gate, monitored security

Uncovered Parking: 285 spaces **Carports:** 224 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM-TO-PERMANENT FINANCING

Source: Charter/Mac Municipal Mortgage **Contact:** Jim Spound

Principal Amount: $12,200,000 **Interest Rate:** 7%

Additional Information: Based on tax-exempt bond proceeds payment amount appears to be based upon a larger original debt amount of $14.5M, revised commitment did not correct 250-unit assumption

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $976,518 **Lien Priority:** 1st **Commitment Date** 3/ 22/ 2002

LETTER OF CREDIT

Source: First Union **Contact:** Kari Ferguson

Principal Amount: $12,200,000 **Interest Rate:** Unknown

Additional Information: Commitment not provided

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: $5,387,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 82¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 4/ 19/ 2002

Additional Information: Commitment letter reflects proceeds based on credits of $657,018

APPLICANT EQUITY

Amount: $1,852,840 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$833,280 for 13.88 acres	**Assessment for the Year of:**	2001
Building:		**Valuation by:**	Collin County Appraisal District
Total Assessed Value:	$626,161 prorata		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase agreement and assignment agreement

Contract Expiration Date: 6/ 10/ 2002 **Anticipated Closing Date:** 5/ 10/ 2002

Acquisition Cost: $ 1,375,000 **Other Terms/Conditions:** $70,000 earnest money and extension fees

Seller: Custer/Virginia Joint Venture ($1,250,000 sales price) **Related to Development Team Member:** No

Assignor: Provident Realty Advisors, Inc. ($125,000 assignment price) **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Stonebrook Villas is a proposed new construction project of 224 units of affordable housing located in far western McKinney. The project is comprised of 10 residential buildings as follows:

- One Building A with 24 two-bedroom units;
- Seven Building B with 12 two-bedroom units, 12 three-bedroom units;
- One Building C with 8 two-bedroom units, 8 three-bedroom units; and
- One Building D with 8 two-bedroom units, 8 four-bedroom units.

Based on the site plan the apartment buildings are evenly distributed throughout the site, with the two-story buildings primarily along Virginia Parkway. The community building, mailboxes, and swimming pool located near the entrance to the site on Virginia Parkway. The site plan reflect a wood fence with brick columns at the front of the property on Virginia and a six-foot-high masonry fence along the eastern boundary and shows two gated ingress/egress points. One of the ingress points appears to be from a private street which is not yet developed.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: after school and adult education, health screenings and immunizations, family counseling and domestic crisis intervention, computer training, emergency assistance and relief, community outreach, vocational guidance, and social and recreational activities. These services will be provided at no cost to tenants. The Applicant has agreed to pay $2,333 per month ($28K/year) for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed and placed in service in July of 2003, and to be substantially leased-up in January of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This allows for prospective tenants to be qualified at the 60% of AMGI or less income level

Special Needs Set-Asides: Thirteen units (5.2%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A revised market feasibility study dated March 5, 2002 was prepared by Butler Burgher, LLC and highlighted the following findings:

Definition of Market/Submarket: "We have determined the primary market area to be a ten-mile radius of the subject property, as this encompasses an adequate population to study with representative demographics." (p. 73)

The TDHCA market study guidelines and concentration policy adopted by the Board provide that:

> "The primary market or submarket will be defined on a case-by-case basis by the market analyst engaged by the Applicant to provide a market study for the Development. The market study should contain a map defining the market and submarket and a narrative of the salient features that helped the analyst make such a determination. As a general guide for the market analyst, the Department encourages the use of natural political/geographical boundaries whenever possible. Furthermore, the primary or submarket for a project chosen by the market analyst will generally be most informative if it contains between 50,000 and 250,000 persons, though a sub-market with fewer or more residents may be indicated at the discretion of the market analyst where political/geographic boundaries indicate doing so."

A five-mile radius provided a current total population of less than 40K persons. While this size radius is generally a more than sufficient radius for a metropolitan area, in this case it would provide a population base lower than the Department's guidelines would suggest. The ten-mile radius chosen by the Market Analyst contains slightly over 200K persons and is within the Department's guideline. The market analyst could have alternatively chosen the City of McKinney as the natural geographic/political boundary for the project's primary market, which is said to contain approximately 54K persons. The site, however, is located on the very western edge of this political boundary, and using only the City's boundary would have unreasonably characterized this project as drawing from only the City. In fact it will most likely draw residents from the neighboring communities of Frisco and Prosper. For example, a school teacher or municipal worker in Frisco or Prosper could easily have a shorter commute to their school or municipal office in those communities than they would if they worked in McKinney. The schools in Frisco and Prosper appear to be closer than approximately half of the schools in the McKinney Independent School District. The center of Frisco and Proper both appear to be closer to the site than the central business district of McKinney. Therefore, the market area defined in the market study can be considered reasonable for this project .

Total Local/Submarket Demand for Rental Units: "Based on demographics, the area surrounding the subject shows an average, pent-up demand figure of 2,581 units from income qualified, renter households and population within a ten-mile radius. Approximately 1,161 LIHTC units have been added in a ten-mile radius in the past 10 years. These demand calculations demonstrate adequate demand for the subject's 224 units, with demand coming completely from pent up growth/demand" (p. 76) In addition the Analyst indicated that based upon annual anticipated population growth "...calculations result in an average forecast demand of 230 units/year through 2005." The Underwriter finds that the three years of anticipated growth along with the ten years to be a potentially very aggressive methodology to calculate demand. The Underwriter has recalculated a current demand for the proposed units based on one year's growth and natural turnover of existing income-qualified households. While this method results in a heavy reliance on demand from turnover and for that reason could also be considered aggressive, it is a methodology for calculating demand that has been accepted with other developments since the concentration policy has gone into effect. The table below summarizes these two methodologies.

INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	% of Total Demand	% of Total Demand
Household Growth	689*	21%	230	6%
Resident Turnover	0	0%	3,455	94%
Other Sources: 10 yrs pent-up demand	2,581	79%	0	0%
TOTAL ANNUAL DEMAND	**3,270**	**100%**	**3,684**	**100%**

*based on three years of annual growth Ref: p. 77

Capture Rate: The Market Analyst projected 552 additional units of comparable affordable rental housing to be approved for funding but not yet stabilized in the 10-mile radius, which when combined with the proposed 224 units and divided by their forecast demand results in a forecast capture rate of 23.73% (p. 78) Based upon the Underwriter's recalculated demand the capture rate actually improves to 21.06%

Market Rent Comparables: The market analyst surveyed 10 comparable apartment projects totaling 2,352 units in the market area. (p.85)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (50%)	$667	$667	$0	$753	-$86
3-Bedroom (50%)	$771	$771	$0	$1,065	-$294
4-Bedroom (50%)	$859	$859	$0	$1,263	-$377

(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)
Ref: p. 93

Submarket Vacancy Rates: "The rental market is currently at an average occupancy of 93.3% in the Allen/McKinney submarket…" (p. 68)

Absorption Projections: "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in an 8- to 9-month absorption period to obtain 93% physical occupancy." (p. 78)

Known Planned Development: "Aside from the subject 224 units, there are three complexes under construction with affordable rents. Creek Point Apartments [200 units] (under construction and planned for 10/2002 completion) is located within the 10-mile radius from the subject and was included. Skyway Villas with 223 units will be completed within the next 2 years, as site work has just begun. Chaparral Townhomes with 120 units will be complete in 2003 and is located on E. Highway 5 in the City of Allen and is also within the 10-mile radius of the subject." (p. 77)

Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation. The Market Analyst's revised market study includes of all the new LIHTC-funded projects in this market. The Market Analyst used a demand calculation that includes a potentially aggressive 10-mile radius around the site, ten years of pent-up demand, and three years of future annual demand. The Underwriter believes the three years of future demand is the most speculative. This is because the Department has historically stayed away from using growth or development costs or operating expenses based on future projections much less cumulative effect of future projections. Using either one year or two years of growth provides for an excessive concentration capture estimate based upon the Market Analyst's calculations. While the Department's market study guidelines and concentration policy allow for a fair amount of discretion for the calculation of demand by the market study analyst, it also provides that the Department may substitute its own analysis and underwriting conclusions for those submitted by the report provider. In this case, while the Underwriter believes that the methodology used to calculate demand may be aggressive, the Underwriter's acceptable alternative calculation provides a lower 21% concentration capture rate. Based upon this finding the concentration capture rate is within the level allowed under the Department's policy.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: McKinney is located in north central Texas, approximately 30 miles north of Dallas in Collin County. The site is a rectangularly-shaped parcel located in the far western area of McKinney, approximately six miles from the central business district. The site is situated approximately 1,100 feet east of the northeast corner of the intersection of Virginia Parkway and Custer Road.

Population: The estimated 2001 population of the primary market area was 203,326 and is expected to increase by 18% to approximately 239,665 by 2006. Within the primary market area there were estimated to be 70,529 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly agricultural, with scattered single-family residential and commercial uses. Adjacent land uses include:

- **North:** Primarily undeveloped except for one church
- **South:** Virginia Parkway with single-family residential beyond
- **East:** Undeveloped land
- **West:** A proposed private road and undeveloped land then Custer Road with undeveloped land beyond

Site Access: Access to the property is from the east or west along Virginia Parkway. The project is to have one main entry at the southeast from Virginia Parkway and a secondary exit at the southwest from an unnamed access road to Virginia. Access to Interstate Highway 75 is five miles east, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: Public transportation to the area is not available in McKinney.

Shopping & Services: The site is in a relatively undeveloped area; shopping and services are located five miles east in McKinney.

Site Inspection Findings: A TDHCA staff member performed a site inspection on march 14, 2002 and found the location to be an excellent location for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 20, 2001 was prepared by Butler Burgher, Inc. and contained the following findings: “In the professional opinion of Butler Burgher…no evidence or indication of recognized environmental conditions have been revealed. No further investigation/assessment is warranted at this time pertaining to the Phase I ESA.” (p. 12)

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are slightly higher than the maximum rents allowed under LIHTC guidelines, reflecting the trended rents for the 2003 to 2004 time period in which the project will be in lease-up. The Applicant estimated higher secondary income of $25 per unit and utilized a lower vacancy and collection loss rate of 7% that when combined with the trended rents contributed to the gross income estimate being $63K (3%) higher than the Underwriter’s estimate. The Applicant also indicated that the property would provide hot water through a centralized boiler system, thereby further reducing the tenant-paid utilities and increasing the potential gross rent.

Expenses: The Applicant’s total expense estimate of $3,252 per unit or $3.18 per foot is significantly (9.4%) below the Underwriter’s TDHCA database-derived estimate of $3,596 per unit or $3.51 per foot based upon comparably-sized projects and the particular attributes of the subject. The Applicant’s budget shows several individual line item estimates that deviate significantly when compared to the database averages, particularly: payroll ($28K higher), utilities ($41K lower), water, sewer, and trash ($32K lower), and property tax ($34K lower). The Underwriter believes the majority of the difference in expenses is due to the utility cost associated with the central boilers not being included in the Applicant’s budget. In addition, the Applicant’s property tax expense infers an anticipated assessed value of $18,343 per unit while the market analyst reflected an assessment of $30,000 per unit as being reasonable, based upon comparisons to other LIHTC properties. The Market Analyst further explains the Applicant’s lower tax assumption is based upon a partial abatement of taxes, though no documentation of such abatement has been provided and none is assumed in this analysis.

Conclusion: The Applicant’s estimated income and total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. The Applicant’s original debt service amount reflected a much larger debt amount and a revision of the Applicant’s debt service assumptions has not been provided. The Underwriter’s proforma allows supportive services and compliance fees to be projected “below-the-line” in order to reflect a more true bonds-only minimum debt coverage ratio (DCR) of 1.10. This suggests, however, that unless the required supportive services expenses, trustee fee, compliance fees, asset oversight fees, and TDHCA administrative fees are waived or allowed to be funded out of cash flow only, the aggregate DCR is an unacceptably low 1.04. Therefore, up to two years of the TDHCA administrative fees may need to be deferred in order to maintain a 1.10 DCR.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The original site cost of $1,500,000 is more than double the current tax assessed value however, the acquisition price is generally assumed to be reasonable since the acquisition is, by all accounts, an arm's-length transaction. Southwest Housing Development, Inc., the principal of the General Partner, has an assignment agreement with Provident Realty Advisors to acquire the property from the current owner, Custer/Virginia Joint Venture. The purchase price between Provident and Custer is $1,250,000, as reduced in a third amendment to the purchase and sale agreement. The assignment fee identified in the assignment agreement between Southwest and Provident is $125,000, which results in a total purchase price of $1,375,000. In addition, Southwest has entered into a tri-party agreement for the development of the off-site structures as discussed below. This agreement calls for Southwest or its assigns to pay for two off-site tracts of land (but not own them) that comprise the access lane and the drainage facilities. The access lane land will cost $1.25 per square foot and account for an estimated 8,392 square feet. The drainage facilities land will cost $2.50 per square foot and account for approximately 34,794 square feet. This raises the total land cost to $1,472,475 or $27,525 less than the Applicant's proposed land cost.

Off-site Cost: The Applicant included no off-site costs in any of the budgets presented to date. Significant costs should be attributed to the development as a result of the improvements required to be made to a currently unimproved private access lane and a detention field that will serve the development site as well as the adjoining site. Both of these off-site improvements have been contemplated in the site plan of the project and have been formalized in a tri-party development agreement between Southwest Housing Development, Inc., Custer/Virginia Joint Venture (the current owner), and Cencor (the proposed buyer for the remainder of the adjacent land that Custer/Virginia Joint Venture currently owns). This agreement calls for Southwest to pay for but not own the land on which the improvements will be developed, as well as 50% of the cost of the access way development cost and a prorata share of the drainage facilities cost. The prorata amount will be based upon an engineering study to determine the benefits the drainage facilities will provide to both properties. In addition, the agreement calls for a proration of the ongoing burden of insurance and property taxes for these offsite locations. Receipt, review, and acceptance of a revised construction cost breakdown that includes an estimate for these off-sites is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are precisely at the maximum guideline for such costs and therefore are considered reasonable for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $215K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant's costs were derived from a sources and uses of funds statement dated 4/19/02 and the Underwriter was required to make assumptions regarding the eligible nature of some of the costs projected. An earlier version of the required project cost schedule concluded with a total amount that was $600K higher and included several line items that were significantly more out of line with the more current sources and uses. Receipt, review, and acceptance of a revised cost schedule consistent with the sources and uses and eligible basis assumptions in this analysis is a condition of this report.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees, however, exceed 15% of the Applicant's eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $91,051.

Conclusion: The Applicant's total project 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, determine the LIHTC allocation, and the project's overall need for funds. As a result an eligible basis of $17,209,355 is used to determine a credit allocation of $631,583 from this method.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan securing tax-exempt private activity bonds, a standby letter of credit, syndicated LIHTC equity, and deferred developer's fees.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and purchased by Charter/Mac. As of the date of the underwriting analysis, there will be $12,200,000 in tax-exempt Series A bonds. The Underwriter used the interest rate quoted in the commitment letter of 7%. A one percent origination fee will be charged for the facility. The bonds will be amortized over 40 years at a fixed interest rate. The bond will be interest-only until the conversion date not more than 24 months after the issuance. The commitment letter anticipates a construction period of not more than 14 months and requires a letter of credit by an approved financial institution for the full amount of the bonds during the construction and lease-up period. The original commitment letter anticipated a project of 250 units and has had several revisions due to resizing of the project and a re-evaluation of the debt amount. The most recent revision dated March 22, 2002 amends the bond amount to $12,875,000 and does not revise the number of units anticipated to be in the project, though it makes it clear that the bond amount proposed is subject to the receipt and review of final plans which would include the amended number of units. Receipt, review, and acceptance of a revised financing commitment to reflect the revised bond amount and corrected number of units is a condition of this report.

Letter of Credit: The Applicant anticipates obtaining a letter of credit (LOC) from First Union, however, a commitment evidencing this arrangement was not provided. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds is a condition of this report. The commitment to purchase the bonds lays out the anticipated terms of the LOC, including an origination fee of not more than 0.75%, quarterly interest of not more than 0.75% per annum on the full amount of the letter of credit, and guarantees of Brian Potashnik and Southwest Housing Development Company during construction and lease-up.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits, however, the latest commitment letter dated April 19, 2002 was not signed by the Applicant. The commitment letter shows net proceeds are anticipated to be $5,387,000 based on total allocated credits of $657,018 reflecting syndication factor of 82%. The commitment provides for the acquisition of 99.99% of the credits made available. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 10% upon completion of 50% of construction;
3. 30% upon completion of 75% of construction;
4. 20% upon completion of construction;
5. 20% upon attainment of rental achievement status.

Deferred Developer's Fees: The Applicant's most recent sources and uses as of April 19, 2002 proposed deferred developer's fees of $1,852,840 which amounts to 79% of the total fees.

Financing Conclusions: Based on the Applicant's sources and uses statement derived estimate of eligible basis, the LIHTC allocation should not exceed $631,583 annually for ten years, resulting in syndication proceeds of approximately $5,178,465. This credit amount is $6,465 higher than the amount reflect in the revised most updated sources and uses statement and a new cost breakdown has not yet been provided. The original project costs schedule reflected an applicable percentage of 3.68% rather than the current underwriting rate of 3.67%. The Applicant's total costs most likely do not account for the additional off-site costs attributed to the access way and the drainage facilities and an additional source of funds for these costs have not been identified. Should the Applicant's final construction cost exceed the cost estimate used to determine credits in this analysis, significant additional deferred developer's fee may not be available to fund the additional gap. As projected by the Underwriter, the deferred fees amount to just under 80% of the developer's fees and while they do not appear to be repayable within ten years, it can be projected that they are repayable out of estimated cash flow at zero percent interest in approximately 11 years.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive, with mixed stucco/masonry veneer/siding exterior finish and pitched roofs. The units are in two- and three-story walk-up structures with exterior stairways and interior breezeways. Each unit has a semi-private exterior entry that is shared with other units off an interior breezeway. All units are of average size for market rate and LIHTC units, and have covered patios or balconies, outdoor storage closets, and hookups for washers and dryers.

Unit Floorplans:

1. Entry to the 2-BR/2-BA unit is directly into the living area, with the designated dining area to the right and the galley kitchen adjoining the dining area. A hallway off the living area leads to the bedrooms and

bathrooms, one of which is accessible from the living area. The patio is accessed from the living room. The master bedroom has a walk-in closet and the secondary bedroom has a conventional closet.

2. The 3-BR/2-BA unit is arranged similarly to the 2-BR unit, with a larger kitchen with island, an entry coat closet, and the third bedroom off the central hallway.
3. Entry into the 4-BR/2-BA unit is through an entry foyer into the dining area, and the galley kitchen is separated from the dining area by a breakfast bar. The living area adjoins the dining space, and again a central hallway off the living area provides access to all bedrooms and bathrooms. The master bedroom has a walk-in closet and the other three bedrooms feature conventional closets. Both bathrooms will have two vanities.

IDENTITIES of INTEREST

Brian Potashnik, the owner of the General Partner, is also a principal of the Developer, General Contractor, and Property Manager. These are typical relationships.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Southwest Housing Development Company, Inc., submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $6.76M and consisting of $2M in cash, $3.9M in receivables, $817K in work in progress, and $5K in other assets. Liabilities totaled $3.2M, resulting in net equity of $3.57M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the owner of the General Partner and president of the Developer and General Contractor, listed participation as president of the general partner on 11 previous affordable and conventional housing projects totaling 2,353 units since 1994.

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.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X RECOMMEND LIHTC ALLOCATION OF NOT MORE THAN $631,583 PER YEAR FOR TEN YEARS AND TDHCA TAX-EXEMPT BOND ISSUANCE IN AN AMOUNT NOT MORE THAN $12,200,000, TO BE AMORTIZED OVER 40 YEARS AT AN INTEREST RATE OF 7% WITH THE POTENTIAL DEFERRAL OF UP TO TWO YEARS OF SUPPORTIVE SERVICES AND TDHCA FEES SHOULD THE PROJECT NOT ACHIEVE ITS STABILIZED NOI AS PROJECTED, CONDITIONED UPON THE FOLLOWING:

CONDITIONS

1. Receipt, review, and acceptance of a revised cost schedule to include off-site costs and to be consistent with the sources and uses of funds statement and eligible basis assumptions in this analysis;
2. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds; and,
3. Receipt, review, and acceptance of revised bond/permanent loan financing commitment reflecting the current project size and current debt amount.

Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	April 29, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Stonebrook Villas, MFB #2002-056/4% LIHTC #01465

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	124	2	2	950	$748	$667	$82,708	$0.70	$81.00	$41.00
TC (50%)	92	3	2	1,100	864	$771	70,932	0.70	93.00	53.00
TC (50%)	8	4	2	1,300	963	$859	6,872	0.66	104.00	63.00
TOTAL:	224			1,024	$803	$717	$160,512	$0.70	$86.75	$46.71

INCOME	Total Net Rentable Sq Ft:	229,400	TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$1,926,144	$1,942,932		
Secondary Income	Per Unit Per Month:	$10.00	26,880	67,200	$25.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$1,953,024	$2,010,132		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(146,477)	(140,712)	-7.00%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$1,806,547	$1,869,420		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.04%	$326	$0.32	$73,063	$63,900	$0.28	$285	3.42%
Management		4.00%	323	0.32	72,262	80,405	0.35	359	4.30%
Payroll & Payroll Tax		8.22%	663	0.65	148,512	176,300	0.77	787	9.43%
Repairs & Maintenance		5.26%	424	0.41	94,979	101,700	0.44	454	5.44%
Utilities		4.70%	379	0.37	84,950	43,700	0.19	195	2.34%
Water, Sewer, & Trash		5.77%	466	0.45	104,328	72,400	0.32	323	3.87%
Property Insurance		2.03%	164	0.16	36,704	33,150	0.14	148	1.77%
Property Tax	2.725843	8.08%	651	0.64	145,918	112,000	0.49	500	5.99%
Reserve for Replacements		2.48%	200	0.20	44,800	44,800	0.20	200	2.40%
Other:		0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES		44.59%	$3,596	$3.51	$805,516	$728,355	$3.18	$3,252	38.96%
NET OPERATING INC		55.41%	$4,469	$4.36	$1,001,031	$1,141,065	$4.97	$5,094	61.04%
DEBT SERVICE									
1st Lien Mortgage		50.36%	$4,061	$3.97	$909,775	$976,518	$4.26	$4,359	52.24%
Trustee Fee		0.19%	$16	$0.02	$3,500		$0.00	$0	0.00%
Supportive Services		1.55%	$125	$0.12	28,000	28,000	$0.12	$125	1.50%
TDHCA Admin. Fees		0.68%	$54	$0.05	12,200	28,580	$0.12	$128	1.53%
Asset Oversight & Compliance Fee		0.62%	$50	$0.05	11,200	11,250	$0.05	$50	0.60%
NET CASH FLOW		3.56%	$287	$0.28	$64,356	$124,717	$0.54	$557	6.67%
AGGREGATE DEBT COVERAGE RATIO					1.04	1.09			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.10				
BONDS-ONLY 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 bldng)		7.50%	$6,574	$6.42	$1,472,475	$1,500,000	$6.54	$6,696	7.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.42%	6,500	6.35	1,455,999	1,455,999	6.35	6,500	7.57%
Direct Construction		49.13%	43,042	42.03	9,641,441	9,426,000	41.09	42,080	49.03%
Contingency	4.90%	2.77%	2,429	2.37	544,100	544,100	2.37	2,429	2.83%
General Requirem	5.88%	3.33%	2,915	2.85	652,920	652,920	2.85	2,915	3.40%
Contractor's G &	1.96%	1.11%	972	0.95	217,640	217,640	0.95	972	1.13%
Contractor's Pro	5.88%	3.33%	2,915	2.85	652,920	652,920	2.85	2,915	3.40%
Indirect Construction		4.67%	4,089	3.99	915,967	915,967	3.99	4,089	4.76%
Ineligible Expenses		2.16%	1,895	1.85	424,431	424,431	1.85	1,895	2.21%
Developer's G & A	2.00%	1.55%	1,355	1.32	303,602	0	0.00	0	0.00%
Developer's Profit	13.00%	10.06%	8,810	8.60	1,973,413	2,335,750	10.18	10,427	12.15%
Interim Financing		5.60%	4,907	4.79	1,099,111	1,099,111	4.79	4,907	5.72%
Reserves		1.37%	1,202	1.17	269,191	0	0.00	0	0.00%
TOTAL COST		100.00%	$87,604	$85.54	$19,623,209	$19,224,838	$83.80	$85,825	100.00%
Recap-Hard Construction Costs		*67.09%*	***$58,772***	***$57.39***	***$13,165,020***	***$12,949,579***	***$56.45***	***$57,811***	*67.36%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED
1st Lien Mortgage	62.17%	$54,464	$53.18	$12,200,000	$12,200,000	$12,200,000
LIHTC Syndication Proceeds	26.36%	$23,089	$22.55	5,172,000	5,172,000	5,178,465
Additional Financing	0.00%	$0	$0.00	0	0	
Deferred Developer's Fee	9.44%	$8,272	$8.08	1,852,840	1,852,840	1,846,373
Additional (excess) Funds Required	2.03%	$1,778	$1.74	398,369	(2)	0
TOTAL SOURCES				$19,623,209	$19,224,838	$19,224,838

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Stonebrook Villas, MFB #2002-056/4% LIHTC #01465

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.78	$9,125,802
Adjustments				
Exterior Wall Fini	1.00%		$0.40	$91,258
9' ceilings	3%		1.19	273,774
Roofing			0.00	0
Subfloor			(0.89)	(204,375)
Floor Cover			1.82	417,508
Porches/Balconies	$24.13	40,870	4.30	986,346
Plumbing	$585	680	1.73	397,800
Built-In Appliance	$1,550	224	1.51	347,200
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	323,454
Carports	$7.53	44,800	1.47	337,344
Comm &/or Aux bldn	$53.70	5,000	1.17	268,515
Other:			0.00	0
SUBTOTAL			53.90	12,364,626
Current Cost Multiplie	1.04		2.16	494,585
Local Multiplier	0.92		(4.31)	(989,170)
TOTAL DIRECT CONSTRUCTION COSTS			$51.74	$11,870,041
Plans, specs, survy, b	3.90%		($2.02)	($462,932)
Interim Construction I	3.38%		(1.75)	(400,614)
Contractor's OH & Prof	11.50%		(5.95)	(1,365,055)
NET DIRECT CONSTRUCTION COSTS			$42.03	$9,641,441

PAYMENT COMPUTATION

Primary	$12,200,000	Term	480
Int Rate	7.00%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

Additional		Term	
Int Rate		Aggregate DCR	1.04

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$909,775
Trustee Fee	3,500
TDHCA Fees	51,400
NET CASH FLOW	$36,356

Primary	$12,200,000	Term	480
Int Rate	7.00%	DCR	1.10

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

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.04

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	$1,926,144	$1,983,928	$2,043,446	$2,104,750	$2,167,892	$2,513,181	$2,913,466	$3,377,505	$4,539,085
Secondary Income	26,880	27,686	28,517	29,373	30,254	35,072	40,658	47,134	63,344
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,953,024	2,011,615	2,071,963	2,134,122	2,198,146	2,548,253	2,954,124	3,424,639	4,602,429
Vacancy & Collection Loss	(146,477)	(150,871)	(155,397)	(160,059)	(164,861)	(191,119)	(221,559)	(256,848)	(345,182)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,806,547	$1,860,744	$1,916,566	$1,974,063	$2,033,285	$2,357,134	$2,732,565	$3,167,791	$4,257,247
EXPENSES at 4.00%									
General & Administrative	$73,063	$75,986	$79,025	$82,186	$85,474	$103,992	$126,522	$153,933	$227,859
Management	72,262	74,430	76,663	78,963	81,331	94,285	109,303	126,712	170,290
Payroll & Payroll Tax	148,512	154,452	160,631	167,056	173,738	211,379	257,175	312,892	463,157
Repairs & Maintenance	94,979	98,778	102,729	106,838	111,112	135,185	164,473	200,106	296,206
Utilities	84,950	88,348	91,882	95,557	99,379	120,910	147,106	178,977	264,929
Water, Sewer & Trash	104,328	108,501	112,841	117,355	122,049	148,491	180,662	219,803	325,363
Insurance	36,704	38,172	39,699	41,287	42,938	52,241	63,559	77,330	114,467
Property Tax	145,918	151,755	157,825	164,138	170,704	207,687	252,683	307,428	455,068
Reserve for Replacements	44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$805,516	$837,014	$869,750	$903,774	$939,135	$1,137,935	$1,379,062	$1,671,568	$2,457,054
NET OPERATING INCOME	$1,001,031	$1,023,729	$1,046,815	$1,070,289	$1,094,150	$1,219,199	$1,353,503	$1,496,224	$1,800,192
DEBT SERVICE									
First Lien Financing	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775	$909,775
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	12,200	12,142	12,081	12,014	11,943	11,503	10,880	9,996	6,966
Asset Oversight & Complia	11,200	11,648	12,114	12,598	13,102	15,941	19,395	23,597	34,929
Cash Flow	64,356	86,664	109,346	132,401	155,828	278,480	409,953	549,356	845,022
AGGREGATE DCR	1.07	1.09	1.12	1.14	1.17	1.30	1.43	1.58	1.88

LIHTC Allocation Calculation - Stonebrook Villas, MFB #2002-056/4% LIHTC #01465

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	$1,500,000	$1,472,475		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,455,999	$1,455,999	$1,455,999	$1,455,999
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$9,426,000	$9,641,441	$9,426,000	$9,641,441
(4) Contractor Fees & General Requirements				
Contractor overhead	$217,640	$217,640	$217,640	$217,640
Contractor profit	$652,920	$652,920	$652,920	$652,920
General requirements	$652,920	$652,920	$652,920	$652,920
(5) Contingencies	$544,100	$544,100	$544,100	$544,100
(6) Eligible Indirect Fees	$915,967	$915,967	$915,967	$915,967
(7) Eligible Financing Fees	$1,099,111	$1,099,111	$1,099,111	$1,099,111
(8) All Ineligible Costs	$424,431	$424,431		
(9) Developer Fees			$2,244,699	
Developer overhead		$303,602		$303,602
Developer fee	$2,335,750	$1,973,413		$1,973,413
(10) Development Reserves		$269,191		
TOTAL DEVELOPMENT COSTS	$19,224,838	$19,623,209	$17,209,355	$17,457,113

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$17,209,355	$17,457,113
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,209,355	$17,457,113
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,209,355	$17,457,113
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$631,583	$640,676
Syndication Proceeds	**0.8199**	**$5,178,465**	**$5,253,018**

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

DATE: April 29, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01482

DEVELOPMENT NAME

North Arlington Senior Apartment Community

APPLICANT

Name: MAEDC-Arlington Senior Community, L.P. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 7017 Chipperton, Suite 100 **City:** Dallas **State:** Texas

Zip: 75225 **Contact:** Monique Allen **Phone:** (512) 361-9602 **Fax:** (512) 373-3841

PRINCIPALS of the APPLICANT

Name	(%)	Title
MAEDC-Arlington, LLC	0.01	Managing General Partner
Protech Development/ Paramount	99.89	Limited Partner
Texas Affordable Communities	0.04	Special Limited Partner
Protech Development I, LLC	0.06	Special Limited Partner

GENERAL PARTNER

Name: MAEDC-Arlington, LLC **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 7017 Chipperton, Suite 100 **City:** Dallas **State:** Texas

Zip: 75225 **Contact:** Monique Allen **Phone:** (214) 361-9602 **Fax:** (214) 373-3841

Co-DEVELOPER

Name: Texas Affordable Communities **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 25 Highland Park Village Suite 100-198 **City:** Dallas **State:** Texas

Zip: 75205 **Contact:** J. Anthony Sisk **Phone:** (214) 526-0424 **Fax:** (214) 526-0426

Co-DEVELOPER

Name: Protech Development I, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 3825 Columbus Road SW Building F **City:** Granville **State:** Ohio

Zip: 43023 **Contact:** W. Michael Head **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

PROPERTY LOCATION

Location: 975 East Sanford Street ☐ **QCT** ☐ **DDA**

City: Arlington **County:** Tarrant **Zip:** 76011

REQUEST

Amount	Interest Rate	Amortization	Term
$600,000	N/A	N/A yrs	N/A yrs

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

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 15.134 acres 659,243 square feet **Zoning/ Permitted Uses:** MF-18

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

DESCRIPTION of IMPROVEMENTS

Total Units: 261 **# Rental Buildings** 2 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** 261 at 3/ 8/ 2002

Number	Bedrooms	Bathroom	Size in SF
60	1	1	640
70	1	1	750
41	2	1	750
30	2	2	843
60*	2	2	1,025

Net Rentable SF: 208,440 **Av Un SF:** 799 **Common Area SF:** 84,447 **Gross Bldng SF** 292,887

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

*The Applicant considers 30 of these to be 3 bedroom units as these units include a small den with a closet that could be used as a third bedroom

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 5% masonry/brick veneer/ 35% Hardiplank siding/ 60% Stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

8,745 SF community building with activity room/senior center, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, picnic area, walking trails, equipped children's play area, perimeter fencing with limited access gate, monitored security

Uncovered Parking: 395 spaces **Carports:** 34 spaces **Garages:** 20 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Newman & Associates **Contact:** Jerry Wright

Principal Amount: $14,437,800 **Interest Rate:** 6.20% estimated by Underwriter

Additional Information: FHA or GNMA guaranteed bonds up to $15M, LOI indicates bond rate of 5.40% an d a mortgage rate of 5.7% plus 0.50% mortgage insurance premium

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☒ Letter of Interest ☐ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: Newman & Associates **Contact:** Jerry Wright

Principal Amount: $14,437,800 **Interest Rate:** 6.20% estimated by Underwriter

Additional Information: Red Capital also provided LOI based on an FHA guaranteed structure but gave no terms

Amortization: 40 yrs **Term:** 42 yrs **Commitment:** ☒ Letter of Interest ☐ Firm ☐ Conditional

Annual Payment: $983,214 **Lien Priority:** 1st **Commitment Date** 2/ 25/ 2002

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale E. Cook

Address: 3825 Columbus Road, S.W., Building F **City:** Granville

State: Ohio **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: $4,480,853 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 79¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 03/ 28/ 2002

Additional Information: Commitment letter reflects proceeds of $4,480,853 based on tax credits of $567,197. The agreement has not been executed by any of the entities.

APPLICANT EQUITY

Amount: $650,000 **Source:** Deferred Developer Fee

VALUATION INFORMATION

ASSESSED VALUE

Tract #:	1	2	3	**Assessment for the Year of:**	2001
Land Size	3.5 acres	8.1339 ac	3.5 acres	**Valuation by:**	Tarrant County Appraisal District
Total Assessed Value:	$137,216	$265,736	$64,000	**Total:** $466,952	**Tax rate:** 2.269665

EVIDENCE of SITE or PROPERTY CONTROL

Tract 1

Type of Site Control: Purchase and Sale Agreement (Simpson Housing Solutions LLC and Sovereign Senior Services purchaser)

Contract Expiration Date: 5/ 17/ 2002 **Anticipated Closing Date:** 5/ 17/ 2002

Acquisition Cost: $ 200,000 **Other Terms/Conditions:** $5,000 earnest money, 3.5 Acres

Seller: George Kohfeldt Trust (Mary Lou Stevenson, Frances Mallery trustees) **Related to Development Team Member:** No

Tract 2

Type of Site Control: Purchase and Sale Agreement (Simpson Housing Solutions LLC and Sovereign Senior Services purchaser)

Contract Expiration Date: 5/ 17/ 2002 **Anticipated Closing Date:** 5/ 17/ 2002

Acquisition Cost: $ 620,000 **Other Terms/Conditions:** $55,000 earnest money, 8.223 acres

Seller: John Lincoln Corporation and Gjemre Family Limited Partnership **Related to Development Team Member:** No

Tract 3

Type of Site Control: Purchase and Sale Agreement (Simpson Housing Solutions LLC and Sovereign Senior Services purchaser)

Contract Expiration Date: 5/ 17/ 2002 **Anticipated Closing Date:** 5/ 17/ 2002

Acquisition Cost: $ 64,000 **Other Terms/Conditions:** $5,000 earnest money, 3.5 acres

Seller: First Unitarian Church of Dallas **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: North Arlington Senior Apartment Community is a proposed new construction project consisting of 261 units, 260 of which will be affordable income housing and one unit designated for management. The property will be located in northern section of Arlington. The residential buildings are as follows:

Building Type Summary							
Building Type	# of Buildings	# of Floors	Unit A 1-BR/1-BA	Unit B 2-BR/1-BA	Unit C 2-BR/2-BA	Unit D 2-BR/2-BA	Total Units
I	1	3	60	81	0	60	201
II	1	2		30	30		60
Total	0		60	111	30	60	261

Based on the current revised site plan the apartment buildings are distributed evenly throughout the site with the swimming pool and children's play area centrally located in a courtyard surrounded by building one. An 8,745 square foot two-story clubhouse building is planned to house a management office, a community room, exercise room, kitchen, restrooms, mailroom, coffee shop, a multi-purpose room, business center, beauty salon, game room, a bank (open only during certain hours a week), and a private dining area. Also, according the most recent version of the site plan, there will be 410 uncovered parking spaces, 40 carports and 20 garage spaces, however the application reflects 6 fewer carports but then relies on secondary income from 35 more carports and 20 more garages than are indicated on the site plans.

There were numerous inconsistencies and significant incomplete information in the original application. A voluminous amount of additional information has been requested of the Applicant and they have made reasonable efforts to provide much of the information requested, however serious inconstancies and gaps in the most current submitted application materials still remain. This report will be conditioned upon a number of missing or inconsistent items that, do to their inconclusiveness, add the most risk to the conclusions drawn in this report.

The development is a collaborative effort between the main developer and remaining original principal of the original Applicant, Tony Sisk, through his Texas Affordable Communities organization, Protech Development I, LLC, an affiliate or the substituted equity syndicator, Paramount Financial Group as Co-Developer and an affiliate of Maple Avenue Economic Development Corporation (MAEDC) a Non-profit CHDO organization as the general partner of the Applicant. A joint development agreement has been provided but it has not been signed by the syndicator, Co-Developer. Receipt review and acceptance of a fully executed joint development agreement is a condition of this report. When the initial application was made in January, Simpson Housing Solutions was anticipated to be the Co-Developer and therefore many of the original documentation in this application still refer to that entity which is no longer a part of the developer team according to Mr. Sisk.

Supportive Services: The Applicant plans to have services provided through an affiliate of the General Partner, MAEDC and has further indicated their intention to contract with Mission Arlington allowing for transportation during the day for the tenants to travel to various services in the community. Counseling services, financial planning and Health and Screening Services will also be provided through MAEDC. No cost of these services to either the tenant or the development will be required and/or has been identified by the Applicant.

Schedule: The Applicant anticipates construction to begin in June of 2002, to be completed in September 2003, and to be substantially leased-up by August of 2004.

POPULATIONS TARGETED

Income Set-Aside: As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI though all of the units may lease to residents earning up to 60% of the AMFI. The Applicant elected to qualify for tax credits under the 40% at

60% rule under Section 42(g)(1)(A) & (B).
Special Needs Set-Asides: 14 units (5.3%) will be handicapped-accessible.
Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated December 12, 2001 was prepared by Prior and Associates and highlighted the following findings:
Definition of Market/Submarket: "The market area is largely defined by major transportation corridors in east Arlington. North: Interstate 30, South Interstate 20, East: Cooper Street/Matlock Road, West: Highway 360" (p. IV 1)
Total Regional Market Demand for Rental Units: "The regional economy is based on education, manufacturing, healthcare and entertainment. The subject is near the Interstate 20 corridor, which is one of Arlington's fastest growing commercial and industrial areas. Between 1991 and 2000 the Fort Worth-Arlington's MSA has been rising 2.4% per year. Tarrant County has captured 81.8% of the MSA's job growth in during that time." (p. V 1)
Total Local/Submarket Demand for Rental Units: "Between 1990 and 2001, the primary market area gained 422 households per year. The PMA is expected to gain 605 households per year through 2006….From 1990 to 2001, households over 55 years of age accounted for 54.6% of the primary market area household growth. During that time, the PMA added 508 elderly households per year. Claritas, Inc. projects that the PMA will gain 326 elderly households per year from 2001 to 2006 when the elderly will comprise 26.1% of all households….Renters account for 22% of all the elderly households in the primary market area and 24.1% in Arlington." (p. VI 1-2)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst[1]		Underwriter[2]	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	35	3.8%	181	11%
Resident Turnover	832	90%	1,444	89%
Other Sources:	58	6.2%	N/A	N/A
TOTAL ANNUAL DEMAND	**925**	**100%**	**1,625**	**100%**

[1]Reference: p. IX 2
[2]The Underwriter used all of Arlington due to the small population of elderly in the PMA used by the market analyst of only 12,438 compared to 47,845 in all of Arlington. Elderly developments generally attract residents from a larger area than family projects.

Capture Rate: "…the subject would have to attract 28% of the primary market area's tenants on its proposed price range to attain full occupancy. The subject's capture rate falls to 24% if the monthly contract rent does not exceed 50% of tenant income." (p. IX 1) However the unit mix examined by the market analyst has been significantly modified and based on the application residents earning over 50% of AMI will not be allowed to live in the development. Based upon the Underwriter's calculated income eligible demand (at up to the 50% AMI level) for all of Arlington the capture rate is only 16%.
Local Housing Authority Waiting List Information: "The subject is within the service area of the Arlington Housing Authority, which has 1,935 Section 8 vouchers. The housing Authority has allocated nearly all of these vouchers. There are approximately 4,000 applicants on the waiting list, which was last updated in July 2001. According to Justin Vest of the Arlington Housing Authority, seniors account for approximately 20% of the waitlisted households, and there is a need for affordable senior units in the metropolitan area." (p. VII 15)
Market Rent Comparables: The market analyst surveyed 14 comparable apartment projects totaling 3,790 units in the market area. "The average monthly rent of surveyed projects was $605 for one-bedroom/one-bath units, $743 for two-bedroom/one-bath units and $849 for two-bedroom/two-bath units. These rates are higher than the subject." (p. VII 13). The following chart reflects the comparison of the proposed rents with the maximum potential rent restricted rents and the average rent of all existing similar unit types in the

submarket:

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bed / 1-Bath (50%)	$502	$514	-$12	$581	-$79
2-Bed / 1-Bath (50%)	$575	$611	-$36	$721	-$145
2-Bed / 2-Bath (50%)	$585	$611	-$26	$802	-$217

(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 REIS, in the third quarter 2001, apartment vacancy rates averaged 3.9% in the Forth Worth metropolitan area, and 4.8% in the southeast submarket….The Village at Johnson Creek, a senior LIHTC project (located ¼ miles away) remained below 1% during this time." (p. VII 7)

Absorption Projections: "Over the past five years the southeast market has absorbed 150 apartment units a year. Two market rate apartments have opened in the subject's area during the last three years. These projects have had absorption rates of 12 to 21 units per month. (The Village at Johnson Creek) began leasing units in April 1998 and was fully occupied by January 1999, for an average absorption of 16 units per month." (p.VII 11) Based on renter household demand in the market area and the experience of recently constructed senior housing project, if the sponsor (accepts Section 8 housing choice vouchers), we anticipate that the subject will fill between 15 and 20 units per month, and be fully occupied in 17 months." (p. X-I)

Known Planned Development: "One market-rate age-restricted apartment complex, The Arbrook, is under construction in the market area. When complete, this project will have 178 studio, one and two bedroom units with rents between $950 and $1,845. Other than the subject, there are no age-restricted multifamily projects planned in the area." (p. x) "Because these rents (Arbrook) are significantly higher than the subject's rents, it will not compete with the subject for tenants." (p.VII 2) Construction began in September 2002, and due to arson the project has been stopped twice but is now expecting completion in November 2002. A 204-LIHTC development is planned southeast of the subject near Highway 360. The development will be comprised of one- two- three- and four bedroom units and will be restricted to units earning less than 120% of the area median income. Eighty-Two units will be set aside for households earning 60% or less of the area median income. The project will not be age restricted. (p. VII 2)

Effect on Existing Housing Stock: "The subject is likely to attract tenants from new senior households who are moving to the area…..from seniors who are unhappy with their current housing accommodations and from senior homeowners who desire maintenance-free housing. The subject will also attract households from the waiting lists of other senior developments. The Village at Johnson Creek [AKA the Courtyards at Arlington a 1998 LIHTC seniors development] has 12 households on its waitlist." (p. VII 12). The subject is unlikely to have an adverse impact on other LIHTC units or on the Village at Johnson Creek due to their low vacancy rates. (p. VII 12)

Other Relevant Information: The market analyst stated the subject may have difficulty attaining required market share because the subject is adding 260 units to a market that is absorbing 150 units per year. In addition vacancy rates are rising and concessions are increasing. The subject rents are 19% to 31% below the average rents of comparable unit types at competing projects and 16% to 28% below the rents it could attain if there were no rental restrictions. The subject is located near shopping and other facilities and is located in a high crime area. This can be mitigated with the perimeter fence and security gate that is being proposed. The market study addressed the senior specific rents with other senior facilities in the area, as well as considered demand that would be specific to individuals 55 or older. The Underwriter found the market study to provide sufficient information to make an allocation recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Arlington is located in the northern region of state, between Dallas and Fort Worth and is considered part of the Fort Worth metropolitan statistical area. Arlington is approximately 20 miles west of Dallas and 20 miles east of Fort Worth in Tarrant County. The site is an irregularly shaped parcel located in the northern area of Arlington, approximately one mile from the central business district and is situated on the north side of E Sanford Street.

Population: The estimated 2001 elderly population of Arlington was 47,845 and is expected to increase by 30.8% to approximately 65,569 in 2006. Within the primary market area there were estimated to be 32,149 total households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed residential and commercial with the area being a moderate and low income racially mixed community developed during the 1950s and 1960s. Adjacent land uses include:

- **North:** A Johnson Creek tributary and vacant land and multifamily housing beyond.
- **South:** East Sanford a four-lane street with medium traffic volume and the Eastern Star Home beyond.
- **East:** Residential neighborhood consisting of ranch structures ranging form 1,200 to 1,800 s.f. Most of the homes are three-bedroom, two-bath with selling prices between $75,000 and $85,000.
- **West:** Single family home development with ranch structures ranging from 1,000 to 1,200 s.f. Most of the homes are two-bedroom, one bath and are selling between $60,000 to $70,000 and several apartment complexes.

Site Access: Access to the property is from the east or west along E. Sanford Street. The project will have one main entry from E. Sanford and an emergency entry, also from E. Sanford. Access to Interstate 30 is approximately 1.25 miles north, which provides connections to all other major roads serving the Dallas/Fort Worth area.

Public Transportation: According to the information provided by the Applicant, there is no public transportation in the market area however; Handitran provides scheduled vans to various community and retail facilities, as scheduled in advance, 8 a.m. to 5 p.m. seven days a week for a cost of $1.50 one-way.

Shopping & Services: The site is located 0.25 miles south of a 60,000 s.f. shopping center, with Azteca Western Wear and Spic & Span Laundry being the primary tenants. The closest convenience store is located 0.25 miles west from the subject. A 135,000 s.f. Super K-Mart is located 0.5 miles west of the subject site. Due to the subject being an elderly facility, schools are not of issue. Tarrant County Community College is located 1.5 miles northwest of the site and the University of Texas at Arlington is located 2.0 miles southwest. Eunice Senior Center provides lunches, greeting cards, exercise, crafts and a thrift store weekdays from 8:30 a.m. to 5:00 p.m. is located 0.75 miles south of a subject. Arlington Memorial, a full service hospital, is located 1.25 miles northwest, with a library located one mile southwest.

Site Inspection Findings:

The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 16, 2001 was prepared by Terra-Mar, Inc and contains the following findings and recommendations:

Findings: Historical rural residences were previously located on the tract. Sanitary septic systems or other types of tanks may be buried on-site. An area immediately adjacent to a branch of Johnson Creek adjacent to the north perimeter of the site lies within the 100-year flood plain. The federal or state databases did not identify the site or adjacent properties with environmental concerns. The site is within 3,000 feet of a railroad, with a Union Pacific Railroad tract located approximately 2,250 south of the site. According to Union Pacific, it is estimated that 90 diesel trains with 50 cars per train used the track within a 24 hour period. A letter has been sent to the Texas Historical Preservation Office to determine if the site has any known historic or cultural significance, none is expected. Also a letter was sent to the U.S. Fish and Wildlife Service to determine if the site has any endangered species, none is expected.

Noise: A noise study was also conducted by Terra-Mar dated January 16, 2001 for the property. Noise calculations were completed for North Collins Street and Sanford Road. The combined automobile and heavy truck traffic for the streets were 62.0 decibels. This level is within HUD’s acceptable range of less than 65 decibels. Noise calculations were done on the Union Pacific Railroad tract located 2,250 feet away. The combined locomotive and railway car noise levels were 64.5 decibels.

Recommendations: If sanitary septic systems or other installations are encountered during excavation, all systems or installations should be closed according to state and local regulations. Appropriate state and federal agencies should be contacted before conducting any construction activities that might adversely

impact the on-site drainage to determine if said water body could be considered waters of the U.S. and subject to the jurisdictional authority of these agencies. The channel and immediate areas are in the 100-year flood plain.
Receipt, review and acceptance of letters from the Texas Historical Preservation Office and the U.S. Fish and Wildlife Service confirming that the site is not impacted by the concerns raised in the study are a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are lower than what the Underwriter anticipates. The difference in rents might be because the Applicant was using rent limits from the previous year. The Underwriter is using the maximum rents allowed in 2002 because the market has shown it can achieve these rents, based on a comparable elderly LIHTC property built in 1998 within 0.75 miles, which is getting the maximum allowable rent and vacancy rates at 1%. The Applicant also stated that they will be applying for assistance with HUD Section 8 and the HOME Program however it is unknown what impact these funds might have a the present time since these applications have not been made and no other details were provided by the Applicant. The Applicant is projecting secondary income of $102,300 annually, for such services as $55 monthly fee for garages (40) and $15 monthly for carports (75), as well as $20 per month per unit in other fees. The site plan reflects far fewer garages and carports (20 and 40). The Applicant provided no evidence that the fees proposed are acceptable in the market place for affordable senior's developments and therefore the Underwriter excluded the garage and carport fees from the TDHCA analysis. In addition, if the Underwriter were to view this as secondary income, the construction amount for the garages and carports could not be included in eligible basis. These costs were included in eligible basis by the Applicant. The Underwriter used $10 per month per unit for secondary income as this application came in under the 2001 QAP and underwriting guidelines and as documentation substantiating higher secondary income was not provided.
Expenses: The Applicant's estimate of total operating expenses is 14% lower than what the Underwriter projects. However, much of the difference is attributed to the fact that the Applicant is assuming they will not have to pay real estate taxes, and thus is not counting the expense in its proforma. The Applicant received a letter from the Tarrant Appraisal District stating "If all the facts are as they appear, if the property is developed as planned, if a timely application for exemption is filed, and necessary supporting documents are submitted, the property will likely qualify for exemption under Texas Tax Code Section 11.182." However, the letter does not indicate that the Applicant will be exempt from paying real estate taxes, thus the Underwriter will assume the project will be required to pay taxes. If taxes are not taken into consideration, the Applicant would be within 5% of the Underwriters proforma and the financing structure proposed would be sound. In addition to taxes, the Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages. Particularly, a 62,405 shortfall in payroll and payroll tax compared to the Underwriter, and a 27,780 excess in repairs and maintenance compared to the Underwriter. The Applicant stated that tenants will pay electric and water in this project, and rents and expenses were calculated accordingly.
Conclusion: The Applicant's estimated operating income is 18% higher than what the Underwriter is projecting. As a result, the Underwriter's figures will be used when computing the debt service capacity. The Applicant is requesting a loan in the amount of $13,374,100. However, based on the NOI that will be utilized for underwriting purposes, the loan amount would result in a debt coverage ratio of 1.02 and thus is not attainable. In order to obtain a minimum bonds only DCR of 1.10, the debt service amount should not to exceed $840,579 and resulting in a likely decrease in loan amount to $12,415,090. Even at this amount the compliance fees associated with this project may need to be deferred or paid out of cash flow for the first year of stabilized occupancy.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: There are three parcels of land being purchased; each owned by different entities. One parcel, owned by John Lincoln Corporation and Gjemre Family Limited Partnership, is 8.223 acres in size with a sales price of $620,000 ($75,398/ acre or $1.73/s.f.). There is $55,000 held in escrow with the closing to occur no later than May 17, 2002. The land was assessed by the Tarrant County Tax Assessor in the amount of $265,736. The second parcel, owned by Mary Lou Stevenson and Frances Mallery, Trustees for George

Kohfeldt Trust, is 3.5 acres with a sales price of $200,000 ($57,143/acres or $1.31/s.f.). There is $5,500 in escrow with a closing to occur no later than May 17, 2002. The land was assessed by the Tarrant County Tax Assessor in the amount of $137,216. The third parcel, owned by First Unitarian Church of Dallas, is 3.5 acres with a sales price of $64,000 ($18,286/acres or $0.42/s.f.). There is $5,500 in escrow with a closing to occur no later than May 17, 2002. The land was assessed by the Tarrant County Tax Assessor in the amount of $64,000. In total, the 15.134 acres is being purchased for $884,000 ($58,411/acre or $1.34/s.f.), with a combined assessed value of $466,952. Since these are all arms length transactions the sales prices are considered reasonable, though the Applicant attributed $1,000 more in the cost of acquisition than could be confirmed.

Sitework Cost: The Applicant estimates sitework costs to be $1,387,283, or $5,315K/unit, which is within the TDHCA underwriting guidelines.

Direct Construction Cost: The Applicant's direct construction cost estimate is $947K or 9.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as being understated. This would suggest that either additional developer fee may need to be deferred to cover potential cost over-runs or the Developer or contractor will need to employ a lower quality of construction materials.

Interim Financing Fees: The Applicant's interim financing costs appear to be adequate and reasonable.

Fees: The Applicant's established fees for contractor's general requirements, general and administrative expenses, and contractor's profit are all below the maximums allowed by TDHCA guidelines. However, the Applicant also had $100,000 listed as an additional unspecified construction cost in the contractor fees section of the cost breakdown. Since there was significant room left in the 6%, 2%, 6% contractor fee limits the Underwriter was able to redistribute $73K of this unspecified cost in contractor fees and removed the remainder to ineligible costs. The Applicant indicated Developer fees that exceed the 15% limit based on the Applicant's remaining eligible costs budgeted by $358,782 and therefore this amount must be removed and relabeled as an ineligible cost.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total project cost estimate of $73,352 per unit, or $91.90 per square foot appears high for average sized units, however, the subject property will include all interior breezeways and they are a much higher cost construction method. The Applicant is requesting $600,000 in credits though they claim to be qualified for $641,403 in tax credits. In attempting to justify the higher amount they used an unrealistically high applicable percentage of 4.00% instead of the current 3.67% underwriting rate used for projects being presented to the Board in May of 2002. As a result of adjustments to the Applicant's budget, an eligible basis of $15,649,341 is used to determine a credit allocation of $574,331 from this method. This will be compared to the gap method of funds needed to ensure that not more credits are provided than are necessary to provide for the affordable housing proposed.

FINANCING STRUCTURE ANALYSIS

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

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Tarrant County Housing Finance Corporation and placed privately through Newman & Associates. A letter of interest from Newman and Associates indicates up to $15,000,000 in tax-exempt bonds, however as of the date of the underwriting analysis, the Applicant claimed only $13,374,100 in tax-exempt bonds. A second letter of interest was provided by Red Capital but no details of the potential terms of the underlying loan were included. In either case, the bonds are anticipated to be rated Aaa and to be secured by a 221(d)(4) HUD Mortgage and or GNMA Securities to be issued by an approved FHA lender. The bond closing must occur no later than May 25, 2002 and will have an anticipated term of 42 years with 40-year amortization of principal. The bonds will be structured with semiannual principal and interest payment dates. The Newman letter of interest indicated that it is anticipated that the interest rate on the bonds will be established on the date of pricing, this rate is currently estimated to be 5.4%. The mortgage rate of the loan is anticipated to be approximately 5.7% with an additional 0.5% paid to FHA annually for mortgage insurance. Therefore the Underwriter used a fixed interest rate of 6.20%. The bonds will be amortized over 40 years at a fixed interest rate. Receipt, review and acceptance of a firm final fully executed commitment(s) for bond and interim to permanent mortgage financing including all the terms and conditions and not subject to lenders due diligence is a condition of this report.

LIHTC Syndication: Paramount Financial Group has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,480,853 based on a syndication factor of 79%. The funds would be disbursed in a 5-phased pay-in schedule:

1. 35% upon closing of the construction loan;
2. 20% upon 50% completion of construction;
3. 25% upon 100% completion of construction;
4. 10% upon attainment of breakeven operating status;
5. 10% upon attainment of 3 months of 1.10 DCR.

Deferred Developer's Fees: The Applicant originally proposed deferred developer's fees of $650,000 but as a result of the Applicant's most recent revised cost breakdown being $520,655 higher than originally anticipated the need for deferral of Developer's fees has increased in the same amount. The $1,170,655 total gap now represents 57% of the total Developer fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed $574,331 annually for ten years, resulting in syndication proceeds of approximately $4,537,210. This is $25,669 less in credits than the $600,000 the Applicant requested due primarily to the Applicant's use of a higher applicable percentage of 4.00% rather than the Underwriting rate of 3.67%. The Underwriter's analysis reflects that, without securing the property tax exemption, the debt service will likely be capped at $840,579, which would result in a reduction in the bond amount to $12,415,090. The resizing of the bond amount could occur prior to closing but is more likely going to occur as a redemption at conversion. Based on the Underwriter's analysis and absent the property tax exemption, the deferred developer may then need to be increased to 2,192,455, or 92% of the requested developer fee but 107% of the eligible developer fee. Should the Applicant's final direct construction cost exceed the Applicant's cost estimate as suggested in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns. As projected by the Underwriter, the required deferred developer fees do not appear to be repayable within 10 year. It can be projected that they are repayable out of estimated cash flow at zero percent interest in approximately 13 years. For those reasons the project is only marginally feasible without confirmation of a property tax exemption or PILOT agreement. Without such an exemption the debt service for this project should be limited to not more than $840,579 as a condition of this report and a reduction in ineligible developer fees and total development costs of at least $151,137 and a deferral of 100% of the eligible developer fee should be required.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive with varied rooflines. The construction is of wood frame on a post-tensioned concrete slab on grade, 5% masonry/brick veneer, 35% Hardiplank siding and 60% Stucco wall covering with wood trim with composite shingle roofing. All units are entered from interior hallways and are of average size for market rate and LIHTC units. Each has a covered patio or balcony.

Interior: The project is comprised of two large congregate buildings with interior hallways leading to each unit. Building One is three stories, while Building Two is comprised of two stories. It should be noted that Building Two does not have a laundry facility located in it, forcing residents to exit the building, cross the parking lot and walk halfway though Building One to access these facilities. Receipt review and acceptance of revised final building plans reflecting better access to all amenities and especially a laundry facility for Building Two is a condition of this report.

Unit Floorplans:

1. The one-bedroom/one-bath, 640 square foot unit is entered through a foyer that leads into the living and dining area, with the kitchen beyond the dining area. The balcony is entered from the open living/dining room area. The bedroom is located off the living room and has a walk-in closet and access to the bathroom. The bathroom can also be accessed through a door from the foyer making the bathroom accessible from the living area. The washer/dryer utility room is located off the kitchen.
2. The two-bedroom/one-bath, 750 square foot unit is entered through a foyer that leads into the living and dining area, with the kitchen beyond the dining area. The balcony is entered from the open living/dining

room area. The master bedroom is entered through a door in the foyer area and has two closets. The very small second bedroom being entered from the living room and shares a closet with the adjoining bathroom. The bathroom can be entered from the living room and is designed to connect the bedrooms. The washer/dryer utility room is located off the kitchen. The developer has sent in the architectural plans labeling a set of floor plans identical to this plan but referring to it as a one-bedroom, one bath.

3. Entry into the two-bedroom/ two-bath, 843 square foot unit is entered through a foyer into the combined living and dining areas, with the kitchen off the dining space. A hallway, located off of the living space, contains a coat closet, and access to the master bedroom and bathroom. Next to the living room is a door leading to the second bedroom that connects to the master bedroom via the adjoining bath.
4. Entry into the two-bedroom/ two-bath 1,025 square foot unit is entered through a foyer into the combined living and dining areas, and the galley kitchen is off the dining space. A hallway is entered from the living area and leads to both bedrooms and one of the bathrooms. The master bedroom has its own bath. The second bath can be entered from the hall or the second bedroom. The balcony is entered from the dining area and the washer/dryer connections are entered from the kitchen.
5. Entry into a similar two-bedroom/ two-bath 1,025 square foot unit is identical to the previous two-bed, two-bath unit expect that the second bedroom is smaller and does not lead into the bathroom, while a study has been formed and is connected to the bathroom. This unit could be considered a three bedroom unit.

IDENTITIES of INTEREST

The consultant and developer (as originally proposed in the application) are related entities. These are common identities of interest for LIHTC developments. Simpson Housing Solutions (SHS) was originally the equity provider and they were also one of the developer partners and co signed on all of the site control documents. While a Release Agreement was provided indicating their withdrawal as a party in the development partnership the Applicant has not provided any documentation amending the purchase agreements with this change. Moreover, the relationship between the other named purchaser Sovereign Senior Services, signed for by Mr. Sisk and Mr. Sisk's Co-Developer entity, Texas Affordable Communities has not been made clear. Therefore, fully executed assignments of all the site control documents are a condition of this report. In addition a related entity to the new equity syndicator will now be a co-developer in the project.

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

Financial Highlights: The Applicant and the actual General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

∉ Maple Avenue Economic Development Corporation, the principal non-profit affiliate of the proposed General Partner and for all practical purposes the effective general partner, submitted an unaudited financial statement as of December 31, 2001 reporting total assets of $40,297,700 and consisting of $3,591,409 in cash, $1,385,909 in receivables, $33,359,826 in real property, $16,561 in machinery, equipment, and fixtures, and $1,943,995 in other assets. Liabilities totaled $42,430,410, resulting in a net worth of ($2,132,710). They also submitted an unaudited financial statement as of October 31, 2001 reporting total assets of $21,465,007.71 and consisting of $2,644,571.56 in cash, $159,828 in receivables, $16,783,687.79 in real property, $16,560.61 in machinery, equipment, and fixtures, and $1,860,359.75 in insurance, business interests, and personal property. Liabilities total $1,088,075.30, resulting in a net worth of $21,774,404.30. Finally they provided a copy of their tax return for 2000 which reveals a still more inconsistent picture listing total assets of $90K at the beginning of the year and only $44K at the end of the year (2000). A brief biography of this organization was provided and indicated that they had acquired their first 278-unit multifamily development in 1999 and a second 208-unit development in July of 2000. It further describes plans to close on two more developments in January and February of 2001. Audited financial statements for two of the acquired properties were provided but an audited consolidated statement was not provided. While the financial status of the proposed general partner is questionable based on the information provided and the lack of audited financial statements, it will be the Co-Developer's credit capacity that will need to support the construction loan guarantees. Moreover, since the syndicator has stepped in with a related entity as one of the Co-Developers it is unlikely that they will have an immediate concern about their chosen non-profit general partner of the Applicant to prevent this transaction from moving forward at this stage.

∉ The Co-Developers have not provided financial statements nor were financial statements of any of their principals provided. Receipt review and acceptance of the financial statements of the Co-Developers and their controlling principals is a condition of this report.

Background & Experience:

∉ The Applicant and General Partner are new entities formed for the purpose of developing the project. The experience of the affiliate of the general partner is discussed above.

∉ Paramount Financial Group, the parent company for the syndicator and one of the Co-Developers provided a narrative describing their 15 years of experience and involvement in over 470 properties in 41 states.

∉ A statement indicating the experience of the General Contractor on two completed LIHTC properties in Texas was provided however no other experience was represented. Moreover, Exhibit 101 was not provided which, among other things, requires the Applicant to certify that the General Contractor has a history of constructing similar types of housing without the use of federal tax credits pursuant to meeting the requirements included in the General Appropriations Act, 2002-2003 Rider 9 (c).

∉ No information was provided indicating the experience of the other Co-Developer Texas Affordable Communities was provided and Receipt review and acceptance of a narrative documenting the background and experience of the Texas Affordable Communities or their controlling principals is a condition of this report.

SUMMARY OF SALIENT RISKS AND ISSUES

∉ The Applicant's estimated income, operating expenses and net income are more than 5% outside of the Underwriter's verifiable ranges.

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

∉ 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 principals of the Applicant do not appear to have the development experience to support the project if needed.

∉ Significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $574,331 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a Joint Development Agreement executed by all parties.
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
3. Receipt, review, and acceptance of a satisfactory documentation from the Texas Historical Preservation Office stating that the site has no significant historic or cultural significance and documentation from U.S. Fish and Wildlife Services stating that the site contains no endangered species;
4. Receipt, review and acceptance of a firm final fully executed commitment(s) for bond and interim to permanent mortgage financing including all the terms and conditions and not subject to lenders due diligence;
5. Absent a property tax exemption or PILOT agreement receipt review and acceptance of the permanent loan commitment to reflect a limit on the debt service for this project of not more than $840,579 and a reduction in ineligible developer fees and total development costs of at least

$151,137 and a deferral of 100% of the eligible developer fee should be required.

6. Receipt, review, and acceptance of revised final building plans reflecting better access to all amenities and especially a laundry facility for Building Two;
7. Receipt, review, and acceptance of fully executed assignments of all the site control documents to reflect the current Applicant or joint developers and a releases from the previous joint developers;
8. Receipt review and acceptance of the financial statements of the Co-Developers and their controlling principals as well as a credit release authorization of the principals;
9. Receipt review and acceptance of a narrative documenting the background and experience of the Texas Affordable Communities or their controlling principals;
10. Should the terms of the proposed debt or syndication be altered, the conclusions of this report and condition should be re-evaluated;

ALTERNATIVE

∉ Should the Applicant provide acceptable documentation of confirmation of the property tax exemption, condition 5 above may be removed, however, should such documentation be a PILOT agreement(s) with the local tax districts, condition 5 should be fully re-evaluated.

Credit Underwriter:	*Mark Fugina*	**Date:**	April 29, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

North Arlington Senior Apartment Community, Arlington, LIHTC #01482

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	Trash
TC 50%	60	1	1	640	$574	$514	$30,840	$0.80	$60.00	$8.00
TC 50%	110	2	1	750	690	611	67,210	0.81	79.00	10.00
TC 50%	30	2	1	843	690	611	18,330	0.72	79.00	10.00
TC 50%	60	2	1	1,025	690	611	36,660	0.60	79.00	10.00
mgr	1	1	1	640	0	0	0			
TOTAL:	261			798	$661	$586	$153,040	$0.73	$74.33	$9.50

				TDHCA	APPLICANT			
INCOME Total Net Rentable Sq Ft: 208,330								
POTENTIAL GROSS RENT				$1,836,480	$1,791,120			
Secondary Income	Per Unit Per Month:		$10.00	31,320	62,400	$19.92	Per Unit Per Month	
Other Support Income: (describe40 Garages @ $55 and 75 carports @ $15				0	40,500			
POTENTIAL GROSS INCOME				$1,867,800	$1,894,020			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(140,085)	(113,640)	-6.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,727,715	$1,780,380			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.29%	$284	$0.36	$74,149	$57,000	$0.27	$218	3.20%
Management	5.00%	331	0.41	86,386	82,525	0.40	316	4.64%
Payroll & Payroll Tax	13.05%	864	1.08	225,504	287,909	1.38	1,103	16.17%
Repairs & Maintenance	6.01%	398	0.50	103,753	76,000	0.36	291	4.27%
Utilities	2.89%	191	0.24	49,964	54,604	0.26	209	3.07%
Water, Sewer, & Trash	2.27%	150	0.19	39,160	47,000	0.23	180	2.64%
Property Insurance	2.41%	160	0.20	41,666	33,132	0.16	127	1.86%
Property Tax 2.269665	7.54%	499	0.63	130,324	0	0.00	0	0.00%
Reserve for Replacements	3.02%	200	0.25	52,200	53,539	0.26	205	3.01%
Other Expenses:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	46.48%	$3,077	$3.85	$803,106	$691,709	$3.32	$2,650	38.85%
NET OPERATING INC	53.52%	$3,543	$4.44	$924,609	$1,088,671	$5.23	$4,171	61.15%
DEBT SERVICE								
First Lien Mortgage	52.41%	$3,469	$4.35	$905,510	$905,510	$4.35	$3,469	50.86%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Compliance fees	0.38%	$25	$0.03	6,525	3,000	$0.01	$11	0.17%
NET CASH FLOW	0.73%	$48	$0.06	$12,574	$180,161	$0.86	$690	10.12%
AGGREGATE DEBT COVERAGE RATIO				1.01	1.20			
ALTERNATIVE BONDS ONLY 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)		4.45%	$3,387	$4.24	$884,000	$885,000	$4.25	$3,391	4.62%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.98%	5,315	6.66	1,387,283	1,387,283	6.66	5,315	7.25%
Direct Construction		48.44%	36,890	46.22	9,628,217	8,680,814	41.67	33,260	45.34%
Contingency	4.58%	2.54%	1,935	2.42	505,000	505,000	2.42	1,935	2.64%
General Requiremen	5.49%	3.04%	2,318	2.90	604,893	604,893	2.90	2,318	3.16%
Contractor's G & A	2.00%	1.11%	843	1.06	220,000	220,000	1.06	843	1.15%
Contractor's Profi	5.54%	3.07%	2,337	2.93	610,000	610,000	2.93	2,337	3.19%
Indirect Construction		4.54%	3,456	4.33	902,087	902,087	4.33	3,456	4.71%
Ineligible Expenses		7.61%	5,799	7.27	1,513,654	1,513,654	7.27	5,799	7.91%
Developer's G & A	2.00%	1.47%	1,117	1.40	291,650	500,000	2.40	1,916	2.61%
Developer's Profit	13.00%	9.54%	7,263	9.10	1,895,722	1,900,000	9.12	7,280	9.92%
Interim Financing		3.65%	2,778	3.48	725,000	725,000	3.48	2,778	3.79%
Reserves		3.58%	2,724	3.41	711,024	711,024	3.41	2,724	3.71%
TOTAL COST		100.00%	$76,163	$95.42	$19,878,530	$19,144,755	$91.90	$73,352	100.00%
Recap-Hard Construction Costs		*65.17%*	***$49,638***	***$62.19***	***$12,955,393***	***$12,007,990***	***$57.64***	***$46,008***	*62.72%*

SOURCES OF FUNDS

						RECOMMENDED	ALT. W/ EXEMPTION
First Lien Mortgage	67.28%	$51,242	$64.20	$13,374,100	$13,374,100	$12,415,090	$13,374,100
LIHTC Syndication Proceeds	23.14%	$17,625	$22.08	4,600,000	4,600,000	4,537,210	4,537,210
Additional Financing	0.00%	$0	$0.00	0		0	0
Deferred Developer Fees	3.27%	$2,490	$3.12	650,000	650,000	2,041,218	1,233,445
Additional (excess) Funds Require	6.31%	$4,806	$6.02	1,254,430	520,655	151,237	0
TOTAL SOURCES				$19,878,530	$19,144,755	$19,144,755	$19,144,755

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.47	$8,640,418
Adjustments				
Exterior Wall Finish	0.75%		$0.31	$64,803
Elderly	5.00%		2.07	432,021
Roofing			0.00	0
Subfloor			(1.96)	(155,359)
Floor Cover			1.82	379,161
Breezways/Porches/Bal	$24.40	65,294	7.65	1,593,043
Plumbing	$585	310	0.87	181,350
Built-In Appliances	$1,550	261	1.94	404,550
Stairs/Fireplaces	$1,500	19	0.14	28,500
Garages	$13.12	3,800	0.24	49,856
Heating/Cooling			1.41	293,745
Carports	$7.53	6,460	0.23	48,644
Comm &/or Aux Bldgs	$50.02	8,745	2.10	437,403
Other: Elevators	$40,500	5	0.97	202,500
SUBTOTAL			59.27	12,347,667
Current Cost Multiplier	1.04		2.37	493,907
Local Multiplier	0.92		(4.74)	(987,813)
TOTAL DIRECT CONSTRUCTION COSTS			$56.90	$11,853,760
Plans, specs, survy, bld	3.90%		($2.22)	($462,297)
Interim Construction Inte	3.38%		(1.92)	(400,064)
Contractor's OH & Profit	11.50%		(6.54)	(1,363,182)
NET DIRECT CONSTRUCTION COSTS			$46.22	$9,628,217

PAYMENT COMPUTATION

Primary	$13,374,100	Term	480
Int Rate	6.20%	DCR	1.02
Secondary		Term	
Int Rate		Subtotal DCR	1.02
Additional		Term	
Int Rate		Aggregate DCR	1.01

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$840,579
Secondary Debt Service	0
Compliance fees	6,525
NET CASH FLOW	$77,505

Primary	$12,415,090	Term	480
Int Rate	6.20%	DCR	1.10
Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$0	Term	
Int Rate	0.00%	Aggregate DCR	1.09

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	$1,836,480	##########	$1,948,322	$2,006,771	$2,066,974	$2,396,190	$2,777,841	$3,220,279	$4,327,785
Secondary Income	31,320	32,260	33,227	34,224	35,251	40,865	47,374	54,920	73,808
Other Support Income: (descr	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,867,800	1,923,834	1,981,549	2,040,995	2,102,225	2,437,055	2,825,215	3,275,199	4,401,593
Vacancy & Collection Loss	(140,085)	(144,288)	(148,616)	(153,075)	(157,667)	(182,779)	(211,891)	(245,640)	(330,119)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,727,715	##########	$1,832,933	$1,887,921	$1,944,558	$2,254,276	$2,613,324	$3,029,559	$4,071,474
EXPENSES at 4.00%									
General & Administrative	$74,149	$77,115	$80,200	$83,408	$86,744	$105,538	$128,403	$156,222	$231,246
Management	86,386	88,977	91,647	94,396	97,228	112,714	130,666	151,478	203,574
Payroll & Payroll Tax	225,504	234,524	243,905	253,661	263,808	320,963	390,500	475,103	703,268
Repairs & Maintenance	103,753	107,903	112,219	116,708	121,376	147,672	179,666	218,591	323,568
Utilities	49,964	51,963	54,041	56,203	58,451	71,115	86,522	105,267	155,822
Water, Sewer & Trash	39,160	40,726	42,355	44,049	45,811	55,736	67,812	82,503	122,125
Insurance	41,666	43,333	45,066	46,869	48,743	59,304	72,152	87,784	129,942
Property Tax	130,324	135,537	140,959	146,597	152,461	185,492	225,679	274,573	406,436
Reserve for Replacements	52,200	54,288	56,460	58,718	61,067	74,297	90,394	109,978	162,794
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$803,106	$834,366	$866,851	$900,609	$935,689	$1,132,830	$1,371,794	$1,661,500	$2,438,775
NET OPERATING INCOME	$924,609	$945,180	$966,081	$987,312	$1,008,869	$1,121,446	$1,241,530	$1,368,059	$1,632,699
DEBT SERVICE									
First Lien Financing	$840,579	$840,579	$840,579	$840,579	$840,579	$840,579	$840,579	$840,579	$840,579
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	6,525	6,525	6,525	6,525	6,525	6,525	6,525	6,525	6,525
NET CASH FLOW	$77,505	$98,076	$118,977	$140,208	$161,765	$274,342	$394,426	$520,955	$785,595
DEBT COVERAGE RATIO	1.09	1.12	1.14	1.17	1.19	1.32	1.47	1.61	1.93

LIHTC Allocation Calculation - North Arlington Senior Apartment Communit

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	$885,000	$884,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,387,283	$1,387,283	$1,387,283	$1,387,283
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$8,680,814	$9,628,217	$8,680,814	$9,628,217
(4) Contractor Fees & General Requirements				
Contractor overhead	$220,000	$220,000	$201,362	$220,000
Contractor profit	$610,000	$610,000	$604,086	$610,000
General requirements	$604,893	$604,893	$604,086	$604,893
(5) Contingencies	$505,000	$505,000	$503,405	$505,000
(6) Eligible Indirect Fees	$902,087	$902,087	$902,087	$902,087
(7) Eligible Financing Fees	$725,000	$725,000	$725,000	$725,000
(8) All Ineligible Costs	$1,513,654	$1,513,654		
(9) Developer Fees			$2,041,218	
Developer overhead	$500,000	$291,650		$291,650
Developer fee	$1,900,000	$1,895,722		$1,895,722
(10) Development Reserves	$711,024	$711,024		
TOTAL DEVELOPMENT COSTS	$19,144,755	$19,878,530	$15,649,341	$16,769,852

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$15,649,341	$16,769,852
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$15,649,341	$16,769,852
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$15,649,341	$16,769,852
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$574,331	$615,454
	Syndication Proceeds	**0.7900**	**$4,537,210**	**$4,862,080**

SECTION 8 PROGRAM

BOARD ACTION REQUEST
May 9, 2002

Staff Recommendation

Staff recommends that the Board approve the 2002 Public Housing Authority (PHA) Plan.

Action Item

Approval of 2002 Public Housing Authority (PHA) Plan.

Required Action

Approve the proposed PHA Plan for the Department's Section 8 Program.

Background

24 CFR 903.3 requires the Texas Department of Housing and Community Affairs to maintain an Annual Public Housing Authority (PHA) Plan. Section 511 of the Quality Housing and Work Responsibility Act of 1993 created the Public Housing Authority Plans. The Annual Plan provides details about the Agency's immediate operations, program participants, and programs and services, and the Agency's strategy for addressing the needs of the community in the upcoming fiscal year.

See web link for copy of PHA Plan:

http://www.tdhca.state.tx.us/pdf/HOME/02-PHA_Plan-020425.pdf

b) Approval of the Proposed Rule of the Housing Sponsor Tenant and Management Selection

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1. ADMINISTRATION
SUBCHAPTER A. GENERAL POLICIES AND PROCEDURES
10 TAC 1.14. HOUSING SPONSOR: TENANT AND MANAGEMENT SELECTION

The Texas Department of Housing and Community Affairs (the Department) proposes new <*>1.14, concerning Housing Sponsor: Tenant Management Selection. The purpose of this section is to set standards and restrictions concerning tenant and management selection by a housing sponsor in accordance with Section 2306.269 of the Government Code as added by SB 322, 77th Session of the Texas Legislature.

Ms. Edwina P. Carrington, Executive Director, has determined that for the first five-year period the proposed section is in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

Ms. Carrington also has determined that for each year of the first five years the proposed section is in effect, the public benefit anticipated as a result of enforcing the section will be will be more efficient disposition of complaints. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the section as proposed. The proposed new rule will not have an impact on any local economy.

Comments may be submitted to Anne O. Paddock, Deputy General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: apaddock@tdhca.state.tx.us.

The new section is proposed pursuant to the authority of the Texas Government Code, Chapter 2306; and in accordance with the Texas Government Code <*>2001.039.

The new section affects no other code, article or statute.

1.14. Housing Sponsor: Tenant and Management Selection
(a) Purpose. The purpose of this section is to set standards for tenant and management selection by a housing sponsor and to prohibit a housing development funded or administered by the Department, including a development supported with a housing tax credit allocation, from:

(1) excluding an individual or family from admission to the development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937(42U.S.C.§1437f); and

(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more that 2.5 times the individual or family's share of the total monthly rent payable to the owner of the development.

(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) "Department" means the Texas Department of Housing and Community Affairs.

(2) "Housing development" means property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306 of the Government Code for the primary purpose of providing sanitary, decent, and safe dwelling accommodations

for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other nonhousing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and

(B) multifamily dwellings in rural and urban areas.

(3) “Housing sponsor” means:

(A) an individual, including and individual or family of low and very low income or family of moderate income, joint venture, partnership, limited partnership, trust, firm, corporation, or cooperative that is approved by the department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development, subject to the regulatory powers of the department and other laws; or

(B) in an economically depressed or blighted area, or in a federally assisted new community located within a home-rule municipality, the term may include an individual or family whose income exceeds the moderate income level if at least 90 percent of the total mortgage amount available under a mortgage revenue bond issue is designed for individuals and families of low income or families of moderate income.

(4) “Management plan” means a written plan clearly stating the following objectives:

(A) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other program;

(B) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the unit, the housing sponsor may establish other reasonable minimum income requirements to establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not be more than 2.5 times the portion of rent the tenant pays; and

(C) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to prospective tenants uniformly and in a manner consistent with the Texas and federal fair housing acts and with Department requirements.

(5) “Non-compliance score”: means the scoring and methodology used to determine the compliance status of applicants applying for Departmental funding.

(c) Applicability. The policies, standards, and sanctions established by these rules apply only to:

(1) multifamily housing developments that receive the following assistance from the Department on or after January 1, 2002:

(A) a loan or grant in an amount greater than 33 percent of the market value of the development on the date the recipient took legal possession of the development; or

(B) a loan guarantee for a loan in an amount greater than 33 percent of the market value of the development on the date the recipient took legal title to the development; or

(2) multifamily rental housing developments funded or administered by the Department as low income tax credit property whose application for an allocation of low income housing tax credits for that housing development is received by the Department on or after August 10, 1993.

(3) A housing development that benefits from the incentive program under Section 2306.805 of the Texas Government Code is subject to the policies, standards, and sanctions established by these rules.

(d) Procedures. The following procedures apply to the selection of tenants and management by all housing sponsors.

(1) Tenants must be income eligible under the rules and regulations of the program or activity funded.

(2) Housing Sponsors must apply all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) uniformly and in a manner consistent with the Texas and Federal Fair Housing Acts, program guidelines, and the Department rules.

(3) Income determination must be made in a manner consistent with Section 8, of the United States Housing Act of 1937 (42 U.S.C.§1437f) and the guidelines established in Handbook 4350.3 provided by the U. S. Department of Housing and Urban Development (HUD).

(4) The Housing Sponsor shall not exclude an individual or family from admission to the development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f).

(5) The Housing Sponsor shall not use a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more that 2.5 times the individual or family's share of the total monthly rent payable to the owner of the development.
(6) The Housing Sponsor must maintain a written management plan that is available for review upon request and states the intention of the development owner to comply with state and federal fair housing and antidiscrimination laws;

(7) The Housing Sponsor must ensure that management post Fair Housing logos and a Fair Housing poster in the leasing office

(8) The Housing Sponsor must approve and distribute a written affirmative marketing plan to the property management and on-site staff; and

(9) The department shall require a land use restriction agreement providing for enforcement of the restrictions by the department, tenants of the development, or by a private party that includes the right to recover reasonable attorney's fees if the party seeking enforcements of the restrictions is successful.

(10) The Housing Sponsor must communicate annually during the first quarter of each year with the administrator of each Section 8 program, which has jurisdiction within the geographic area where the development is located. Such communication will include information on the unit characteristics and rents, will advise the administrating agency that the property accepts Section 8 vouchers and certificates, and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department.

(11) A prospective tenant participating in the voucher program shall report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a housing development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the owner of the development. The administrator shall promptly report such exclusion to the Department.

(e) Sanctions. A Housing Sponsor of a multifamily rental housing development that fails to comply with the procedures pursuant to item (d) is subject to the following sanctions.

(1) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score.

(2) A complaint of exclusion from admission as described in subsection (d)(11) that has been verified by the Department shall result in a non-compliance score for a period of one year from the date of the Department's verification of the complaint.

(f) These rules, policies, standards, and sanctions are enforceable by the Department, tenants of the development, or by private parties against the initial owner or any subsequent owners.

P:\mhenley\Rules and SOPs\TAC1.14HousingSponTenantMgmtSelec..doc, 4/29/02 4:06 PM

c) Approval of the HOME Program Awards for Disaster Relief:

Applicant	Act.	Score	Region	Units	Rec. Amount
City of Kenedy	OCC	251	8A	6	$312,000
City of Stockdale	OCC	241	8A	7	$364,000
Jim Wells County	OCC	267	8B	9	$520,000
Rural Eco. Asst. League	OCC	257	8B	9	$520,000
Inst. For Rural Dev.	OCC	257	8B	9	$520,000
City of Freer	OCC	246	8B	9	$520,000
City of Alice	OCC	256	8B	10	$520,000
City of Paducah	OCC	226	8B	25	$520,000
Paducah Friends of Lib.	OCC	220	02	9	$520,000
Paducah Ch. Of Com.	OCC	220	02	9	$520,000
Cottle County	OCC	220	02	9	$520,000
City of Hondo	OCC	247	02	10	$520,000
Medina County	OCC	257	02	9	$520,000

Summary of the Disaster Relief Recommendations

Staff recommends the approval of the Disaster Relief awards utilizing HOME deobligated funds. Since September 2001, the Department reserved $6,000,000 in deobligated HOME funds for disaster relief applications as allowed under the Department's Deobligation Policy. This was in response to requests from the Governor's Office as described below. A modified Disaster Relief application was prepared by HOME staff and distributed to potential applicants. The same threshold requirements were imposed as in the 2001 HOME Program application. However, due to the emergency status of these applications, modifications were made to the score model that included removal of match funds and cash reserves scoring components.

- Several counties experienced flooding August 28 – September 14, 2001, which resulted in damage to homes and infrastructure. Governor Rick Perry signed a State disaster declaration on October 3, 2001 declaring Bee, Bell, Duval, Goliad, Jim Hogg, Jim Wells, Karnes, Matagorda, Maverick and Wilson Counties a disaster area and requested the Department provide assistance to these counties. These counties did not receive a Federal Disaster Declaration. On January 18, 2002 HOME staff conducted an application workshop in Nueces County to explain the HOME Program and the application process to elected officials. Seven (7) applications for assistance were received and all are being recommended for funding.

- Cottle County experienced excessive rain, flash flooding, hail and high winds on September 20, 2001, which resulted in damage to homes and infrastructure. Governor Rick Perry signed a State disaster declaration on October 18, 2001 declaring Cottle County a disaster area and requested the Department provide assistance to this county. This county did not receive a Federal Disaster Declaration. On January 8, 2002 HOME staff conducted an application workshop in Cottle County to explain the HOME Program and the application process to elected officials. Four (4) applications for assistance were received and all are being recommended for funding.

- Gillespie, Medina, McLennan and Wise Counties experienced severe thunderstorms and tornadoes on October 12, 2001, which resulted in damage to homes and infrastructure. Governor Rick Perry signed a State disaster declaration on October 25, 2001 declaring Gillespie, Medina, McLennan and Wise Counties a disaster area and requested the Department provide assistance to these counties. These counties did not receive a Federal Disaster Declaration, however, Small Business Administration assistance will be provided. HOME staff conducted an application workshop in

Gillespie County on January 23, 2002 to explain the HOME Program and the application process to elected officials. Two (2) applications for assistance were received and all are being recommended for funding.

- HOME staff scored each application and each met the minimum score requirements as per the State HOME rules.

- A list of recommended applicants was distributed to all Department Divisions requesting notification regarding any fiscal, programmatic or contractual non-compliance on any loans or contracts the recommended applicants may have had with the Department. No issues were identified.

- Letters were mailed to all applicants and recommendations were posted on our agency web-site for the general public to view.

Recommendation:

- Approval of the Disaster Relief recommendations as detailed below.
- Approval for funding will be awarded from the HOME Program's deobligated funds.
- Recommended funding includes Administrative Funds.

Application Number	Applicant Name	City	Act.	Score	Reg.	Units Rec.	Project $'s Recomm.	Admin $'s Recomm.
20010252	City of Kenedy	Kenedy	OCC	251	8A	6	$300,000	$12,000
20010253	City of Stockdale	Stockdale	OCC	241	8A	7	$350,000	$14,000
20010254	Jim Wells County	Alice	OCC	267	8B	9	$500,000	$20,000
20010255	Rural Economic Assistance League	Alice	OCC	257	8B	9	$500,000	$20,000
20010256	Institute For Rural Development	Kingsville	OCC	257	8B	9	$500,000	$20,000
20010257	City of Freer	Freer	OCC	246	8B	9	$500,000	$20,000
20010258	City of Alice	Alice	OCC	256	8B	10	$500,000	$20,000
					Total for Disaster	**59**	**$3,150,000**	**$126,000**
20010248	City of Paducah	Paducah	OCC	226	02	25	$500,000	$20,000
20010249	Paducah Friends of the Library	Paducah	OCC	220	02	9	$500,000	$20,000
20010250	Paducah Chamber of Commerce	Paducah	OCC	220	02	9	$500,000	$20,000
20010251	Cottle County	Paducah	OCC	220	02	9	$500,000	$20,000
					Total for Disaster	**52**	**$2,000,000**	**$80,000**
20010259	City of Hondo	Hondo	OCC	247	8A	10	$500,000	$20,000
20010260	Medina County	Hondo	OCC	257	8A	9	$500,000	$20,000
					Total for Disaster	**19**	**$1,000,000**	**$40,000**
					Grand Total	**130**	**$6,150,000**	**$246,000**

Item 4 Presentation, Discussion and Possible Approval of Report from Audit Committee:
External Audit Reports:
Deloitte & Touche: Report to Management Year Ended 08-31-01;
KPMG / State Auditors Office: Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control over Compliance in Accordance with OMB Circular A-133;
Internal Audit Reports:
Status of Prior Audit Issues
Summary Status of Internal/External Audits

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Hilton Austin North, 6000 Middle Fiskville Road, Austin, Texas 78752
May 9, 2002 8:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL **CERTIFICATION OF QUORUM**	Vidal Gonzalez Chair

PUBLIC COMMENT
The Committee will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

ACTION ITEMS

Tab 1	Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of January 17, 2002	Vidal Gonzalez
Tab 2	Presentation, Discussion and Possible Approval of Amended Fiscal Year 2002 Audit Plan	David Gaines

REPORT ITEMS

External Audit Reports:

Deloitte & Touche: Report to Management Year Ended August 31, 2001
KPMG / State Auditor's Office: Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-l33

Status of Prior Audit Issues	David Gaines
Summary Status of Internal/External Audits	David Gaines

ADJOURN	Vidal Gonzalez Chair

Individuals who require auxiliary aids or services for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
State Capitol Extension, 1400 North Congress, Room E1.016, Austin, Texas 78701
January 17, 2002 9:00 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM
The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of January 17, 2002 was called to order by Chair Vidal Gonzalez at 9:05 a.m. It was held at the State Capitol Extension, Room E1.016, Austin, Texas. Roll call certified a quorum was present.

Members present:
Vidal Gonzalez – Chair
Shadrick Bogony – Member
Beth Anderson – Member

PUBLIC COMMENT

The Committee will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

Chair Vidal Gonzalez called for public comments and no one wished to give any comments.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of August 21, 2001
Motion made by Shad Bogany and seconded by Beth Anderson to approve the minutes of the Audit Committee Meeting of August 21, 2001.

Passed Unanimously

REPORTS

External Audit Reports: Deloitte & Touche, Report to the Governing Board, General Purpose Financial Statements for the Year Ended August 31, 2001;

Revenue Bond Enterprise Fund Financial Statements August 31, 2001 and 2000

Mr. George Scott, Partner, Deloitte & Touche stated the Department received clean opinions on the General Purpose Financial Statements and the Revenue Bond Enterprise Fund Statements. He further stated during the course of the audit, there were no disagreements with management as to the proper application of accounting policies and procedures. All documents they requested were provided and they had complete access to individuals throughout the organization. He stated they identified NO area that they believe is a material weakness in the control environment.

He advised the Committee that there is a new requirement for presentation and reporting of governmental activities that will take effect next year, which will substantially change how the financial statements look.

Internal Audit Report, *Controls Over Single Family Loans*

Mr. Sam Ramsey stated the primary reason for this review was to make a determination regarding the adequacy of controls over single-family loans serviced by the department to ensure that the financial interests of the State were protected. The loans reviewed included single family lending divisions downpayment assistance program and HOME's homebuyers assistance program loans that provided downpayment and closing costs assistance to qualified homebuyers, OCI's home construction and acquisition loan program that provided interest-free loans for low and very low income families to build their own homes and also included the contract for deed conversion program whereby contracts for deeds were converted into a traditional note and a deed of trust was created. He stated overall they found controls in place over single-family loans serviced by the department were generally adequate with the exception of the HOME Program. For a great majority of these loans the department lacks sufficient accounting of the loans to protect the State's financial interest. The department is having trouble attaining the necessary loan documents and does not have a full accounting of all the loans made under that program.

Status of Prior Audit Issues

Mr. David Gaines stated that the internal auditing division maintains a database of the departments prior audit issues for tracking and reporting purposes. He presented a summary report on these prior audit issues and stated that there are 30 issues identified in this report. Nineteen of those have been reported as corrected or implemented; nine issues are in the process of being implemented; one issue has been delayed; and one issue has been classified as no action intended. The issue that has been delayed relates to the department not having documentation to support the implementation of a family self-sufficiency program. The department has requested an exception from this program, which is available under certain circumstances, but HUD has not responded to that exemption request. On the issue that has no action intended, this relates to the need to report the results of a required bi-annual software audit in the information systems bi-annual operating plan which was a requirement at the time of the audit but since that time these requirements have changed and this is no longer a reporting requirement.

He stated one significant issue relates to the need for the department to reassesses how it conducts its construction inspections.

Staff is working on how to conduct these inspections and more will be presented to this Committee at a later date when plans are finalized on how to handle.

Summary Status of Internal/External Audits

Mr. Gaines stated that the issues concerning the Section 8 program have been implemented. He stated the statewide single audit is still in progress and the committee will be furnished this report as soon as KPMG finishes the audit. HUD also has released a monitoring report of the HOME Program and this report will be furnished to the committee as soon as Mr. Gaines has reviewed it.

ADJOURN

The meeting adjourned at 9:42 a.m.

Respectfully submitted,

____________________________________, Board Secretary

audminjan/dg

PROJECT	GENERAL OBJECTIVES	ANTICIPATED REPORT DATE
Performance Audits/Other Audit Functions		
Review of Board Policy (direction to the Department) and Policies and Procedures (responsibilities of the Board)	• To identify Policy established by the Board and to assess whether such policy has been incorporated into the Department's formal policies and procedures to ensure compliance by Department staff. • To identify responsibilities of the Board and to assess whether such responsibilities have been reduced to formal policies and procedures to ensure that Board members are made aware of their responsibilities and to facilitate the members in fulfilling their responsibilities. ***PROPOSED TO BE DELETED - SEE NOTE A.***	January 2002

<table>
<tr><th>PROJECT</th><th>GENERAL OBJECTIVES</th><th>ANTICIPATED REPORT DATE</th></tr>
<tr><td>Information Systems - Review of Central Database Project Management Tools</td><td>To review the project management framework being utilized by management to determine that the methodology is adequate to ensure the success of the project providing for the following:

Participation by affected user department management in defining the project.
A clear written statement defining the nature and scope of the project.
A formal risk management program for identifying and eliminating or minimizing risks associated with the project.
The allocation of responsibilities and authorities, task breakdown schedules, time and resource budgets, milestones, checkpoints and approvals.
Methods of monitoring the time and costs incurred throughout the life of the project.
Approval of the work accomplished in each phase of the cycle before work on the next phase begins by the managers of the user and information services functions.
A quality plan, which is integrated with the project master plan, and formally reviewed and agreed to by appropriate parties.
Identification of assurance tasks during the planning phase of the project to assure that internal controls and security features meet the related requirements.
The creation of an appropriate test plan.
The creation of an appropriate training plan.
A plan for a post-implementation review to ascertain whether the project has delivered the planned benefits.

The audit objectives also include compliance with the Texas Government Code, Chapter G, Sections 2054.151-2054.157, Information Resources Management Act (IRMA), as it relates to project planning, monitoring and control. The criterion to be used on the audit includes IRMA and Control Objectives for Information and Related Technology (Cobit), published by the Information Systems Audit and Control Foundation.
The audit project plan incorporates the use of an independent third-party consultant to provide quality assurance over the audit plan, procedures, results and conclusions.   The third-party consultant and the Director of Internal Auditing will jointly sign the audit report.
PROJECT RECLASSIFIED TO ADVISORY SERVICES - SEE NOTE B. </td><td>February 2002</td></tr>
</table>

PROJECT	GENERAL OBJECTIVES	ANTICIPATED REPORT DATE
Performance Audits/Other Audit Functions		
LIHTC - Review of Controls over LIHTC Project Deliverables	To compare LIHTC project deliverables associated with tax credits awarded by the Department's Governing Board to projects actually delivered and Land Use Restriction Agreements actually filed identifying differences. Unfavorable differences between planned and actual project deliverables and LURAs will be investigated to identify controls that are lacking or not operating that allowed the unfavorable condition to materialize. ***PROJECT IN PROGRESS***	April 2002
LIHTC - Review of Implementation of SB 322	To review management controls established by the Department, including management plans, structural relationships and assignment of responsibilities and authorities, methods, policies, procedures, control systems, and program rules, to assess whether the Department has established appropriate controls to ensure successful implementation of SB 322 relating to the LIHTC program. ***PROPOSED TO BE DELETED - SEE NOTE A.***	May 2002
Payroll Audit	To determine whether adequate policies, procedures and controls are in place to provide reasonable assurance that: • access to the payroll system is properly restricted to those employees who need access to perform their job duties, • payrolls are properly authorized and that payroll amounts are properly supported and calculated, • the Department complies with any applicable State and Federal reporting requirements, and • that terminated/resigned employees are properly removed from the payroll system. ***PROJECT IN PROGRESS***	August 2002
Follow-up on Prior Audit Issues	To track the status of prior audit issues for management/board report purposes and to ascertain that appropriate action is taken on reported audit findings. ***ONGOING***	On-going
Other Projects		

PROJECT	GENERAL OBJECTIVES	ANTICIPATED REPORT DATE
Prepare for and have conducted an external Quality Assurance Peer Review of the Department's internal audit function in accordance with professional standards. ***PROJECT PENDING (Initial Planning Initiated)***		August 2002
Prepare the Annual Internal Auditing Plan – FY 2003 *PROJECT PENDING*		**Fall 2002**

<table>
<tr><th colspan="2">PROJECT</th><th>GENERAL OBJECTIVES</th><th>ANTICIPATED REPORT DATE</th></tr>
<tr><td colspan="3">Prepare the Annual Internal Auditing Report – FY 2002

PROJECT PENDING</td><td>Fall 2002</td></tr>
<tr><td colspan="3">Coordinate and assist external auditors

ONGOING</td><td>On-going</td></tr>
<tr><td colspan="3">Facilitate a Control Self Assessment (CSA) Program by developing a methodology and providing guidance and direction.

Discussion:
A CSA is a proactive review to ensure processes, systems and activities are controlled and executed in a manner that supports and/or achieves TDHCA's business objectives. More specifically, a control self assessment is owned by management and:
• Provides the business with a checklist of critical steps necessary to achieve effective processes and controls.
• Contains a management developed action plan to fix identified gaps (between what is and what should be).
• Requires management prioritization.
• Allows management to measure and therefore proactively manage controls over operations.
• Allows management to periodically measure progress.
• Drives operational ownership, involvement and understanding of controls.

PROPOSED NEW PROJECT</td><td>On-going, periodic reports, multi-year</td></tr>
</table>

See Notes on following page.

Note A - Projects Proposed for Deletion from Audit Plan

These projects are being proposed for deletion from the fiscal year 2002 audit plan due to not having as many hours available as originally anticipated and a budget overage on one of the audit projects as discussed below.

- The hours originally considered in the development of the original audit plan for the year have not materialized. The original audit plan anticipated the hiring of another professional position into the Internal Auditing Division at the first of the current calendar year. That position was lost in the Department's allocation of full-time equivalent employees to the Office of Rural Community Affairs. Additionally, one of the two remaining professional staff terminated her employment with the Department effective April 30, 2002.

- The project, *LIHTC - Review of Controls over LIHTC Project Deliverables,* has expended more hours than originally anticipated. Primary reasons for the excess hours include more hours than anticipated for:
    - identifying different deliverable information relating to each LIHTC application cycle,
    - determining population of LIHTC projects to be considered and reasons for differences in populations between databases, and
    - considering data content of multiple information systems and reporting possibilities considering the information available.

  Additionally, there may have been insufficient monitoring of audit staff to ensure efforts remained focused on accomplishing audit objectives.

Note B - Reclassification of the project, *Information Systems - Review of Central Database Project Management Tools*, to Advisory Services:

The Director of Internal Auditing (Director) concluded that he was not able to serve **both** as Chair of the Central Database Steering Committee (Steering Committee), a role he had served in since October 2001 at the request of management, and as auditor of the Central Database Project, as a result of the Comptroller General of the United Stated and head of the General Accounting Office announcing in January 2002 significant changes to the auditor independence requirements under Government Auditing Standards.

The issue was discussed at a Steering Committee meeting in March 2002 and management requested that the Director continue in his role as Chair of the Committee. Management believed that they would be receiving greater value from the Director providing real time advice and direction in a proactive manner as opposed to periodic audit reports. The Director agrees with Management and is proposing serving in that capacity.

External Audits/Reviews	Scope	*Stage of Completion*	Anticipated/Actual Report Release Date
State Auditor's Office / KPMG	Statewide Single Audit 8/31/01	Complete	• Financial Opinions - February 2002 • Single Audit Opinions & related schedules/reports - March 2002
State Auditor's Office / KPMG	Statewide Single Audit 8/31/02	Planning	• Financial Opinions - February 2003 • Single Audit Opinions & related schedules/reports - March 2003
State Auditor's Office	Review of Implementation of Sunset Recommendations	Planning	Unknown
State Auditor's Office	Review the funding and expenditure transactions of the Community Services Block Grant (Poverty Assistance) and Energy Assistance programs (including Weatherization) to ensure that: • Funds are disbursed in alignment with state outcome measures. • Available funds are maximized to support service delivery. Review the service delivery methods and procedures for the Section 8 program to determine if the Department has a feasible action plan to address increasing demands for Section 8 services and to resolve federal non-compliance issues.	Planning	Unknown
State Auditor's Office	Special Investigation of former Department employee of allegations that employee with the intent to defraud, knowingly and intentionally make, presented and used a Low Income Housing Tax Credit rental application with the knowledge of its falsity and with the intent that it be taken as a genuine governmental record.	Complete	March 25, 2002

External Audits/Reviews	Scope	Stage of Completion	Anticipated/Actual Report Release Date
Internal Audits/Reviews			
Central Data Base	To review and determine that the project management tools and procedures (methodology) being utilized by Texas Department of Housing and Community Affairs' (Department) Project Development Team (Development Team) for the development of the Department's Centralized Database (Database) are adequate to ensure the success of the project	Project redefined as advisory services	Not applicable
LIHTC - Review of Controls over LIHTC Project Deliverables	To review Department controls to determine whether they are adequate to provide reasonable assurance that LIHTC project deliverables associated with tax credits awarded by the Department's Governing Board are actually delivered.	Reporting	May 2002
Payroll Audit	To determine whether adequate policies, procedures and controls are in place to provide reasonable assurance that: • access to the payroll system is properly restricted to those employees who need access to perform their job duties, • payrolls are properly authorized and that payroll amounts are properly supported and calculated, • the Department complies with any applicable State and Federal reporting requirements, and • that terminated/resigned employees are properly removed from the payroll system.	Fieldwork	May 2002
Other Projects	Prepare for and have conducted an external Quality Assurance Peer Review of the Department's internal audit function in accordance with professional standards.	Not Started	August 2002
Annual Internal Audit Plan – FY 2003	Prepare the Annual Internal Auditing Report – FY 2002	Not Started	Fall 2002

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Deloitte & Touche

Board of Directors
Texas Department of Housing & Community Affairs

In planning and performing our audit of the general purpose financial statements of the Texas Department of Housing & Community Affairs ("TDHCA") for the year ended August 31, 2001 (on which we have issued our report dated November 30, 2001), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on TDHCA's internal control. Our consideration of the internal control would not necessarily disclose all matters in TDHCA's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining the internal control, and the objectives of and inherent limitations in such a structure, is set forth in the attached Appendix and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving TDHCA's internal control and its operations that we consider to be material weaknesses as defined above.

The recommendations included in the Exhibit concern administrative and operating matters that resulted from our observations during our audit and are not based on a special study.

This report is intended for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties. We would be pleased to discuss these observations with you and to assist you in implementing them.

Deloitte + Touche LLP

November 30, 2001

ADMINISTRATIVE AND OPERATING MATTERS

TEXAS HOUSING TRUST FUND

Observation

The accounting for the Texas Housing Trust Fund is split between the governmental and proprietary funds of TDHCA. It has evolved in this manner because the funding for this program comes from the legislature in the form of appropriations, which are recorded in the general fund. Expenditures are recorded in the general fund when loans are made from this funding source. The loans made with these funds are long-term mortgage loans; therefore, the related receivable is recorded in an enterprise fund. No transaction is recorded to reflect the funds moving from the general fund to the enterprise fund.

Recommendation

Consider alternatives for accounting for the Texas Housing Trust Fund so that all transactions could be accounted for in one fund. Alternatively, consider recording an operating transfer from the general fund to the enterprise fund to reflect the movement of the funding for the loans so that an accounting trail exists.

Management Response

TDHCA agrees that reporting the activity in one fund is preferred, and it is currently evaluating which fund type is most appropriate. The evaluation and implementation will be complete this fiscal year for reporting purposes in the audited financial statements for fiscal year ending August 31, 2002.

DOWN PAYMENT ASSISTANCE PROGRAM LOANS

Observation

TDHCA provides down payment assistance to potential homeowners utilizing federal HOME Program funds. The HOME Program grant directs TDHCA to provide down payment assistance but does not specify the method of administering the funds.

Generally, the Down Payment Assistance Program ("DPAP") is administered as follows:

- TDHCA enters into subrecipient agreements with administrators (subrecipients). The administrators work with lenders or builders to identify individuals in need of the DPAP. Information on potential homeowners and properties they wish to purchase is forwarded to TDHCA's HOME Program by the administrators. Based on the HOME Program staff validating the sufficiency of the documentation, the draw request is approved. The HOME Program staff routes relevant information to the Accounting staff to process the payment of HOME funds to finance the DPAP. HOME Program expenditures are recorded by the Accounting staff as payment occurs.

The agreements with administrators dictate whether the DPAP should be considered a loan by the administrators and, by agreement, assigned to TDHCA. In instances of loans, the administrators are responsible for ensuring the signed loan notes are obtained at loan closing and forwarding the relevant loan documentation (loan note, title transfer, etc.) to TDHCA for processing by Loan Administration. However, the administrators do not consistently provide the relevant loan documentation to TDHCA.

As loan documentation is received by TDHCA, it is routed to Loan Administration, whereby staff ensures all documents are complete; if documents are completed, the loans are recorded in their loan servicing system, which serves as the basis of support for posting loan receivables to the financial records. However, if the administrators do not route the relevant loan documentation or if specific loan documents are missing information, a loan is not recorded by Loan Administration staff, thus creating a discrepancy between the draws approved by HOME and the loan servicing system. Additionally, loans receiveable in the financial records will be understated by the amount of the loans not posted to the loan servicing system.

Recommendation

Implement policies to ensure that DPAP transactions are processed in their entirety. Procedures should be developed to ensure that relevant loan documentation is recevied from the administrators and that the HOME Program's, Loan Administration's, and Accounting's records are in agreement and reconciled on a regular basis.

Management Response

TDHCA recognizes that comprehensive procedures are necessary to ensure that DPAP transactions are processed in their entirety. To address this concern, TDHCA will develop procedures between HOME, Loan Administration, and Accounting to ensure that all systems are accurate, complete, and reconciled. These procedures will take effect by August 31, 2002.

RECORDING OF ACCOUNTS PAYABLE

Observation

TDHCA does not accrue for invoices received subsequent to one month after year-end that relate to the preceding fiscal year. The ledgers are closed one month after year-end. For goods received or services rendered during the preceding fiscal year, invoices received after the one month cutoff may be improperly recorded as subsequent-year expenditures. As a result, accounts payable and the related expenditures may be understated at year-end.

Recommendation

Consider alternatives for cutoff procedures for invoices received subsequent to year-end. In order to efficiently manage this process, a threshold of $100,000 could be set so that only large-dollar invoices received after September 30 would be reviewed for consideration of recording as accruals.

Management Response

TDHCA agrees with Deloitte & Touche's recommendation. Effective fiscal year 2002, TDHCA will apply a $100,000 threshold to review invoices subsequent to September 30. These invoices will be reviewed on a case-by-case basis to determine whether the transactions materially impact the financial statements.

INFORMATION SYSTEMS STRUCTURE

Observation

TDHCA's existing financial information systems structure currently lacks an enterprisewide, integrated scope to support TDHCA's financial management needs. The structure includes the utilization of two separate databases for managing programmatic financial data: the Client Server Accounting System ("CSAS") for general ledger, accounts payable, and purchasing management, and the Uniform Statewide Accounting System ("USAS") for statewide financial management and financial reporting.

TDHCA's financial information systems structure consists of the following systems:

Programmatic financial data is maintained primarily within separate databases. These databases include a range of information; most important from a financial perspective is loan and grant status data. Data entry within these databases is primarily performed by programmatic personnel. This source data is compiled through multiple reports (including spreadsheets) and utilized by Finance personnel to populate CSAS for general accounting and financial reporting for loans. These databases are currently being standardized and centralized in a common database to provide increased integration of programmatic data. TDHCA has also developed programs to facilitate uploading of entries into CSAS within project/grant management areas.

In 1997, TDHCA began implementation of five modules (general ledger, purchasing, budget, asset management, and accounts payable) of the PeopleSoft financial suite as part of the State's ISAS software project. This project was initiated by the State Comptroller in order to provide state agencies and universities with a common internal financial and administrative management system, according to an audit report on ISAS implementation prepared by the State Auditor's Office in January 2001. CSAS is the name used by TDHCA to refer to its PeopleSoft financial suite.

Full implementation of all five modules has not been completed by TDHCA. Rather, TDHCA uses the general ledger and accounts payable modules of CSAS, with partial use of the purchasing module. TDHCA's experience with this implementation has been described in the above-referenced State Auditor's Office report.

Ultimately, financial data from TDHCA is interfaced into the State's USAS system for statewide financial reporting. In addition to interfacing data from CSAS to USAS, Finance personnel access USAS directly to enter accounting transactions, in some cases. TDHCA personnel also receive downloaded reports from USAS for financial reporting purposes. TDHCA has stated that it plans to generate financial statements directly from CSAS beginning in 2002, at which time implementation of CSAS will be considered complete.

The utilization of these multiple financial systems has contributed to significant manual processing, reporting, and data interface by TDHCA personnel. This can result in both inefficient use of personnel resources and compromised data integrity due to the multiple data entry points required for financial processing. In addition, TDHCA continues to pay support and licensing fees for CSAS modules that are not currently being utilized.

Recommendation

TDHCA has undertaken a number of steps to enhance the use of CSAS for financial management, and we recommend continued action to develop a fully integrated financial management system. The goal of this effort should be to provide a financial management systems structure that minimizes manual entry requirements, strengthens integration of data and processes, and improves financial reporting capabilities. It appears that TDHCA's use of CSAS, while not as complete as originally envisioned at the beginning of implementation, can provide such an integrated tool if the system is used and financial management activities are conducted strategically.

In addition, as part of the ongoing centralized database project, TDHCA should ensure that financial reporting requirements are sufficiently identified and addressed. This will help to reduce the amount of manual reporting and data entry by Finance personnel, thereby increasing the efficiency and effectiveness of financial reporting processes.

Management Response

TDHCA agrees with the goal of creating a system that "minimizes manual entry requirements, strengthens integration of data and processes, and improves financial reporting capabilities." As Deloitte & Touche has noted, TDHCA has already taken a number of steps to ensure that this occurs. The first step is the completion of its CSAS. To date, the Department has completed the installation of general ledger, accounts payable and financial reporting components. The Department is prepared to issue its 2002 Annual Financial Report through CSAS. In addition, TDHCA administers a modified version of the purchasing module. TDHCA has plans to expand automated purchasing capabilities by the end of the fiscal year. Another step in this process is the development of a central database. This project is underway and is intended to provide Program areas with an interface to financial accounting data for their reporting purposes. The Department is confident that with these efforts the agency will have comprehensive, efficient, financial information systems.

NEW ACCOUNTING STANDARD

Observation

In June 1999, the Governmental Accounting Standards Board ("GASB") issued its Statement No. 34 ("GASB 34"), "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement will require significant changes to the way that TDHCA collects information about transactions, records certain transactions in its ledgers, and reports its financial information in accordance with accounting principles generally accepted in the United States of America.

GASB 34 changes the framework of financial reporting for state and local governments and represents an important change in the history of accounting and financial reporting for state and local governments. A partial list of the requirements of this new standard follows:

Management's Discussion and Analysis ("MD&A") - similar to what is required by public companies when reporting to the Securities and Exchange Commission

Government-wide financial statements on a full accrual basis

Statement of activities on a "cost-of-service" basis

Separately reporting only major funds (as defined in the statement)

New definitions of fund types

Depreciating all fixed assets

Budget comparisons, including original and amended budgets, as required supplemental information

Several of these changes may require significant research and preparation on the part of TDHCA prior to implementation.

Recommendation

Obtain an understanding of the provisions of GASB 34. Management should determine a plan of action with regard to implementation of this statement. The plan might include such things as redefining the funds used by the organization, the availability of data (for example, the cost of fixed assets), the ability of the organization to collect and summarize the necessary data (for example, direct and indirect costs of activities for reporting on the statement of activities), the expected timeline for gathering this information, and the resources available or to be procured to achieve that timeline. Should additional resources be determined to be necessary, appropriate funding and budget adjustments should be pursued.

Management Response

TDHCA has taken the initiative to assign key staff to address the implementation of GASB 34. It has participated in a variety of technical training sessions specifically on GASB 34 and has begun its modification of systems and reporting mechanisms necessary for implementation. TDHCA is currently analyzing and reformatting the prior year's financial statements into a GASB 34 format. This new format will be ready for an initial review by our auditors in May. TDHCA will make adjustments based on their comments, and this will provide the template for fiscal year 2002 reporting. In addition to the challenge of GASB 34 implementation, TDHCA's resources have had to perform the tasks necessary to set up appropriations and transfer funds, assets, and personnel to the new agency, Office of Rural Community Affairs. This event will also have a significant impact on this year's financial statements. TDHCA will continue its coordination with and will take guidance from the State Comptroller's Office, the State Auditor's Office, and Deloitte & Touche to ensure full compliance with GASB 34.

MANAGEMENT'S RESPONSIBILITY FOR AND THE OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives of and the inherent limitations in the internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control, policies, and procedures.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Limitations

Because of inherent limitations in any internal control, errors or fraud nevertheless may occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

The Honorable Rick Perry, Governor
and Members of the Texas State Legislature
State of Texas:

Compliance

We have audited the compliance of the State of Texas (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended August 31, 2001, except those requirements discussed in the sixth following paragraph. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The Schedule of Expenditures of Federal Awards and our audit described below does not include expenditures of Federal awards for three component units of the State of Texas for financial statement purposes. Each of those agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These programs compliance requirements were:

Agency/University	Program	Compliance Requirement	Finding Number
Department of Health	CFDA 93.917 HIV Care Formula Grant	Earmarking	
Department of Human Services	CFDA 93.667 Social Services Block Grant	Earmarking	02-14
University of Houston	Student Financial Aid Cluster	Special Tests and Provisions	
University of Texas at Austin	Research and Development Cluster	Cash Management	

KPMG

As identified below and described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain compliance requirements that are applicable to certain of its major Federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major Federal programs. The results of our auditing procedures are described in the accompanying schedule of findings and questioned costs as items:

Agency/University	Program	Compliance Requirement	Finding Number
Department of Criminal Justice	CFDA 16.606 – State Criminal Alien Assistance Program	Reporting	02-47
Department of Health	CFDA 93.994 – Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring	
Department of Health	CFDA 93.268 Immunization Grants	Subrecipient Monitoring	
Department of Health	CFDA 93.917 - HIV Care Formula Grant	Subrecipient Monitoring	
Department of Health	Medicaid Cluster	Special Tests and Provisions	02-53
Department of Housing and Community Affairs	CFDA 14.239 – HOME Investment Partnerships Program	Subrecipient Monitoring	02-05
Department of Human Services	CFDA 83.543 – Individual Family Grants (FEMA)	Eligibility	02-23
University of Texas at Austin University of Texas Health Science Center at Houston University of Texas Health Science Center at San Antonio University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Allowable Costs	02-38 02-32 02-39 02-30

In our opinion, except for the noncompliance described in the preceding paragraph and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements described in the second preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended August 31, 2001, other than those requirements discussed in the following paragraph. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

Agency/University	Program	Compliance Requirement	Finding Number
Education Agency	CFDA 84.010 – Title I CFDA 84.048 – Vocational Education CFDA 84.186 – Safe and Drug -Free CFDA 84.318 – Technology Literacy CFDA 84.340 – Class Size Reduction	Cash Management	02-03
Education Agency	CFDA 84.048 – Vocational Education	Cash Management	
Department of Health	Medicaid Cluster	Special Tests and Provisions	02-12
Department of Health	CFDA 10.557 – Special Supplemental Nutrition Program for WIC	Eligibility	02-20
Higher Education Coordinating Board	CFDA 84.032 – Loan Servicing of Federal Family Education Loans (FFELP)	Special Tests and Provisions	02-44 02-46
Department of Housing and Community Affairs	CFDA 93.568 – Low Income Home Energy Assistance CFDA 81.042 – Weatherization Assistance for Low Income Persons	Allowable Costs	02-08
Protective and Regulatory Services	CFDA 93.558 - Temporary Assistance for Needy Families	Allowable Costs Eligibility	02-35 02-50
Department of Public Safety	CFDA 83.544 – Public Assistance Grant	Cash Management	02-34
Department of Public Safety	CFDA 83.544 – Public Assistance Grant CFDA 83.552 - Emergency Management Performance Grant	Subrecipient Monitoring	

Agency/University	Program	Compliance Requirement	Finding Number
Texas A&M University Texas Tech University University of Houston University of Texas at Arlington University of Texas at El Paso	Student Financial Aid Cluster	Special Tests and Provisions	02-26 02-27 02-37 02-52 02-28
Department of Transportation	Highway Planning and Construction Cluster	Cash Management	
University of Texas Health Science Center at San Antonio	Research and Development Cluster	Period of Availability	
Water Development Board	CFDA 66.458 – Capitalization Grants for State Revolving Funds Contract/Award	Cash Management	02-25

We did not audit compliance with requirements governing billing and collection of Perkins loans for certain portions of the State. Those requirements govern functions that are performed EFG Technologies and AFSA Data Corporation. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

The service organizations' compliance with the requirements governing the functions that they perform was examined by other accountants whose reports have been furnished to us. The reports of the other accountants indicate that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers.* Based on our review of the service organization accountants' reports, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the Student Financial Aid Cluster major program are addressed in either our report or the report of the respective service organization's accountants. Further, based on our review of the service organization accountants' reports, we have determined that they do not contain any findings of noncompliance that would have a direct and material effect on the Student Financial Aid Cluster major program.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Requirements governing billing and collection of Perkins loans are performed by the service organizations noted above. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers.* Copies of the service organizations accountants' reports have been furnished to us. However, the scope of our work did not extend to internal control maintained at the respective service organizations noted above.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs, and are listed below:

Agency/University	Program	Compliance Requirement	Finding Number
Commission on Alcohol and Drug Abuse	CFDA 93.959 Block Grants for Prevention and Treatment of Substance Abuse	Level of Effort	02-01
Department of Criminal Justice	CFDA 16.606 – State Criminal Alien Assistance Program	Reporting	02-47
Education Agency	CFDA 84.010 – Title I CFDA 84.048 – Vocational Education CFDA 84.186 – Safe and Drug-Free CFDA 84.318 – Technology Literacy CFDA 84.340 – Class Size Reduction	Cash Management	
Department of Health	CFDA 93.994 – Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring Procurement, Suspension and Debarment	02-19 02-18
Department of Health	CFDA 93.268 – Immunization Grants	Subrecipient Monitoring	
Department of Health	CFDA 93.917 - HIV Care Formula Grant	Subrecipient Monitoring Procurement, Suspension, and Debarment	02-15
Department of Health	Medicaid Cluster	Special Tests and Provisions	02-53 02-13
Department of Health	CFDA 10.557 – Special Supplemental Nutrition Program for WIC	Eligibility Procurement, Suspension and Debarment	02-21 02-22
Higher Education Coordinating Board	CFDA 84.032 – Loan Servicing of Federal Family Education Loans (FFELP)	Special Tests and Provisions	02-43 02-44 02-45 02-46

Agency/University	Program	Compliance Requirement	Finding Number
Department of Housing and Community Affairs	CFDA 14.239 – HOME Investment Partnerships Program	Subrecipient Monitoring	02-05 02-06 02-07
Department of Human Services	CFDA 83.543 – Individual Family Grants (FEMA)	Eligibility	02-09
Department of Human Services	Medicaid Cluster	Special Tests and Provisions	
Protective and Regulatory Services	CFDA 93.558 Temporary Assistance for Needy Families CFDA 93.568 Foster Care – Title IV-E CFDA 93.569 Adoption Assistance CFDA 93.667 Social Services Block Grant	Cash Management	02-02
Department of Public Safety	CFDA 83.544 – Public Assistance Grant	Cash Management	
Texas A&M University Texas Tech University University of Houston University of Texas at Arlington University of Texas at Austin University of Texas at El Paso	Student Financial Aid Cluster	Special Tests and Provisions	02-26 02-27 02-37 02-52 02-51 02-28
Department of Transportation	Highway Planning and Construction Cluster	Cash Management	
University of Texas at Austin University of Texas Health Science Center at Houston University of Texas Health Science Center at San Antonio	Research and Development Cluster	Allowable Costs	02-38 02-32 02-39
University of Texas at Austin	Research and Development Cluster	Matching and Program Income	02-48
University of Texas at Austin University of Texas Health Science Center at San Antonio	Research and Development Cluster	Procurement, Suspension, and Debarment	02-49 02-41

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Agency/University	Program	Compliance Requirement	Finding Number
University of Texas Health Science Center at Houston	Research and Development Cluster	Cash Management	02-31 02-29
University of Texas M.D. Anderson Cancer Center			

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Governor, the Members of the Texas State Legislature, Legislative Audit Committee, management of State agencies and universities, and all Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 12, 2002

Department of Housing and Community Affairs

Reference No. 02-05
Subrecipient Monitoring – Allowable Costs/Activities
(Prior Audit Issue – 01-555-24, 00-555-42, 99-555-22)

CFDA 14.239 – HOME Investment Partnerships Program
Type of Finding – Compliance and Control

Questioned Cost: $ 29,408.00

U.S. Department of Housing and Urban Development

The HOME Investment Partnerships Program (24 CFR Part 92) specifies eligible project costs in section 92.206 through 92.209. Included in section 92.206(d) are "related soft costs" for expenses such as professional sevices, financing costs, audit fees and environmental reviews. The Department of Housing and Community Affairs' (TDHCA) properly allows its subrecipients to incur such costs as part of their HOME program.

Office of Management and Budget (OMB) Circular A-87 is the Federal government document that specifies the criteria for allowability and documentation of costs charges to Federal award programs. OMB Circular A-87 requires that costs claimed against Federally supported programs be supported by documentation validating both the service or material and the amount charged.

The audit procedures performed indicate that there is a lack of documentation to support soft costs incurred by subrecipients. For five of the 40 items tested there were inadequately documented soft costs, and the costs claimed for reimbursement totaled exactly 12% of the project budget. The related known questioned costs total $29,400. In one other item tested, the supporting documentation amount was less than the requested amount by $8. As a result of our testwork, the total known questioned costs is $29,408. Interviews with the Department's HOME program management indicated that the Department did not require supporting documentation for "related soft costs" during fiscal year 2001. Since no documentation was maintained, the estimated questioned cost is $2,314,574. This amount is 12% of total owner occupied expenditures for FY 2001 ($15,874,974 x 12% = $1,904,997) plus 10% of total homebuyer assistance expenditures for FY 2001 ($4,095,769 x 10% = $409,577).

<u>Recommendation</u>:

HOME program management must ensure that the documentation required by OMB Circular A-87 is received and reviewed in support of "related soft costs" before drawdown is allowed as part of the ongoing subrecipient monitoring.

<u>Management's Response and Corrective Action Plan</u>:

HOME program management agrees with the finding that soft costs were not adequately documented. The new HOME Program Manual, to be implemented with the 2001 HOME awards in the Spring of 2002, will impose line item maximums for each type of eligible soft cost. The Administrators will be required to submit support documentation as well as the source document, if applicable, before the HOME staff approves the draw request. The procedures are being implemented as ongoing subrecipient monitoring efforts.

Implementation Date: *Spring 2002*

Responsible Person: *David Gaines*

Reference No. 02-06

Subrecipient Monitoring

(Prior Audit Issue – 01-555-24, 00-555-42, 99-555-22)

CFDA 14.239 – HOME Investment Partnerships Program

Type of Finding – Control

Questioned Cost:	$ 0.00
U.S. Department of Housing and Urban Development	

TDHCA does not have adequate internal controls in place over monitoring the subrecipients of the *HOME Investment Partnership Program* (HOME). Under HOME program regulations, each participating State is responsible for distributing HOME funds throughout the State according to the State's assessment of the geographical distribution of housing need within the State. A State may carry out its own HOME Program without active participation of units of general local government or may distribute HOME funds to units of general local government to carry out HOME Programs in which both the State and all or some of the units of general local government perform specified program functions. A State that uses subrecipients to perform program functions shall ensure that the subrecipients use HOME funds in accordance with applicable laws and requirements. The State is to conduct reviews and audits of its subrecipients as may be necessary or appropriate to determine whether the subrecipient has committed and expended the HOME funds, as required by 24 CFR section 92.500, and has met HOME Program requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirement (24 CFR section 92.201(b)).

Several weaknesses in the subrecipient monitoring process were noted during the audit:

- TDHCA's policy for Davis Bacon documentation to be on file before a construction drawdown can be processed has not been fully implemented and documentation is provided prior to the construction drawdown on an inconsistent basis.

- Subsequent to the monitoring process being transferred to the Compliance Division, the program coordinators discontinued the use of the monitoring checklists for their on-site visits. The program staff now uses inconsistent forms of documentation.

- Contractor Suspension and Debarment verification is not consistently documented and draws are granted before documentation is in place.

- Technical Assistance visits are not consistently documented and documentation used is not formally designed to ensure that all compliance requirements are reviewed when applicable.

- Technical Assistance visits are not part of a formal risk assessment plan but are left at the discretion of the program coordinator.

- When the Compliance Division started monitoring activities during the end of FY'00 and the beginning of FY'01, the division initially closed 185 contracts by performing a desk review if adequate documentation of previous monitoring visits by program staff was on file. If adequate documentation was not available, an on-site visit was scheduled. The focus of the Compliance Division during FY'01 was to close out contracts from previous years to assure that subrecipients were in compliance. This created a substantial workload for the Compliance Division. In general, the Compliance Division monitoring occurs when the contract drawdown exceed 75%. We noted that a total of approximately 49 contracts were monitored during FY'01 from the open contracts during FY'01. The total expenditures of those contracts amounted to approximately $4.6 million which represents only 12% of total pass through expenditures and the total number of contracts monitored represents only 20% of contracts with expenditures during 2001.

- TDHCA does not have a fully operational risk assessment process for its subrecipient monitoring program.

Recommendation:

We recommend that TDHCA strengthen its controls over subrecipient monitoring during the contract period by developing and documenting a Department-wide monitoring program accounting for each grant from inception through close-out. Contracts need to be monitored before 75% of the contract dollars are spent. Management has to strengthen controls over monitoring all compliance requirements during a contract's period. Any findings identified during the Technical Assistance on-site visit should be tracked in a database and used as input for the risk assessment plan put in place by the Compliance Division.

Management's Response and Corrective Action Plan:

The new HOME Program Manual, to be implemented with the 2001 HOME awards in the spring of 2002, will strengthen the controls over subrecipient monitoring during the contract period. A variety of policy and procedural changes will be made effective with the issuance of the new manual and will incorporate a variety of documentation requirements that will serve the subrecipient monitoring functions. These requirements will include submission of support documentation for Davis Bacon Labor Standards before draw requests are processed and submission and approval of Contractor Suspension and Debarment Verification Forms before draw requests are processed. Upon implementation of the new HOME Program Manual, internal standard operating procedures will be developed and implemented to ensure all applicable requirements are properly tested which will incorporate proper and uniform documentation of technical assistance visits and issue resolution, risk assessment procedures and tracking of technical assistance visits.

In connection with conducting the Compliance Division's risk assessment to best allocate limited resources, it was noted that approximately 184 HOME contract files monitored by HOME Program prior to January 2001 did not have a Certificate of Completion approval date entered into the Genesis database. Without proper processing of the Certificate of Completion, contracts with unused Federal funds that could be available for award for other HOME Program activities can not be used and are at risk of being deobligated by HUD. Additionally, these contracts needed to be programmatically closed to resolve Single Audit review questions and to provide a more comprehensive written compliance history of the contractors to serve as a basis for scoring risk factors used in the Risk Assessment model.

Accordingly, and based on the associated risks, it was conscientiously decided to allocate resources to conduct contract file assessments of these unclosed contracts. Such assessments and associated tasks incorporate monitoring procedures including the following:

1. *Resolving all monitoring findings;*
2. *Determining that all projects have been completed and that relevant information is entered into the tracking system; and*
3. *Receipting and approving of the Certification of Contract Approval by the HOME administrative staff.*

Upon the satisfaction of these criteria and the issuance of a programmatic close-out letter to the contractor and subject to the right to recover funds or questioned costs based upon the findings of the Single Audit and final review by the U.S. Department of Housing and Urban Development, the contract is closed. Any funds not drawn can then be de-obligated and used for other HOME purposes and Compliance Audit can close out the Single Audit. If these procedures are not followed and the contract is not programmatically closed, a balance of unused funds begins to accumulate and is at risk of being deobligated by HUD.

In addition to the contract file assessments, the Program Monitors established a goal for the maximum number of contracts that could be monitored during the 2001 fiscal year. Based on available resources, the 100 contracts that could be monitored were drawn equally from both current contracts and the 184 contracts with outstanding balances mentioned above.

Management, based on circumstances that it inherited, believes that it has made a proper allocation of resources based on its assessment of risks and accomplished the goals it established for the year.

Implementation Date: *Spring 2002*

Responsible Person: *David Gaines*

Reference No. 02-07

Subrecipient Monitoring – Monitoring Visits

(Prior Audit Issue – 01-555-24, 00-555-42, 99-555-22)

CFDA 14.239 – HOME Investment Partnerships Program

Type of Finding – Control

Questioned Cost:	$ 0.00
U.S. Department of Housing and Urban Development	

The Compliance Division does not have a management control in place that tracks visits undertaken and reports still outstanding. It went unnoticed that a report had not been issued for a May visit until October 2001 because an employee retired. Monitoring visits dates are inconsistently updated in the Genesis database. Since the database is used to track when on-site visits occurred and when they are due, inconsistencies in data input or lack of data input could result in non-compliance with the monitoring requirement for housing quality standards, eligibility and maximum rent limits. Also, since there is no management control over issuing reports related to monitoring visits, there is an increased risk that findings may go unreported.

The Compliance Division uses the Genesis database as tracking device for its monitoring visits which have to be conducted every year, every other year or every three years depending upon the circumstances of each project. Our audit procedures included comparing the information per monitoring file to the information entered into Genesis database for a sample of 30 items and resulted in one instance were the date of monitoring visit was incorrectly entered and one instance were the monitoring dates had not been entered at all.

Recommendation:

TDHCA should institute management controls over the Genesis database to ensure that the necessary database information is properly entered and updated and that findings from on-site monitoring visits are reported and resolved on a timely basis.

Management's Response and Corrective Action Plan:

The Compliance Division has been using the Genesis database as a tracking device for the purpose of monitoring on-site visits. There have been many problems that the Division has encountered with the Genesis database.

Once information is entered into Genesis, it is impossible for the monitor to modify or delete that information without contacting the Information Systems department for assistance. For example, if a monitor has scheduled an on-site in Genesis and subsequently cancelled it, the monitor can not update the system to reflect the cancellation. Due to this system "glitch", the system does not always reflect accurate information.

The Compliance Division is in the testing phase for multifamily compliance tracking system that will track all rental programs monitored by the Division, including HOME. Staff is now inputting "real project" information to test the compliance functions built into the systems. Not only will the system allow for electronic reporting of project occupancy data from the project owners, it will also perform compliance checks on income, rent and other occupancy related matters and provide monitors a listing of identified violations. The system also has built in features that will are date driven and will provide management a tracking tool for assuring that desk review and field work due dates are adhered to, including the due dates of corrective action from the project owners.

The Division is confident that once the new system is in place, that appropriate management controls will have been instituted and project reporting and monitoring visits will be reported and conducted in a timely manner. However, it should be noted that management has devised an interim process to overcome the Genesis shortcomings. The Division utilizes an excel spreadsheet, property "inventory", that schedules on-site reviews under the HOME Program over the next five years. This method was utilized for the scheduling 656-onsite reviews during FY2001 and has been proven to be sufficient.

Implementation Date: *Spring 2002*

Responsible Person: *David Gaines*

Reference No. 02-08

Allowable Costs

CFDA 93.568 – Low Income Home Energy Assistance
CFDA 81.042 – Weatherization Assistance for Low Income Persons
Type of Finding – Compliance

Questioned Cost: $199,543.00
U.S. Department of Health and Human Services
U.S. Department of Energy

An employee of one of Low Income Home Energy Assistance's (LIHEAP) subgrantees, Sheltering Arms, embezzled funds over a period of five years. This fact came to the attention of Sheltering Arm's management. As a result of a review by Sheltering Arms' independent auditors, questioned costs totaling $183,400 for LIHEAP and $28,259 for the Weatherization Assistance for Low Income Persons Program were identified, a total of $211,659. TDHCA has not recouped those funds from a subrecipient and has not adjusted its records for questioned costs originating in prior years. TDHCA reported questioned costs totaling $171,284 to the Department of Housing and Urban Development and $28,259 to the Department of Energy. This total questioned cost of $199,543 is $12,116 less than the total amount identified by the independent auditors. The difference is still being investigated.

The embezzlement was not discovered through TDHCA's monitoring procedures because all subgrantees were monitored on a cyclical schedule TDHCA staff. The monitoring visits take place before the contract ends. The embezzlement of funds through falsified invoices occurred after the regular monitoring visit. Since then, the monitoring procedures have been adjusted to include the period of the prior year contract since the last monitoring visit.

Section 2605(g) of the LIHEAP statue states that the State shall repay to the United States amounts found not to have been expended in accordance with this title.

Recommendation:

We recommend TDHCA review Sheltering Arms' records to formally establish to TDHCA's satisfaction the amounts owed to TDHCA and issue a management decision and demand for repayment. Then, TDHCA should record the adjustment of those costs in its records.

Management's Response and Corrective Action Plan:

TDHCA will conduct a team-monitoring visit within the next 45 days to determine the amount of disallowed cost and proceed with action to collect these funds. The team monitoring will include staff from the Energy Assistance Section and Compliance Division staff.

Implementation Date: *Spring 2002*

Responsible Person: *David Gaines*

THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Central Database Project
Project Scope (as specified in Project Charter)
As of April 30, 2002

Project Scope

Due to the size and magnitude of the Central Database Project (CDP), it is important that a well defined scope be developed. The CDP is a multi-year project. With this in mind the project will be done in multiple phases. Phase I was the design and the development of the Compliance Monitoring and Tracking System, which was controlled by its own project charter. Phase II is anticipated to be completed by December 31, 2003. Phase III will begin immediately upon completion of phase II and will continue through the fiscal year 2004-2005 biennium.

Phases II and III of the project is the design, development and implementation of an integrated central database to support TDHCA's various divisions:

- Housing Trust Fund
- Low Income Housing Tax Credit
- Credit Underwriting
- Multi-Family Bond
- Single Family Bond
- Multi-Family Finance/Office of Preservation
- Home
- Energy Assistance
- Community Affairs (Community Services Block Grant, Emergency Shelter Block Grant, Emergency Nutrition, Enterp)
- Office of Colonia Initiatives (OCI)
- Section 8
- Compliance
- Housing Resource Center (HRC)
- Government Relations
- Affordable Housing Disposition Program

The scope of work includes the following:

- Developing system requirements including process models and data models for each of the divisions identified above. This may also include interfaces to legacy or other systems such as accounting and finance.
- Developing system design specifications to address the functional requirements.
- Producing a prototype of the system for the review and approval of department.
- Delivering a working web-based software application that utilizes the central database schema.
- Coordinating acceptance testing of system modules and full integration testing across all modules.
- Developing and providing user manuals for department users.

- Where necessary, develop interfaces to existing/legacy systems, including accounting, budget, loan administration, performance measurement accounting and applicable state and federal systems that require data exchange(s) with the central database.
- Conversion of historical data.
- SB 322 considerations.

Phase II - Phase II Will Consist of the Following Functionality for All Program Areas:

- Program Setup
  - Targeting
  - Allocation
- Development Notice Of Funds Availability
- Develop Application
- Application Cycle
- Application Processing
  - Intake
  - Scoring
  - Ranking
- Contract Award (Fund Obligation)
  - Contract Allocation
- Loan Closing
- Loan Draws
- Construction/Program/Contract Monitoring
  - Cost Certification
- Compliance Monitoring (Affordability Period)

In Phase II the Technical Team will focus on the following:

- Common Data Between Program Areas:
  - Organization
  - Person
  - Address
  - Contact Information
  - Property, Other Deliverable, Or Related Information Such As:
    - Buildings
    - Units
    - Property Document Tracking
    - Property Profile
    - Onsite Audit/Inspection Information
    - Affordability Period
    - Other Assistance, i.e. Rental Assistance, Energy Assistance, Poverty Related Assistance
- Program
  - Program Requirements

TDHCA - Central Database Project
Project Scope (as specified in Project Charter)
As of April 30, 2002

- Key Activities
- Targeting
- Notice of Funds Availability
- Application
  - Receipt
  - Scoring
  - Ranking
  - Tracking
  - Threshold Definitions
- Allocation
  - Program
  - Regions
  - Activities
  - Set Aside
- Underwriting & Cost Certification
- Contract
  - Tracking
  - Allocation (Funding)
  - Performance Statements
  - Targeting
  - Special Conditions
  - Amendments/Expiration
- Loans
  - Tracking/Closing
  - Maintain Monthly Balances
- Construction Monitoring/Compliance Monitoring/Contact
- Monitoring/Administration
- Draws
  - Track Receipt
  - Balances (Track & Monitor)
  - Track Document Receipt
  - Close Out Process
- Long-Term Compliance Monitoring
  - Risk Assessment
  - Testing & Non-Compliance Reporting
  - Review & Findings Tracking
  - Owner Reporting
  - Disability Unit Database
  - Asset Management
- Communications Logging
- Interfaces with Existing Internal Systems, When Necessary

Phase III - In Phase Three The Following Work Is To Be Included:

- Continuation and Refinement of Phase I with Added Functionality
- Data Warehouse

TDHCA - Central Database Project
Project Scope (as specified in Project Charter)
As of April 30, 2002

- Interface with Agency-Wide Imaging System
- Integrate With Mapping/GIS System
- Open Interfaces As Needed

Project plans and appropriation budget requests are being currently being developed in conjunction with the Department's Biennial Operating Plan (Information systems/services support for appropriations request) and Legislative Appropriations Request that will be submitted to oversight agencies during the Summer 2002.

Central Database Initiative

External Drivers

- Increased requests from legislators for information on the effectiveness of programs within their districts
- Pressure to reduce staff - do more with less
- Increased compliance monitoring and reporting requirements for state and federal programs

Internal Drivers

- Changing programs & complexities of administration
- The need to accurately track funds from source to final disbursement
- The need to quickly and accurately assess the effectiveness of the programs
- Concerns regarding data integrity, data redundancy and multiple versions of the truth
- Many "islands of Information"

TDHCA has taken proactive steps to address factors affecting the way it conducts business and has embarked on a mission to develop an integrated centralized database.

Integral to this initiative is the desire to devise, plan and deliver integrated technology architecture and business solutions that are fully aligned to business requirements, and that provide flexibility, reliability, and effective support of a dynamic business operation

Current

Process

People

Organization

Technology

Target

Process

People

Organization

Technology

- Streamlined operations
- Improved Decision Support
- Effective Programs
- Improved and consistent information
- Accurate accountability of funds
- Improve the risk assessment of projects
- Consistency in the administration of programs

The goal is to develop an Integrated Database designed within a technical framework that can adapt and react to changing conditions and aligned with the vision, direction and strategies of the agency.

Methodology

We're using a Five-Phase approach using CASE Method methodology for custom application development. Our approach is designed to be flexible to be adapted to the specific needs of this project.

Phase I — STRATEGY

- *Confirm project scope*
- *Develop project charter*
- *Develop project plan*

Phase II — ANALYSIS

- *Conduct interviews*
- *Requirements definition*
- *Process & data modeling*
- *Security requirements*
- *Technical requirements*

Phase III — DESIGN

- *Design the system based on the detailed requirements*
- *Confirm recommended architecture of the system*
- *Design Interfaces*
- *Design data conversion programs*

Phase IV — BUILD

- *Module development*
- *Module testing*
- *Build Interface conversion programs*
- *User documentation*
- *System documentation*
- *System testing*
- *User acceptance testing*

Phase V — TRANSITION

- *Transition planning*
- *Change management*
- *Training*
- *Transition into production*

Change Management

Quality Assurance

Project Management

Our Approach

We have selected an approach that will allow us to accomplish two goals: 1)breadth of coverage and 2) depth of analysis.

	Typically 2 weeks	Typically 3-5 weeks	Time depends on size and complexity	
	(1) ANALYSIS	*(2) DESIGN*	*(3) BUILD*	*(4) TRANSITION*
	Functional Requirements **Data Models** **Process Models**	**Design Specifications** **Technical Specifications** **Database Design** **Screen Design** **Test Specifications**	**Unit Build** **Physical Database** **Unit Test** **User Manual**	**Acceptance Testing** **Transition to Production**
Deliverables	•Functional Requirements	•Design Specifications	•Application	•Production system

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Central Database Project
Status of Funds as of April 30, 2002

Date / Period	Description	Compliance Monitoring System	Compliance Monitoring / Central Database	Total
Available Funds:				
	Appropriated Funds:			
FY 2000 - 2001	• FY 2000/2001 - Phase I: To develop and implement a fully integrated compliance monitoring system to address the compliance monitoring needs for all multifamily housing programs. This new system will provide for full integration and reporting, provide automated compliance functions for the HOME, Housing Trust fund, and tax Exempt bond programs that do not currently exist, allow remote property managers to access and update tenant information through the Internet, and improve productivity through the use of sound business process design, a graphical user interface, and improved access to data. Original Expected Completion Date - August 31, 2001. ($200,000)	$200,000		$200,000
	• FY 2001 Appropriation adjustment - To continue design and development of Compliance Monitoring System. ($62,955)	62,955		62,955
FY 2000 - 2003	• FY 2002 ($99,000)/FY 2003 ($399,000) - Phase II: To consolidate over 50 different Department databases from over 28 different program areas into one central database to provide for communications between program areas, allow for retention of historical data (currently written over in some of the Department's databases as fields of information are updated), to allow for a single hardware and software platform. The project is to provide for reporting across housing programs, automated compliance functions for the HOME, Housing Trust fund, and Tax Exempt Bond programs that do not currently exist, remote managers access and ability to update tenant information through the use of an industry-standard web browser and improved productivity through the use of sound business process design and improved access to data. Original Expected Completion Date - December 31, 2002. ($798,000 requested; $498,000 appropriated and, therefore, project plan and scope reduced accordingly - See Project Scope of Project Charter.)		498,000	498,000
	Subtotal Available for the FYs 2000 thru 2003	262,955	498,000	760,955
Jan 2002	Funds Transfer between Projects	42,530	(42,530)	0
	Adjusted Available for the FYs 2000 thru 2003	**305,485**	**455,470**	**760,955**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Central Database Project
Status of Funds as of April 30, 2002

Date / Period	Description	Compliance Monitoring System	Compliance Monitoring / Central Database	Total
Less Expenditures thru 4/30/02:				
	Expenditures (including accrued expenditures of $22,265 as of 4/30/02):			
FY 2000 - 2001	• Computer Programming Services - Design and development of Compliance Monitoring and Tracking System. ($262,677)	262,677		262,677
FY 2002 - 4/30/02	• Employee Training - Advanced Java Programming training and Graphical User Interface and Presentation. ($7,640)		7,640	7,640
	• Computer Programmer Services - Finalization of Compliance Monitoring System. ($42,530)	42,530		42,530
	• Computer Programming Services - One Systems Analyst for gathering program information needs, functional and system requirements and specifications. Two Programmers for software development. ($92,877)		92,877	92,877
	• Computer Equipment – Sun Server Hardware, Disk Drives, Processors, Memory (RAM) and required upgrades. ($42,987)		42,987	42,987
	• Computer Software - Software database tools. ($4,005)		4,005	4,005
	• Miscellaneous - US Postal Service FIPS Database Annual Subscription. ($350)		350	350
	Total Expenditures as of 4/30/02	**305,207**	**147,859**	**453,066**
Less Lapsed Funds		**278**		**278**
Unexpended Balances as of 4/30/02		**0**	**307,611**	**307,611**
Less Obligations as of 4/30/02:				
	Obligations as of 4/30/02 (See Note 1. on following page):			
	• Systems Analyst – Business Data Architect for 945 hours through 9/30/02 ($67,665)		67,665	67,665
	• Computer Programming Services – 2 Contract Java Software Developers:			
	• 264 hours remaining ($12,408)		12,408	12,408
	• 431 hours remaining ($21,550)		21,550	21,550
	Obligated Balances as of 4/30/02		**101,623**	**101,623**
Unexpended / Unobligated Balances as of 4/30/02		**$ 0**	**$205,988**	**$205,988**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Central Database Project
Status of Funds as of April 30, 2002

Planned Use of Funds Unexpended / Unobligated Balances as of 4/30/02:

Date / Period	Description	Compliance Monitoring System	Compliance Monitoring / Central Database	Total
Unexpended / Unobligated Balances as of 4/30/02 (as above)		$ 0	$205,988	$205,988
Less:				
FY 02/03	• Two additional Java software development programmers plus extension of contract agreement with one Java programmer. Estimated 3,000 hours @ "minimum" $50 / hr. ($150,000)		150,000	150,000
	• Computer Software – Software Quality Assurance and database tools. ($5,000-$10,000)		10,000	10,000
	• Computer Equipment – Additional disk capacity. This is difficult to estimate at this time, but additional disk capacity will be required.			
Subtotal		0	160,000	160,000
Balance of Unexpended / Unobligated Balances as of 4/30/02 - Usage not currently planned		$ 0	$ 45,988	$ 45,988

Note 1. - Deliverables expected from amounts Obligated as of 4/30/02:

The obligated funds as of April 30, 2002, are for the following purposes:

- Continuing development of system requirements including process models and data models. This may also include interfaces to legacy or other systems such as accounting and finance.
- Continuing development of system design specifications to address the functional requirements.
- Producing a working system for the review and approval of department.
- Delivering a working web-based software application that utilizes the Central Database schema.
- Coordinating acceptance testing of system modules and full integration testing across all modules.
- Developing and provide user manuals for Department users.
- Developing interfaces, where necessary, to existing/legacy systems that require data exchange(s) with the Central Database.

TDHCA
CENTRAL DATABASE PROJECT
(as of 4/30/02)

ID		Task Name	Duration	Work	Start	Finish	% Complete
1		PROJECT START UP	476 hrs	141 hrs	Fri 12/21/01	Thu 3/14/02	100%
2		DEVELOP PROJECT CHARTER	433 hrs	137 hrs	Fri 12/21/01	Thu 3/7/02	100%
8		PERFORM PROJECT COORDINATION AND KICKOFF ACTIVITIES	4 hrs	4 hrs	Thu 3/14/02	Thu 3/14/02	100%
11		AOD CONVERSION	240 hrs	240 hrs	Thu 3/28/02	Wed 5/8/02	53%
20		HOUSING SPONSOR REPORT	192 hrs	150 hrs	Mon 12/3/01	Fri 1/4/02	100%
30		HOUSING SPONSOR REPORT - HISTORICAL INFORMATION	184 hrs	82 hrs	Tue 3/19/02	Thu 4/18/02	58%
41		HRC - INFORMATION CLEARINGHOUSE	196.8 hrs	186 hrs	Fri 3/22/02	Thu 4/25/02	92%
52		LIHTC CONTACT LOG	512 hrs	179.8 hrs	Mon 12/3/01	Thu 2/28/02	36%
72		Login Application Programmer Interface	40 hrs	40 hrs	Mon 12/3/01	Fri 12/7/01	88%
76		Develop Tag Library	24 hrs	24 hrs	Mon 4/29/02	Wed 5/1/02	0%
80		ARCHITECTURE AND INFRASTRUCTURE PLANNING	605.4 hrs	1,384 hrs	Mon 12/3/01	Mon 3/18/02	100%
115		HOUSING TRUST FUND	929 hrs	1,446.5 hrs	Fri 2/15/02	Mon 7/29/02	18%
116		SYSTEM REQUIREMENTS ANALYSIS - (STRATEGY)	130 hrs	137.5 hrs	Fri 2/15/02	Mon 3/11/02	97%
141		ANALYSIS AND SYSTEM DESIGN - (DESIGN)	358 hrs	323 hrs	Mon 3/11/02	Fri 5/10/02	45%
174		TECHNICAL SYSTEM DESIGN - (DESIGN)	95 hrs	120 hrs	Mon 5/6/02	Tue 5/21/02	0%
210		TECHNICAL PROCEDURE DEVELOPMENT - (BUILD)	120 hrs	254 hrs	Tue 5/21/02	Tue 6/11/02	0%
252		USER PROCEDURES & TRAINING	119 hrs	111 hrs	Thu 5/9/02	Thu 5/30/02	0%
281		SYSTEM AND ACCEPTANCE TESTING	156 hrs	132 hrs	Tue 5/21/02	Tue 6/18/02	0%
313		DATA CLEANSING & CONVERSION	209 hrs	362 hrs	Fri 6/21/02	Mon 7/29/02	2%
337		TRANSITION	131 hrs	7 hrs	Tue 5/21/02	Wed 6/12/02	0%
385		FUND ALLOCATION (COMMUNITY AFFAIRS AND HOME DIVISIONS)	327 hrs	799 hrs	Thu 4/25/02	Thu 6/20/02	2%
630		LOW INCOME HOUSING TAX CREDIT	468 hrs	1,298 hrs	Fri 5/17/02	Wed 8/7/02	0%
900		HOME	649 hrs	1,385.5 hrs	Fri 6/7/02	Mon 9/30/02	0%
1170		CREDIT UNDERWRITING	924 hrs	1,385.5 hrs	Fri 6/21/02	Fri 11/29/02	0%
1440		SINGLE-FAMILY BOND	1131 hrs	1,385.5 hrs	Mon 3/11/02	Tue 9/24/02	0%
1710		MULTI-FAMILY BOND	1401 hrs	1,385.5 hrs	Mon 3/11/02	Mon 11/11/02	0%
1980		COMMUNITY AFFAIRS	1193 hrs	1,385.5 hrs	Wed 9/11/02	Tue 4/8/03	0%
2250		OCI	905 hrs	1,385.5 hrs	Thu 10/10/02	Tue 3/18/03	0%
2520		SECTION 8	2642 hrs	1,385.5 hrs	Mon 3/11/02	Mon 6/16/03	0%
2790		GOVERNMENT RELATIONS & HOUSING RESOURCE CENTER	2201 hrs	1,385.5 hrs	Mon 9/9/02	Mon 9/29/03	0%

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Central Database Project
Accomplishments as of April 30, 2002

Accomplishments thru April 30, 2002 (for amounts expended):

Applications:
- Compliance Monitoring & Tracking System
- Main Menu and Object Oriented Hierarchy and Architecture in place
- AOD (LIHTC legacy system) Conversion. Data migration currently in progress to populate the new Central Database.
- Housing Sponsor Report (SB322 Requirement)
- Housing Sponsor Report (Historical Information) – In Quality Assurance. (SB322 Requirement)
- Housing Resource Center Information Clearinghouse – In Quality Assurance. This included data migration of existing information from Microsoft Access to Oracle. Should be deployed the week of 5/6/02. (SB322 Requirement)
- Low-Income Housing Tax Credit Contact Log – Work around instituted 2/02. This included data migration of existing information from Microsoft Access to Oracle. In progress. Will be used by other programs within the Department. (SB322 Requirement)
- Housing Trust Fund Functional Requirements – Work completed and reviewed. Design document currently in progress.
- Login and security mechanisms - In progress
- Fund Allocation Functional Requirements – In progress
- Program Setup user meetings – In progress
- Reviewing legacy HOME system and data – In progress

Software Standards and Controls:
- Software Development Environment Infrastructure
- Web and Graphical User Interface Standards
- Software Development Java Coding Standards
- Software Quality Assurance Process
- Software Source Code Control System
- Software Development Life-Cycle Definition
- Database Naming Convention Standards
- Java Software Development Platform Standard
- Software Deployment Procedures – Quality Assurance of process is in progress.

Hardware Infrastructure:
- Reliable Network, Hardware, Operating System Infrastructure and Increased Security in place.
- Cutover from old APPX/Genesis IBM AIX system to Sun Solaris platform as of April 2002.

Item 5 Presentation, Discussion and Possible Approval of Four Percent (4%) Low Income Housing Tax Credit Items:
a) Approval and Possible Issuance of a Determination Notice to a Tax-Exempt Bond Project with TDHCA as Issuer:

01465	Stonebrook Villas	McKinney, Texas
02404	Veterans Memorial	Houston, Texas

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Stonebrook Villas** TDHCA#: 01465

DEVELOPMENT AND OWNER INFORMATION

Development Location: McKinney QCT: N DDA: N TTC: N
Development Owner: Stonebrook Villas Housing, L.P.
General Partner(s): Stonebrook Villas Development LLC, 100%, Contact: Bill Fisher
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $654,271 Eligible Basis Amt: $631,583 Equity/Gap Amt.: $856,688

PROPERTY INFORMATION

Unit and Building Information
Total Units: 224 LIHTC Units: 224 % of LIHTC Units: 100%
Gross Square Footage: 234,400
Average Square Footage/Unit: 1024
Number of Buildings: 10
Currently Occupied: N

Development Cost
Total Cost: $19,224,838 Total Cost/Net Rentable Sq. Ft.: $83.8

Income and Expenses
Effective Gross Income:[1] $1,806,547 Ttl. Expenses: $805,516 Net Operating Inc.: $1,001,031
Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	True & Shackelford	Architect:	BGO Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Pond Robinson & Assoc.
Market Analyst:	Butler Burgher	Lender:	Charter MAC
Contractor:	Affordable Housing Construction	Syndicator:	Related Captial Company

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 2000+	Sen. Florence D. Shapiro, District 8 - NC Rep. Mary C. Denny, District 63 - NC Mayor Don Dozier - O Larry Robinson, City Manager - The City of McKinney does not have a Consolidated Plan at this time, and supports the State of Texas Consolidated Plan.

CONDITION(S) TO COMMITMENT

1. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of a revised cost schedule to include off-site costs and to be consistent with the sources and uses of funds statement and eligible basis assumptions in this analysis.
3. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds.
4. Receipt, review, and acceptance of revised bond/permanent loan financing commitment reflecting the current development size and current debt amount.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director o

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:

Michael E. Jones, Chairman Date

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Veteran's Memorial** TDHCA#: 02404

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Trails of Sycamore Townhomes LP.			
General Partner(s):	Housing Initiatives Corporation IV, Inc., 100% Contact: Frank Mendez			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $673,861 Eligible Basis Amt: $689,077 Equity/Gap Amt.: $1,336,235235

Annual Tax Credit Allocation Recommendation: **NOT RECOMMENDED. However, if the alternative option is used, then $689,077, with all conditions met.**

Total Tax Credit Allocation Over Ten Years: $6,890,770

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 LIHTC Units: 250 % of LIHTC Units: 100%

Gross Square Footage:	297,891
Average Square Footage/Unit:	1,171
Number of Buildings:	29
Currently Occupied:	N

Development Cost

Total Cost: $23,734,542 Total Cost/Net Rentable Sq. Ft.: $81.07

Income and Expenses

Effective Gross Income:[1] $1,827,333 Ttl. Expenses: $803,814 Net Operating Inc.: $1,023,519

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	National Realty Management
Attorney:	Chernesky, Heyman & Kress	Architect:	Cole and Russell Architects
Accountant:	Barnes, Dennig & Co., Ltd.	Engineer:	Roy F. Weston
Market Analyst:	Mark Temple Real Estate Economist	Lender:	SunAmerica, Inc.
Contractor:	Brisben Development, Inc.	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. John Whitmire, District 26 - NC Rep. Sylvester Turner, District 109 - NC Mayor Lee P. Brown - NC Judge Robert Eckels - Consistent with the Harris County Consolidated Plan.

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. TDHCA Board waiver of the Department's Concentration Policy in regards to this development.
3. TDHCA Board acceptance of the Applicant's conservative construction cost estimate via receipt, review, and acceptance of a fixed price contract consistent with the Applicant's costs as proposed in the application and reflected in this report.
4. TDHCA Board acceptance of a 15+ year deferred developer and contractor fee repayment schedule.
5. Receipt, review and acceptance of revised financial commitments reflecting the final bond structure, the terms of the credit enhancement and the final all-in debt rates and terms.
6. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs.
7. Should total estimated sitework costs exceed $6,500/unit, receipt, review, and acceptance of a third party detailed sitework cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required, certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
8. Receipt, review, and acceptance of a fully executed PILOT agreement reflecting not less than a 75% exemption of assessed value to be at net not greater than $8,750 per unit.
9. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title.
10. Receipt, review, and acceptance of a consolidated financial statement of Housing Initiatives Corporation.
11. Receipt, review, and acceptance of a financial statement from the fee developer evidencing financial capacity sufficient to develop and support the project.
12. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.
13. Should the terms of the proposed total cost, debt or equity syndication be altered, the financial elements of this report should be re-evaluated.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 49.7(i) of the 2002 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director o

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).____

____

____________________________________ _______________

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

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Chairperson Signature: ____ _____________

Michael E. Jones, Chairman Date

b) Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Projects with Local Bond Issuers:

01482	North Arlington Srs.	Arlington, Texas
02403	Matthew Ridge Apts.	Houston, Texas

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **North Arlington Seniors Apartment Community** TDHCA#: 01482

DEVELOPMENT AND OWNER INFORMATION

Development Location: Arlington QCT: N DDA: N TTC: N
Development Owner: MAEDC-Arlington Senior Community, L.P.
General Partner(s): MAEDC-Arlington, LLC, 100%, Contact: Monique Allen
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Tarrant County HFC
Development Type: Elderly

Annual Tax Credit Allocation Calculation
Applicant Request: $600,000 Eligible Basis Amt: $574,331 Equity/Gap Amt.: $851,856
Annual Tax Credit Allocation Recommendation: $574,331
Total Tax Credit Allocation Over Ten Years: 5,743,310

PROPERTY INFORMATION

Unit and Building Information
Total Units: 261* LIHTC Units: 260 % of LIHTC Units: 0.99616858237547889%
Gross Square Footage: 292,887
Average Square Footage/Unit: 799
Number of Buildings: 10
Currently Occupied: N
Development Cost
Total Cost: $19,144,755 Total Cost/Net Rentable Sq. Ft.: $91.85
Income and Expenses
Effective Gross Income:[1] $1,727,715 Ttl. Expenses: $803,106 Net Operating Inc.: $924,609
Estimated 1st Year DCR: 1.09

DEVELOPMENT TEAM

Consultant:	Texas Affordable Communities	Manager:	Trammel Crow Residential
Attorney:	Law Offices of Michael Eaton	Architect:	GTF Design Assoc.
Accountant:	Novogradac & Company LLP	Engineer:	Bury Partners, Inc.
Market Analyst:	Prior and Assoc.	Lender:	Newman & Associates
Contractor:	ICI Construction	Syndicator:	Paramount Financial Group

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Chris Harris, District 10 - NC Rep. Toby Goodman, District 93 - NC Mayor Elzie Odom - Trey Yelveron, Director of Neighborhood Services - Consistent with the Consolidated Plan.

CONDITION(S) TO COMMITMENT

5. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
6. Receipt, review, and acceptance of a Joint Development Agreement executed by all parties.
7. Receipt, review, and acceptance of a satisfactory site inspection.
8. Receipt, review, and acceptance of satisfactory documentation from the Texas Historical Preservation Office stating that the site has no historical or cultural significance and documentation from U.S. Fish and Wildlife Services stating that the site contains no endangered species.
9. Receipt, review, and acceptance of a firm final fully executed commitment(s) for bond and interim to permanent mortgage financing including all the terms and conditions and not subject to lenders due diligence.
10. Absent a property tax exemption or PILOT agreement, receipt, review, and acceptance of the permanent loan commitment to reflect a limit on the debt service for this project of not more than $840,579 and a reduction in ineligible developer fees and total development costs of at least $151,137 and a deferral of 100% of the eligible developer fee should be required.
11. Receipt, review, and acceptance of revised final building plans reflecting better access to all amenities and especially a laundry facility for Building Two.
12. Receipt, review, and acceptance of fully executed assignments of all site control documents to reflect the current Applicant or joint developers and releases from the previous joint developers.
13. Receipt, review, and acceptance of the financial statements and an authorization to release credit information of the Co-Developers and their controlling principals.
14. Receipt, review, and acceptance of a narrative documenting the background and experience of the Texas Affordable Communities or their controlling principals.
15. Should the terms of the proposed debt or syndication be altered, the conclusions of this report and conditions should be re-evaluated.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director o

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:
Michael E. Jones, Chairman Date

LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Matthew Ridge Apartments** TDHCA#: 02403

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
Development Owner: VDC Matthew Ridge, Ltd.
General Partner(s): VDC-Matthew Ridge-A, LLC, 100%, Contact: John D. Rood
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $562,488 Eligible Basis Amt: $562,190 Equity/Gap Amt.: $885,944
Annual Tax Credit Allocation Recommendation: $562,190
Total Tax Credit Allocation Over Ten Years: 5,621,900

PROPERTY INFORMATION

Unit and Building Information
Total Units: 240 LIHTC Units: 240 % of LIHTC Units: 100%
Gross Square Footage: 240,712
Average Square Footage/Unit: 984
Number of Buildings: 10
Currently Occupied: N
Development Cost
Total Cost: $17,693,024 Total Cost/Net Rentable Sq. Ft.: $74.9222
Income and Expenses
Effective Gross Income:[1] $1,690,939 Ttl. Expenses: $792,467 Net Operating Inc.: $898,472
Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Alpha-Barnes Real Estate Services
Attorney:	Stearns, Weaver, Miller, Weissler et al.	Architect:	PQH Architects, Inc.
Accountant:	KPMG Peat Marwick	Engineer:	Unknown
Market Analyst:	Apartment Market Data Research	Lender:	Charter MAC
Contractor:	Vestcor Construction Services, Inc.	Syndicator:	Related Capital Company

PUBLIC COMMENT[2]	
From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. J. E. "Buster" Brown, District 17 - NC Rep. Talmadge Heflin, District 149 - NC Judge Robert A. Eckels - NC Judge Robert Eckels - Consistent with the Harris County Consolidated Plan.

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of an executed supportive services contract.
3. Receipt, review, and acceptance of evidence from the water and sewer provider of the requirement for the offsite costs included in the project cost schedule.
4. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.
5. The development's total debt service should not exceed $816,547. Unless the final permanent bond size is further reduced through mandatory redemption it is likely that all or a portion of TDHCA fees may need to be deferred, waived or paid out of available cash flow in the first two years.
6. Receipt, review, and acceptance of an acceptable groundwater sampling test report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis.
7. Should the terms of the proposed debt be altered, the financial analysis and conclusions herein should be re-evaluated.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 49.7(i) of the 2002 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director o

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature: ______________________________ ______________

Michael E. Jones, Chairman Date

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

DATE: April 29, 2002 **PROGRAM:** MFB
4% LIHTC **FILE NUMBER:** 2002-071
02404

DEVELOPMENT NAME

Veterans' Memorial Apartments

APPLICANT

Name: Trails of Sycamore Townhomes L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 7800 E. Kemper Road **City:** Cincinatti **State:** OH

Zip: 45249 **Contact:** Don Paxton **Phone:** (513) 489-1990 **Fax:** (513) 489-2780

PRINCIPALS of the APPLICANT

Name	(%)	Title
Housing Initiatives Corporation IV	0.1	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.9	Initial Limited Partner
Frank Mendez	N/A	President of non-profit G.P.
Brisben Advisors, Inc.	N/A	Fee developer

GENERAL PARTNER

Name: Housing Initiatives Corporation IV, Inc. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 816 Congress Avenue, Suite 1775 **City:** Austin **State:** TX

Zip: 78701 **Contact:** Frank Mendez **Phone:** (512) 404-7887 **Fax:** (512) 703-2860

DEVELOPER

Name: Brisben Advisors, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 7800 E. Kemper Road **City:** Cincinatti **State:** OH

Zip: 45249 **Contact:** Don Paxton **Phone:** (513) 489-1990 **Fax:** (513) 489-2780

PROPERTY LOCATION

Location: Veterans' Memorial Parkway & Gears Road ☐ **QCT** ☐ **DDA**

City: Harris County **County:** Harris **Zip:** 77067

REQUEST

Amount	Interest Rate	Amortization	Term
1. $14,700,000	5.91%	30 yrs	30 yrs
2. $673,861	N/A	N/A	N/A

Other Requested Terms:
1. Tax-exempt private activity mortgage revenue bonds
2. Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 29.312 acres 1,276,831 square feet **Zoning/ Permitted Uses:** No zoning (Houston)

Flood Zone Designation: Zone AE (100-yr floodplain) **Status of Off-Sites:** Partially Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 250 **# Rental Buildings** 29 **# Common Area Bldngs** 3 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
30	2	2	1,017
30	2	2	1,028
34	2	2.5	1,115
24	2	2.5	1,158
12	3	2	1,146
16	3	2	1,152
4	3	2	1,213
24	3	2	1,251
24	3	2	1,279
34	3	2	1,297
18	3	2	1,325

Net Rentable SF: 292,756 **Av Un SF:** 1,171 **Common Area SF:** 5,135 **Gross Bldng SF** 297,891

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 30% brick veneer/40% vinyl siding/30% stucco 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, laminated counter tops, individual water heaters

ON-SITE AMENITIES

4,428-SF community building with activity rooms, management offices, fitness facilities, kitchen, restrooms, computer/business center, & model unit; central mail kiosk, swimming pool, separate mainrtenance & laundry building, equipped children's play area, sports court, limited access gate

Uncovered Parking: 375 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: SunAmerica, Inc. **Contact:** Mike Fowler

Principal Amount: $14,700,000 **Interest Rate:** 9%

Additional Information: Bond proceeds

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

LONG TERM/PERMANENT FINANCING

Source: SunAmerica, Inc. **Contact:** Mike Fowler

Principal Amount: $14,700,000 **Interest Rate:** 5.91%

Additional Information: Bond proceeds

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

Annual Payment: $1,057,674 **Lien Priority:** 1st **Commitment Date** 4/ 2/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Mike Fowler

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 693-3203 **Fax:** (310) 772-6179

Net Proceeds: $5,385,494 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 3/ 28/ 2002

Additional Information:

APPLICANT EQUITY

Amount: $1,914,436 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$1,033,660	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$1,033,660		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 5/ 31/ 2002 **Anticipated Closing Date:** 4/ 31/ 2002

Acquisition Cost: $ 1,025,000 **Other Terms/Conditions:** $80,000 earnest money

Seller: VA Beltway Partners, Ltd., C/O Richard Gould **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Veterans' Memorial Apartments is a proposed new construction development of 250 units of affordable housing located in northwest Houston. The development is comprised of 29 residential buildings as follows:

- Twelve Building Type I with two two-bedroom townhouse units, three three-bedroom townhouse units, and two three-bedroom flat units,
- Nine Building Type II with four two-bedroom flat units, two two-bedroom townhouse units, and four three-bedroom flat units;
- Three Building Type III with four two-bedroom flat units, two two-bedroom townhouse units, and two three-bedroom flat units;
- Three Building Type IV with four two-bedroom flat units, two two-bedroom townhouse units, and two three-bedroom flat units, and
- Two Building Type V with two two-bedroom townhouse units, ten three-bedroom townhouse units, and two three-bedroom flat units.

Based on the site plan the apartment buildings are distributed fairly evenly throughout the site, with the community building, mailboxes, swimming pool and sport court located near the entrance to the site. A 621-square foot laundry and maintenance building is be located in the northern third of the site. The 4,428-square foot community building is planned to have the management offices, adults' and children's activities rooms, an exercise room, kitchen, restrooms, and a business center. The community building also has a three-bedroom model unit attached which the Applicant has indicated in not included in the unit count or intended to be employee-occupied. There appears to be no reason the unit could not be rented to tenants if desired, however, as this unit has independent exterior access.

Supportive Services: The Applicant has contracted with National Realty Management, Inc. to provide the following supportive services to tenants: basic adult education, credit counseling, homebuyer education, and use of computer facilities. The Applicant has agreed to pay $80/unit/year ($20,000/year total) for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed in December of 2003, to be substantially leased-up in June of 2004, and to be placed in service in August of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This program allows for prospective tenants to be qualified at the 60% or less of AMGI income level.

Special Needs Set-Asides: There are no plans to reserve units exclusively for special needs tenants, but the Applicant has committed to compliance with TDHCA accessibility standards.

Compliance Period Extension: The Applicant has elected to extend the compliance period an additional 15 years.

MARKET HIGHLIGHTS

A market feasibility study dated March 27, 2002 was prepared by The Danter Company and highlighted the following findings:

Definition of Market/Submarket: "The Site Effective Market Area [EMA] for the subject…site includes the near north area of Houston." (p. V-6) The EMA is an irregular shape that roughly resembles a rectangle, with Rankin Road as its northern boundary, Bammel North Houston Road as its western boundary, West Road as its southernmost boundary, and the Hardy Toll Road as its easternmost boundary. The site itself is in the middle of the western third of the EMA. The Underwriter estimates this EMA area to equate to somewhat less than the area of a three-mile radius.

Total Regional Market Demand for Rental Units: "In 2000, [Houston] households numbered 717,945. Households are expected to number 755,855 by 2005, a total increase from 2000 of 5.3%." (p. V-4)

Total Local/Submarket Demand for Rental Units: The analyst calculated "…5,505 renter households within the potential income range that are not being served by the area tax credit project[s]." (p. IV-17)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY*		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	32	2%
Resident Turnover	1,658	98%
TOTAL ANNUAL DEMAND	**1,690**	**100%**

*Calculated by Underwriter using market analyst's demographics

Capture Rate: Calculated by the Underwriter to be 15% for this development alone (the analyst calculated a *market penetration rate* of 4.5% of the existing income-qualified renter market). (p. IV-17) The Market Analyst failed to account for three new developments awarded low income housing tax credits in the past 12 months. Fallbrook Apartments is located in the extreme southwest corner of the EMA and was approved in December of 2001 as a 280-unit 4% LIHTC /private activity bond transaction. Almost immediately next door to Fallbrook Apartments will be Champion Forest, a proposed 192-unit mixed-income development approved as a 2002 9% LIHTC forward commitment in July of 2001 (this development has, as of April 2002 met the underwriting conditions for carryover/allocation). A third development in the extreme southeast corner of the EMA will provide another 248 units in a 4% LIHTC/Private Activity Bond transaction approved in July of 2001. With these three developments, totaling 720 additional unstabilized units, the calculated concentration capture rate soars to 57% or well above the 25% TDHCA policy limit established by the Board in July of 2001 and codified in the 2002 QAP. A forth development, Columbia Greens (approved in 2000), was identified by the Market Analyst as having been placed in service in 2001 and is already fully stabilized. However from a technical perspective it is not known when stabilization was accomplished and if this 232-unit property has been stabilized for less than 12 months it too should be considered in the concentration capture calculation according to the policy elevating the overall capture rate to 71%.

Local Housing Authority Waiting List Information: "There is a list of 600 applicants waiting to join the Harris County HUD Section 8 certificate/voucher program." (p. IV-18)

Market Rent Comparables: The market analyst surveyed 10 comparable market rate and two LIHTC apartment projects totaling 2,585 units in the market area. "Notably, the subject…project will have townhouse units that are significantly larger than many comparable projects, especially the…tax credit project[s] in the area. Along with the amenities, rent levels, and anticipated quality, the Veterans' Memorial proposed project would be in a good market position." (p. IV-39)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom	$596	$597	-$1	$672	-$76
3-Bedroom	$684	$685	-$1	$779	-$95

Ref: p. IV-26
(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 surveyed market rate properties are 93.2% occupied. Overall, vacancies within the Site EMA are somewhat high…Among the 46 area market rate properties, 13 are 100% occupied. The two tax credit properties are over 99% occupied. " (p. IV-6)

Absorption Projections: "…absorption is expected to average 16.0 to 19.5 units per month, resulting in a 14.5- to 17.5-month absorption period to achieve a 95% occupancy level." (p. IV-47) Given that an additional 720 units of affordable housing are planned within the EMA but were not accounted for in this calculation, and given that all these units will arrive in the market at roughly the same time, the true absorption period for all these units could be recalculated to be 50 to 60 months.

Known Planned Development: No information provided in the market study. As discussed above, this is a major flaw in the market study that leads the Market Analyst to a faulty conclusion.

Effect on Existing Housing Stock: No information provided.

While the Underwriter disagrees with the conclusions of the market study and finds it missed three recently approved LIHTC transactions in the EMA, the market study provided sufficient demographic information on which to base an underwriting recommendation. Based upon the excessive concentration capture rate, any allocation of tax credits for this development should be conditioned upon a waiver by the Board of the Department's concentration policy.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a very irregularly-shaped parcel located in the northwest area of Houston, approximately ten miles from the central business district. The site is situated on the west sides of Veterans' Memorial Parkway and Gears Road.

Population: The estimated 2000 population of the primary market area was 71,539 and is expected to increase by 6.4% to approximately 76,117 by 2005. Within the primary market area there were estimated to be 23,091 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, residential, retail, and public uses. Adjacent land uses include:

- **North:** Retail and Greens Road, with single-family residential beyond
- **South:** Undeveloped land and drainage canals with the Sam Houston Tollway beyond
- **East:** Veterans' Memorial Parkway and Gears Road with retail and single-family residential beyond
- **West:** Single-family residential, a drainage canal, and an elementary school

Site Access: Access to the property is from the southeast or northwest along Veterans' Memorial Parkway or Gears Road or the east or west from Greens Road. The project is to have two entries from Veterans' Memorial Parkway and one from Greens Road. Access to the Sam Houston Tollway and Interstate Highway 45 is three miles east, which provide connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the Houston bus system with a stop on Veterans' Memorial Parkway adjacent to the site.

Shopping & Services: The site is within one mile of a major grocery/pharmacy and a neighborhood shopping centers, and within three miles of a regional shopping mall and a variety of other retail establishments and restaurants. An elementary school is adjacent to the site and other schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

- According to the Federal Emergency Management Act (FEMA) Flood Insurance Rate Map (FIRM), the site lies within Zone AE, a 100-year flood area. The original application stated that the site was not in a 100-year floodplain, and this fact was also not identified by the environmental analyst. In response to the Underwriter's query regarding proposed flood hazard mitigation measures, the Applicant provided information that the residential buildings will be elevated so as to have a finished floor level 18 inches above the 100-year base flood elevation level. At the time of this report it is unknown if the Applicant also plans to elevate the parking areas, access roads, and other improvements. Such information has not been provided in this application and the sitework costs do not appear to account for these costs. The Applicant submitted no documentation from Harris County as to the conditions under which the proposed structures can obtain permits and be built within or up and out of the floodplain. Federal law prohibits federal funds from being used in new properties within the 100-year floodplain. For example, FHA will not close on a new construction transaction located within the 100-year floodplain. The LIHTC program, however, is generally not considered to be a direct source of federal funds. The Department has no formally approved policy on new development in the floodplain. The Department's previous experience has typically been in re-funding projects already built in the floodplain or projects on the edge of the floodplain which either include no improvements in the floodplain or which raise the base level of the improvements to above the floodplain with fill. In several prior instances, the Department has required proof of flood insurability, and the cost of such insurance could be included in the expense proforma. In addition, the Department has, in some instances, required that the net rents be reduced by an amount equal to the cost of flood insurance for the tenants' personal property, or required that the owner pay to insure the personal property of each of the ground floor tenants who could be affected by flooding. In this case, the entire site and immediately surrounding streets are within the 100-year floodplain, so that every unit would be affected and building out of the floodplain may serve at best to create an island during years in which the area is inundated with floodwaters. The Applicant did not provide a plan of mitigation, so it is not known if imported fill will be required to build above the floodplain. The project's sitework costs do not appear to contain items specific to the needs of a 100-year flood zone-impacted site. Such costs should generally be itemized and evaluated prior to committing to the allocation of funds. Because of this significant uncertainty and because a mitigation plan of the flood risk for buildings and tenants has not been clearly identified in the application, the Underwriter believes an affirmative recommendation for funding cannot be made. Any recommendation for funding should be conditioned upon acceptance of a floodplain mitigation plan approved by Harris County and the Department and a re-evaluation of the project's costs, proforma, and financing structure after all of the costs of mitigation including the fill cost, building insurance, and renter's insurance have been included and verified.
- The title commitment lists a vendor's lien in the amount of $750,000 that must be cleared by the closing. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title is a condition of this report.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 12, 2001 was prepared by CEI Engineering Associates, Inc. and contained the following findings and recommendations: "Based on information obtained and observations made, it is the opinion of CEI that this assessment revealed no evidence of recognized environmental conditions in relation to the subject property with the exception of the following:

- All necessary local, state, and federal permits should be obtained.
- The site is heavily wooded. Therefore, any woodland ordinances established by local, state, or federal agencies should be observed.
- There is a substantial amount of trash and debris located on the property. This debris should be removed to an approved landfill prior to the start of construction." (p. 17)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are attainable according to the market analyst. The Applicant's potential gross rent estimate is $3,103 lower than the Underwriter's due to the Applicant's rounding of the tenant-paid utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's originally submitted total expense estimate contained an erroneous total per unit figure of $3,278 instead of the actual amount of $2,433. This latter amount is 24% lower than an adjusted TDHCA database-derived estimate of $3,215 per unit for comparably-sized developments. The Applicant's budget shows that many line item estimates appear significantly understated when compared to the database averages, particularly:

- General and administrative: $43K/53% lower (the Underwriter used the low end of the TDHCA database range and also confirmed this figure as lower than the local Houston IREM historical figures).
- Payroll: $51K/25% lower (the Underwriter used the IREM per unit regional average of $833/unit).
- Repairs and maintenance: $10.6K/11% lower (the Underwriter used the low end of the database range and again confirmed this figure as lower than local IREM figures).
- Utilities: $37K/59% lower (the Underwriter's estimate is based on local utility allowances and is significantly less than the TDHCA database and local IREM figures).
- Water, sewer, and trash: $33.8K/36% lower (the Underwriter's estimate is based on local utility allowances and is lower than the TDHCA database and within the range for local IREM figures).
- Insurance: $28.7K/61% lower (the Underwriter's estimate of $0.16/NRSF is based on the low end of the TDHCA underwriting guidelines and is likely to be significantly understated in light of insurance industry trends within the past year, especially the damage caused by Hurricane Alison in Houston. While the local IREM figure is much lower and on par at a per foot basis with the Applicant's estimate, this historical figure has not yet been affected by the considerably higher insurance premiums reported statewide by developers in the past six to twelve months. NOTE: flood insurance specific to this site is not included in any of the estimates).
- Property tax: ($10.7K/15% lower (the Underwriter's figure is based on a PILOT agreement amount provided by the Applicant. A fully executed copy of this agreement which calls for the exemption of 75% of the assessed value has not yet been provided, and any approval of allocation of tax credits and bonds should be conditioned upon receipt, review, and acceptance of such an agreement. The anticipated net assessed value would be $8,750 per unit and based upon the existing tax rate would result in a tax payment of $73,156 per year.)
- The Applicant did not include an estimate for TDHCA compliance fees, which the Underwriter estimated to be $6,250 and included "below the line" along with estimated supportive service fees of $20K. This allows the debt service to reflect repayment of expenses that cannot be waived and repayment of bonds only. Should the debt have to be resized up to reach a 1.10 this would suggest that these expenses may need to be paid from cash flow or waived, deferred, or not paid if cash flow is insufficient.

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 expenses, the Underwriter's estimated aggregate debt coverage ratio (DCR) of 0.95 and bonds-only DCR of 0.99 are significantly less than the program minimum standard of 1.10. Therefore, the maximum bonds-only debt service for this project should be limited to $930,235. As it appears that the rate and terms of this debt have been set, the only method remaining to achieve this debt service goal would be a reduction of the debt amount not to exceed $13,055,352.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,025,000 ($0.80/SF or $35K/acre) is assumed be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,435 per unit are considered reasonable compared to historical sitework costs for multifamily projects. These costs, however, do not appear to include costs associated with flood hazard mitigation, as the problem did not appear to be identified when they were developed, and they are, therefore, expected to increase significantly. Receipt, review, and acceptance of a detailed cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required. Should this revised estimate exceed $6,500/unit, which appears likely, the cost breakdown must be certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis, as a condition of this report.

Direct Construction Cost: The Applicant's costs are more than $1.5M (12%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. Although a related general contractor is being used and a fixed price contract may be offered, this would still suggest that the Applicant's direct construction costs are understated, especially as they are unlikely to include significant costs associated with flood hazard mitigation.

Ineligible Costs: Through a transcription error the Applicant incorrectly overstated accounting fees by $81K; the Underwriter removed this overstatement, resulting in an equivalent reduction in the Applicant's eligible basis. Since this error only affected the Applicant's eligible basis, the Applicant's total development costs were not affected.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all at the maximums allowed by TDHCA guidelines. The Applicant's developer fees, however, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $286,824.

Conclusion: The Underwriter regards total costs to be understated by $1.73M or 7%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the project. The Applicant's requested credit amount, as adjusted for the current applicable percentage, is less than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $18,775,941 is used to determine a credit allocation of $689,077 from this method. This is $15,216 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.52% rather than the 3.67% underwriting rate used for developments using the 2002 QAP and submitting an application for credits in April 2002. 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 ANALYSIS

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

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with SunAmerica, Inc. As of the date of the underwriting analysis, the documentation provided indicated that there will be $11,760,000 in tax-exempt senior Series A bonds with an anticipated interest rate of 5.55%, and $2,940,000 in tax-exempt subordinate Series B bonds with an anticipated all-in interest rate of 5.96%. The Underwriter used a blended interest rate of 5.91%. The final interest rate will be made available at closing. The bonds will be amortized over 30 years. The original commitment reflects that 80% of the bonds will be credit enhanced by American International Group Inc., (AIG) or a financial institution selected by SunAmerica, however, details of this credit enhancement were not provided. The commitment also reflects that SunAmerica is a wholly-owned subsidiary of AIG. Subsequent to the submission of these documents the lender has indicated that the total debt amount has been reduced by $250K. Receipt, review, and acceptance of revised financial commitments reflecting the final bond structure, the terms of the credit enhancement, and the all-in debt rate and terms is a condition of this report.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through SunAmerica, Inc. in the amount of $14,700,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of three years for the construction portion and 30 years for the permanent. Interest-only payments will be made during the construction period at an interest rate of 9%; the construction loan will bear interest at an estimated fixed rate of 5.91%. Again, this commitment appears to have been premature and new commitments will be required. The Applicant intends to fund the remainder of the construction phase with $3,769,846 in LIHTC syndication proceeds and $3,530,084 from internal sources.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,385,494 based on a syndication factor of 80%. The funds would be disbursed in a two-phased pay-in schedule:

1. 70% up closing of the construction loan;
2. 30% upon attainment of 90% occupancy for three consecutive months and a DCR 1.15 for six consecutive months.

Deferred Developer's Fees: The Applicant's initially proposed deferred developer's fees of $1,914,436 amount to 70% of the total fees. However, with the lender's confirmed reduction in debt, this amount will increase by at least $250K, resulting in an Applicant expectation that 79% of the requested developer fees be deferred.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $689,077 annually for ten years, resulting in syndication proceeds of approximately $5,707,101. As a result of the Applicant's understated operating expenses as discussed earlier, the project is not expected to have sufficient net operating income available to service the requested amount of debt. Based on the Underwriting analysis the Applicant's first lien debt service should not exceed $930,235, which results in a reduction in the bond amount to $13,055,352. The Applicant initially anticipated the need to defer $1.9M in developer fee, but based on the Underwriter's estimate of total development cost it is anticipated there will be a need to defer $2,449,036 (100%) of the developer fee and $1,761,292 (100%) of the contractor fee, which will still leave an unfunded gap of $961,761. These deferred fees are unlikely to be repaid until after year 15, and the funding gap renders the proposed development infeasible.

Alternatively, if the Applicant's total development cost estimate is used to size the funding requirement, deferral of 100% of developer's fees would still be required but only approximately $988,441 (56%) of contractor's fees would need to be deferred. These combined fees would still be unlikely to be repaid until after year 15 but theoretically could make the project feasible. Accepting this alternative would involve a tremendous leap of faith in accepting the Developer's anticipated costs as feasible. Historically this developer has indicated that the Department's development costs did not adequately consider the higher costs of the proposed townhome product. Moreover, the Developer's costs n this instance do not appear to account for the cost of flood plain mitigation which will require significant fill work to bring the foundations of the buildings above the base flood elevation, much less the drives and parking areas. While the Developer is only a fee developer in this case and ultimate ownership of the development will reside in the hands of a non-profit organization based in Austin, the Developer will have significant medium- to long-term interest in the success of the project since they will have to defer a significant portion of their fees. In fact, the gap of funds needed to fully fund this development, even at the Applicant's lower total development cost, is nearly insurmountable. Moreover, there is a great risk of having a portion of the requested deferred fees being considered unrepayable because the amount exceeds that reasonably calculated to be repayable in 15 years, even at zero percent interest. Any such amount would need to be reduced from eligible basis, creating an unending spiral of eligible basis reduction and thereby leading to the collapse of the equity syndication structure. In addition, and due to these factors as well as the excessive capture rate, overstated debt service, and flood plain mitigation issues, the Underwriter strongly discourages the acceptance of this alternative.

REVIEW of ARCHITECTURAL DESIGN

The units are in mixed one- and two-story flat and townhouse-style structures with varied brick veneer/stucco/siding exterior wall finish and pitched roofs. Each unit has an individual covered exterior entry.

Exterior Elevations: The exterior building elevations are unusually attractive, with varied rooflines, wall finishes, and architectural elements such as archways, columns, and window shutters. The units are of larger than average size for market rate and LIHTC units.
Unit Floorplans: The units are all well arranged, with adequate storage space and a utility closets with hookups for full-size appliances. All of the two-story townhouse units have at least a half-bathroom on the first floor.

IDENTITIES of INTEREST

The principals of the Developer, William Brisben and Robert Schuler, also own the General Contractor and the Property Manager. These are common relationships for LIHTC 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.
- A consolidated financial statement for the main non-profit general partner affiliate, Housing Initiatives Corporation (HIC), was not provided, however, statements of several of the other affiliates and a personal financial statement of the president, Frank Mendez was provided. Receipt, review, and acceptance of a consolidated financial statement of Housing Initiatives Corporation, if it exists, is a condition of this report.
- The fee developer, Brisben Advisors, Inc., did not provide a financial statement, and receipt, review, and acceptance of same is a condition of this report.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer, Brisben Advisors, Inc., and the related General Contractor, Brisben Development, Inc., listed completion of 63 affordable and conventional housing projects totaling 8,098 units.

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 Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- The proposed sources of funding are insufficient to fund the development as proposed.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational risks exist regarding location in the 100-year floodplain.
- The recommended amount of deferred developer and contractor fees cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The principals of the Applicant do not appear to have the development experience/financial capacity to support the development if needed.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X NOT RECOMMENDED DUE TO THE FOLLOWING:

1. The recommended sources and amounts of funding are insufficient to fund the development as evaluated.
2. The development is unlikely to generate sufficient net operating income to allow an increase in debt, nor are there sufficient fees that could be deferred to fund the anticipated funding shortfall.
3. The development is located entirely within the 100-year floodplain and the Applicant did not provide a sufficient mitigation plan.
4. The concentration capture rate, based upon the Site Effective Market Area demographics, is

57% or well above the Department's policy limit of 25%.

ALTERNATIVE

ANY ALLOCATION OF AN LIHTC ALLOCATION FOR THIS DEVELOPMENT SHOULD NOT EXCEED $689,077, AND ISSUANCE OF TAX-EXEMPT BONDS SHOULD NOT EXCEED $13,055,352, TO BE FULLY AMORTIZED OVER 30 YEARS. THE BLENDED INTEREST RATE OF THE BOND SERIES SHOULD NOT EXCEED 5.91%. THESE AWARDS SHOULD BE CONDITIONED UPON THE FOLLOWING:

1. TDHCA Board waiver of the Department's concentration policy in regards to this project;
2. TDHCA Board acceptance of the Applicant's conservative construction cost estimate via receipt, review, and acceptance of a fixed price contract consistent with the Applicant's costs as proposed in the application and reflected in this report;
3. TDHCA Board acceptance of a 15+ year deferred developer and contractor fee repayment schedule;
4. Receipt, review, and acceptance of revised financial commitments reflecting the final bond structure, the terms of the credit enhancement and the final all-in debt rates and terms;
5. Receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of floodplain reclamation sitework costs, building flood insurance and tenant flood insurance costs;
6. Should total estimated sitework costs exceed $6,500/unit, receipt, review, and acceptance of a third party detailed sitework cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required, certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis;
7. Receipt, review, and acceptance of a fully executed PILOT agreement reflecting not less than a 75% exemption of assessed value to be at net not greater than $8,750 per unit;
8. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title;
9. Receipt, review, and acceptance of a consolidated financial statement of Housing Initiatives Corporation;
10. Receipt, review, and acceptance of a financial statement from the fee developer evidencing financial capacity sufficient to develop and support the project;
11. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report; and
12. Should the terms of the proposed total cost, debt or equity syndication be altered, the financial elements of this report should be re-evaluated.

Credit Underwriting Supervisor:	____________________ *Jim Anderson*	**Date:**	April 29, 2002
Director of Credit Underwriting:	____________________ *Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Veterans' Memorial Apartments, MFB #2002-071/4% LIHTC #02404

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	30	2	2	1,017	$670	$597	$17,900	$0.59	$73.33	$29.07
TC (50%)	30	2	2	1,028	670	597	17,900	0.58	73.33	29.07
TC (50%)	34	2	2.5	1,115	670	597	20,287	0.54	73.33	29.07
TC (50%)	24	2	2.5	1,158	670	597	14,320	0.52	73.33	29.07
TC (50%)	12	3	3	1,146	775	685	8,224	0.60	89.64	33.17
TC (50%)	16	3	2	1,152	775	685	10,966	0.59	89.64	33.17
TC (50%)	4	3	2	1,213	775	685	2,741	0.57	89.64	33.17
TC (50%)	24	3	2	1,251	775	685	16,449	0.55	89.64	33.17
TC (50%)	24	3	2	1,279	775	685	16,449	0.54	89.64	33.17
TC (50%)	34	3	2	1,297	775	685	23,302	0.53	89.64	33.17
TC (50%)	18	3	2	1,325	775	685	12,336	0.52	89.64	33.17
TOTAL:	250		**AVERAGE:**	1,171	$725	$643	$160,875	$0.55	$81.94	$31.23

INCOME	Total Net Rentable Sq Ft:	292,756		TDHCA	APPLICANT		
POTENTIAL GROSS RENT				$1,930,495	$1,927,392		
Secondary Income	Per Unit Per Month:		$15.00	45,000	45,000	$15.00	Per Unit Per Month
Other Support Income:				0	0		
POTENTIAL GROSS INCOME				$1,975,495	$1,972,392		
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(148,162)	(147,924)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	0		
EFFECTIVE GROSS INCOME				$1,827,333	$1,824,468		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.46%	$326	$0.28	$81,544	$38,304	$0.13	$153	2.10%
Management		5.00%	365	0.31	91,367	91,223	0.31	365	5.00%
Payroll & Payroll Tax		11.40%	833	0.71	208,250	157,006	0.54	628	8.61%
Repairs & Maintenance		5.21%	381	0.33	95,261	84,614	0.29	338	4.64%
Utilities		3.43%	251	0.21	62,685	25,638	0.09	103	1.41%
Water, Sewer, & Trash		5.13%	375	0.32	93,704	59,910	0.20	240	3.28%
Property Insurance		2.56%	187	0.16	46,841	18,116	0.06	72	0.99%
Property Tax	3.34427	4.00%	293	0.25	73,156	62,500	0.21	250	3.43%
Reserve for Replacements		2.74%	200	0.17	50,000	50,000	0.17	200	2.74%
Other: security		0.06%	4	0.00	1,006	1,006	0.00	4	0.06%
TOTAL EXPENSES		43.99%	$3,215	$2.75	$803,814	$588,317	$2.01	$2,353	32.25%
NET OPERATING INC		56.01%	$4,094	$3.50	$1,023,518	$1,236,151	$4.22	$4,945	67.75%
DEBT SERVICE									
1st Lien Mortgage		56.34%	$4,118	$3.52	$1,029,609	$1,057,675	$3.61	$4,231	57.97%
Trustee Fee		0.19%	$14	$0.01	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees		0.79%	$58	$0.05	14,450	0	$0.00	$0	0.00%
Asset ovrst & compl.fees, spt sv		1.78%	$130	$0.11	32,500	20,000	$0.07	$80	1.10%
NET CASH FLOW		-3.09%	($226)	($0.19)	($56,540)	$158,476	$0.54	$634	8.69%
AGGREGATE DEBT COVERAGE RATIO					0.95	1.15			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					0.99				
BONDS-ONLY DEBT COVERAGE RATIO					0.99				
ALTERNATIVE BONDS-ONLY 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 bldng)		4.32%	$4,100	$3.50	$1,025,000	$1,025,000	$3.50	$4,100	4.66%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.78%	6,435	5.50	1,608,750	1,608,750	5.50	6,435	7.31%
Direct Construction		52.58%	49,915	42.63	12,478,807	10,971,912	37.48	43,888	49.87%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Requirem	5.36%	3.18%	3,019	2.58	754,840	754,840	2.58	3,019	3.43%
Contractor's G &	1.79%	1.06%	1,006	0.86	251,613	251,613	0.86	1,006	1.14%
Contractor's Pro	5.36%	3.18%	3,019	2.58	754,840	754,840	2.58	3,019	3.43%
Indirect Construction		4.12%	3,912	3.34	977,890	977,890	3.34	3,912	4.44%
Ineligible Expenses		8.06%	7,649	6.53	1,912,163	1,912,163	6.53	7,649	8.69%
Developer's G & A	3.49%	2.63%	2,493	2.13	623,175	683,965	2.34	2,736	3.11%
Developer's Profit	11.51%	8.65%	8,208	7.01	2,051,895	2,051,895	7.01	8,208	9.33%
Interim Financing		4.24%	4,028	3.44	1,007,061	1,007,061	3.44	4,028	4.58%
Reserves		1.22%	1,154	0.99	288,508	0	0.00	0	0.00%
TOTAL COST		100.00%	$94,938	$81.07	$23,734,542	$21,999,929	$75.15	$88,000	100.00%
Recap-Hard Construction Costs		*66.78%*	***$63,395***	***$54.14***	***$15,848,850***	***$14,341,955***	***$48.99***	***$57,368***	*65.19%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
					$0	
1st Lien Mortgage	60.88%	$57,800	$49.36	$14,450,000	$14,450,000	$13,055,352
LIHTC Syndication Proceeds	22.69%	$21,542	$18.40	5,385,494	5,385,494	5,507,101
Additional Financing	0.00%	$0	$0.00	0	0	0
Deferred Developer's Fee	8.07%	$7,658	$6.54	1,914,437	1,914,437	4,210,328
Additional (excess) Funds Required	8.36%	$7,938	$6.78	1,984,611	249,998	961,761
TOTAL SOURCES				$23,734,542	$21,999,929	$23,734,542

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Veterans' Memorial Apartments, MFB #2002-071/4% LIHTC #02404

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 46.04	$13,478,842
Adjustments				
Exterior Wall Finis	2.50%		$1.15	$336,971
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.27)	(373,055)
Floor Cover			2.43	711,397
Porches/Balconies	$17.07	23,101	1.35	394,334
Plumbing	$675	458	1.06	309,150
Built-In Appliances	$2,000	250	1.71	500,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	535,743
Garages/Carports			0.00	0
Comm &/or Aux bldng	$54.23	5,135	0.95	278,468
Other:			0.00	0
SUBTOTAL			55.24	16,171,851
Current Cost Multiplier	1.04		2.21	646,874
Local Multiplier	0.91		(4.97)	(1,455,467)
TOTAL DIRECT CONSTRUCTION COSTS			$52.48	$15,363,259
Plans, specs, survy, b	3.90%		($2.05)	($599,167)
Interim Construction I	3.38%		(1.77)	(518,510)
Contractor's OH & Prof	11.50%		(6.03)	(1,766,775)
NET DIRECT CONSTRUCTION COSTS			$42.63	$12,478,807

PAYMENT COMPUTATION

Primary	$14,450,000	Term	360
Int Rate	5.91%	DCR	0.99

Secondary	$5,385,494	Term	
Int Rate		Subtotal DCR	0.98

Additional	$0	Term	
Int Rate		Aggregate DCR	0.95

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$930,235
Trustee Fee	3,500
TDHCA Fees	46,950
NET CASH FLOW	$42,833

Primary	$13,055,352	Term	360
Int Rate	5.91%	DCR	1.10

Secondary	$5,385,494	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.04

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	$1,930,495	$1,988,410	$2,048,062	$2,109,504	$2,172,789	$2,518,858	$2,920,047	$3,385,135	$4,549,338
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,975,495	2,034,760	2,095,803	2,158,677	2,223,437	2,577,573	2,988,113	3,464,042	4,655,383
Vacancy & Collection Los	(148,162)	(152,607)	(157,185)	(161,901)	(166,758)	(193,318)	(224,109)	(259,803)	(349,154)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,827,333	$1,882,153	$1,938,617	$1,996,776	$2,056,679	$2,384,255	$2,764,005	$3,204,239	$4,306,230
EXPENSES at 4.00%									
General & Administrative	$81,544	$84,806	$88,198	$91,726	$95,395	$116,062	$141,208	$171,801	$254,307
Management	91,367	94,108	96,931	99,839	102,834	119,213	138,200	160,212	215,311
Payroll & Payroll Tax	208,250	216,580	225,243	234,253	243,623	296,405	360,622	438,751	649,459
Repairs & Maintenance	95,261	99,072	103,034	107,156	111,442	135,586	164,961	200,701	297,086
Utilities	62,685	65,193	67,801	70,513	73,333	89,221	108,551	132,069	195,494
Water, Sewer & Trash	93,704	97,453	101,351	105,405	109,621	133,371	162,266	197,421	292,231
Insurance	46,841	48,715	50,663	52,690	54,797	66,669	81,113	98,687	146,081
Property Tax	73,156	76,082	79,126	82,291	85,582	104,124	126,683	154,129	228,148
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	1,006	1,046	1,088	1,132	1,177	1,432	1,742	2,119	3,137
TOTAL EXPENSES	$803,814	$835,053	$867,514	$901,246	$936,297	$1,133,248	$1,371,929	$1,661,232	$2,437,188
NET OPERATING INCOME	$1,023,518	$1,047,100	$1,071,103	$1,095,530	$1,120,382	$1,251,007	$1,392,076	$1,543,007	$1,869,042
DEBT SERVICE									
First Lien Financing	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235	$930,235
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	14,450	12,892	12,719	12,536	12,341	11,176	9,612	7,511	901
Asset ovrst & compl.fees	32,500	33,800	35,152	36,558	38,020	46,258	56,279	68,473	101,356
Cash Flow	42,833	66,672	89,496	112,701	136,285	259,838	392,449	533,289	833,049
AGGREGATE DCR	1.04	1.07	1.09	1.11	1.14	1.26	1.39	1.53	1.80
BONDS & TRUSTEE FEE-ONLY D	1.10	1.12	1.15	1.17	1.20	1.34	1.49	1.65	2.00
BONDS-ONLY DCR	1.10	1.13	1.15	1.18	1.20	1.34	1.50	1.66	2.01

LIHTC Allocation Calculation - Veterans' Memorial Apartments, MFB #2002-071/4% LIHT

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	$1,025,000	$1,025,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,608,750	$1,608,750	$1,608,750	$1,608,750
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$10,971,912	$12,478,807	$10,971,912	$12,478,807
(4) Contractor Fees & General Requirements				
Contractor overhead	$251,613	$251,613	$251,613	$251,613
Contractor profit	$754,840	$754,840	$754,840	$754,840
General requirements	$754,840	$754,840	$754,840	$754,840
(5) Contingencies				
(6) Eligible Indirect Fees	$977,890	$977,890	$977,890	$977,890
(7) Eligible Financing Fees	$1,007,061	$1,007,061	$1,007,061	$1,007,061
(8) All Ineligible Costs	$1,912,163	$1,912,163		
(9) Developer Fees			$2,449,036	
Developer overhead	$683,965	$623,175		$623,175
Developer fee	$2,051,895	$2,051,895		$2,051,895
(10) Development Reserves		$288,508		
TOTAL DEVELOPMENT COSTS	$21,999,929	$23,734,542	$18,775,941	$20,508,871

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$18,775,941	$20,508,871
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$18,775,941	$20,508,871
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$18,775,941	$20,508,871
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$689,077	$752,676
Syndication Proceeds	**0.7992**	**$5,507,101**	**$6,015,380**

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

DATE: April 29, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 02403

DEVELOPMENT NAME

Matthew Ridge Apartments

APPLICANT

Name: VDC - Matthew Ridge, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 3020 Hartley Road, Suite 300 **City:** Jacksonville **State:** FL

Zip: 32257 **Contact:** Stephen Frick **Phone:** (904) 260-3030 **Fax:** (904) 260-9031

PRINCIPALS of the APPLICANT

Name	(%)	Title
VDC-Matthew Ridge-A, LLC	.01	Managing General Partner
Related Capital Company	99.99	Initial Limited Partner
John D. Rood		100% owner of G.P.

GENERAL PARTNER

Name: VDC-Matthew Ridge-A, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 3020 Hartley Road, Suite 300 **City:** Jacksonville **State:** FL

Zip: 32257 **Contact:** Stephen Frick **Phone:** (904) 260-3030 **Fax:** (904) 260-9031

PROPERTY LOCATION

Location: Southwest corner of intersection of Beechnut Boulevard & Branham Drive ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77083

REQUEST

Amount	Interest Rate	Amortization	Term
$562,488	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

SITE DESCRIPTION

Size: 12.13 acres 528,383 square feet **Zoning/ Permitted Uses:** None (Houston)

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 240 **# Rental Buildings** 10 **# Common Area Bldngs** 3 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
40	1	1	691
104	2	2	924
96	3	2	1,171

Net Rentable SF: 236,152 **Av Un SF:** 984 **Common Area SF:** 4,560 **Gross Bldng SF** 240,712

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% stucco 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, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

3,725-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, & computer/business center; 2 mail kiosks, swimming pool, equipped children's play area

Uncovered Parking: 419 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Jim Spound

Principal Amount: $10,968,000 **Interest Rate:** 7.9%

Additional Information: Commitment amount up to $11,000,000

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

LONG TERM/PERMANENT FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Jim Spound

Principal Amount: $10,968,000 **Interest Rate:** 7.35%

Additional Information: Commitment amount up to $11,000,000

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $869,664 **Lien Priority:** 1st **Commitment Date** 9/ 17/ 2001

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Patrick Martin

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: $4,557,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 81¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 9/ 17/ 2001

Additional Information: Commitment letter reflects proceeds of $4,557,000 based on credits of $5,626,150

APPLICANT EQUITY

Amount: $2,168,024 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: $615,016* **Assessment for the Year of:** 2001

Building: N/A **Valuation by:** Harris County Appraisal District

Total Assessed Value: $615,016* *Prorated from 25.64-acre parcel

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 05/ 31/ 2002 **Anticipated Closing Date:** 5/ 31/ 2002

Acquisition Cost: $ 1,215,381 **Other Terms/Conditions:** $10,000 earnest money, $12,154 in closing costs

Seller: Actington Company **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Matthew Ridge is a proposed new construction development of 240 units of affordable housing located in southwest Houston. The development is comprised of ten three-story residential buildings as follows:

- Two Building Type I with 12 one-bedroom units and 12 two-bedroom units;
- Four Building Type III-1 with four one-bedroom units, eight two-bedroom units, and 12 three-bedroom units;
- Four Building Type III-2 with 12 two-bedroom units and 12 three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. Two mail kiosks are to be located at the northeast and northwest corners, and a 926-square foot maintenance building is be located near the southwest corner of the site. A 256-square foot bus shelter is included in the architectural drawings but does not appear on the site plan; the Applicant stated in response to the Underwriter's inquiry that the location of the shelter would be determined by consulting with the local school board. The 3,725-square foot community building plan includes the management offices, a community room, library, exercise room, kitchen, restrooms, laundry facilities, and a covered veranda. The central area of the site between the buildings is to be reserved for stormwater retention and open space.

Supportive Services: The Applicant provided a letter of interest from the Boys and Girls Clubs of Greater

Houston which indicated that that organization was considering providing a social service program for the development, but no executed contract was provided. Receipt, review, and acceptance of an executed supportive services contract is a condition of this report. The Applicant also provided a draft contract which listed the following proposed supportive services to tenants: after-school recreational services for youths, drug awareness and prevention education for youths, and maintenance and cleaning services necessary to maintain the service facilities. These services will be provided at no cost to tenants. The contract requires the Applicant to provide facilities, equipment, and supplies in the community building for provision of the services, and to pay the salary and benefits of the service provider staff, 10% of the provider's administrative costs, the costs of children's memberships, 15% of the provider's insurance cost, and costs of program supplies. The Applicant will also supply a 15-passenger van for tenant transportation. The Applicant has estimated the cost of these services at $18,000 annually.

Schedule: The Applicant anticipates construction to begin in May of 2002, to be completed and placed in service in May of 2003, and to be substantially leased-up in May of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This allows for prospective tenants to be qualified at the 60% of AMGI or less income level.

Special Needs Set-Asides: Twelve units (5%) will be reserved for elderly tenants.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated April 9, 2002 was prepared by Apartment Market Data Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket:

- "Northern boundary: Briar Forest Road between Loop 8 and State Highway 6 southwest to the intersection of Westheimer Parkway and O'Brien Road
- Western boundary: O'Brien Road/FM 1464 south to U.S. Highway 90
- Southern boundary: U.S. Highway 90 west to U.S. Highway 59 northeast to Loop 8
- Eastern boundary: Loop 8 between U.S. Highway 59 and Briar Forest Road" (p. 30)

The Underwriter calculated that this area encompasses an area of 75-80 square miles.

Total Local/Submarket Demand for Rental Units: "The demand for new units in the primary market area is projected to be 1,204 [non-income-qualified] units per year based on the current population and household growth of the area." (p. 76)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	190	3%
Resident Turnover	5,419	97%
TOTAL ANNUAL DEMAND	**5,609**	**100%**

Ref: p. 42

Capture Rate: Calculated by the analyst to be 10.7%. (p. 43) Based upon the Underwriter's review there are 419 additional LIHTC units under development in the market area and therefore re-calculated a slightly higher capture rate of 11.7%

Market Rent Comparables: The market analyst surveyed 11 comparable apartment projects totaling 3,702 units in the market area. "The subject, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The "base rent" (street asking rate) for each unit type is significantly lower than comparable projects." (p. 84)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom	$478	$489	-$11	$666	-$188
2-Bedroom	$579	$591	-$12	$884	-$305
3-Bedroom	$671	$686	-$15	$1,098	-$427

(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 95.5% as a result of ever-increasing demand." (p. 78)
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." (p. 75) This results in a 12-month projected absorption period to reach 93% occupancy.
Known Planned Development: The analyst noted one project in the lease-up stage (Enclave at Woodbridge, 348 units) and one project in the planning phase (Luxor Apartments I and II, 704 units). (p. 53)
Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout far-west Houston, and especially at quality affordable communities." (p. 76)

The Underwriter found the market study to provide sufficient information to make an informed funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a roughly rectangular-shaped parcel located in the southwest area of Houston, approximately 17 miles from the central business district. The site is situated on the southwest corner of the intersection of Beechnut Boulevard and Branham Drive.
Population: The estimated 2001 population of the primary market area was 271,122 and is expected to increase by 9.9% to approximately 297,842 by 2006. Within the primary market area there were estimated to be 104,230 households in 2001. It should be noted that this population is slightly higher than the 250,000 amount indicated in the Department's market study guidelines, however, this excess is believed to have only a negligible effect on the concentration capture rate calculation discussed above.
Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, light industrial, single family residential uses predominating. Adjacent land uses include:
- **North:** Beechnut Boulevard with vacant land and a Wal-Mart store beyond
- **South:** Auto repair shops, an auto salvage yard, and a landscaping company
- **East:** Branham Drive with vacant land under development beyond
- **West:** Vacant land

Site Access: Access to the property is from the east or west along Beechnut Boulevard or the north or south from Branham Drive. The project is to have one main entry from the north off Beechnut Boulevard. Access to State Highway 6 is one-quarter mile west and Interstate Highway 10 is seven miles north, which provide connections to all other major roads serving the Houston area.
Public Transportation: Public bus transportation is available in Houston but the availability of public transportation to the site is unknown.
Shopping & Services: The site is within two miles of two major grocery/pharmacies, several neighborhood shopping centers, and a variety of other retail establishments and restaurants. Three regional shopping malls are within 12 miles. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 12, 2002 was prepared by Phase One Technologies, LLC and contained the following findings and recommendations:

Findings:

- "Debris from building demolition is dumped at the southeast corner of the tract. Additionally, household trash was observed scattered almost continuously along the east and north boundaries. Except for the de minimus impact of two used automotive oil filters, nothing of a hazardous nature was noted." (p. 6)
- "The Shell Oil Outlet (formerly Mobil Station #12-AME), located at 8335 Highway 6 South [approximately 1,200 feet west of the site] has groundwater impacted with gasoline. The impacted groundwater is migrating in a southeasterly direction toward the tract and the potential impact to the tract represents a recognized environmental condition." (p. 8)

Recommendations:

- "Have the trash cleaned up and properly disposed of off tract." (p. 8)
- "Have an environmental professional conduct groundwater sampling along the west border and the western portion of the north border to determine the presence or absence of gasoline constituents in the groundwater of the tract, coming from the former Mobil station nearby." (p. 8) Receipt, review, and acceptance of the recommended groundwater sampling report is a condition of this report.

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 stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant's secondary income estimate of $44/unit/month is well in excess of the TDHCA underwriting guideline of $5-$15, due primarily to the Applicant's inclusion of $23 net/unit/month in washer and dryer rental income. At the Underwriter's request the Applicant provided substantiation for their estimate in the form of operating data from a similar Texas property (Bay Colony Apartments in League City) which is receiving $13.85/unit from washer/dryer rental (with approximately half of the tenants participating in the rental program, according to the Applicant), therefore the Underwriter has used $27.50/unit ($15 + $25 in gross month rental fee x 50% of the units) as a secondary income estimate. The Applicant's estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines. The net result is that the Applicant's effective gross income estimate exceeds the Underwriter's by $45.8K.

Expenses: The Applicant's estimate of total operating expense is 5.01% lower than the Underwriter's TDHCA database-derived estimate. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($49K lower), repairs and maintenance ($29K lower), utilities ($37K lower), water, sewer, and trash ($11K higher), insurance ($39K higher), and property tax ($39K higher).

Conclusion: Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's total estimated operating expense and net operating income are 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 secondary income, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to $816,547 by a reduction of the loan amount and/or a reduction in the interest rate.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,215,381 ($2.30/SF or $100K/acre), although twice the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant included $54,525 in offsite utility (water and sewer) costs along with a cost breakdown of these costs, but the utility provider commitment did not indicate that these costs were required. Receipt, review, and acceptance of evidence from the water and sewer provider of the requirement for these offsite costs is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of $6,260 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $59K or 0.7% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $12,154 in site acquisition closing costs as an eligible cost; the Underwriter moved this cost to ineligible land acquisition costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's fees for general requirements, overhead, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees, however, exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $218,827.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $15,318,542 is used to determine a credit allocation of $562,190 from this method. This is $852 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.61% rather than the 3.67% underwriting rate used for projects developments using the 2002 QAP and submitting an application for credits in April 2002. 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 ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: a conventional interim to permanent loan based on tax-exempt bond proceeds, syndicated LIHTC equity, and deferred developer's and general contractor's fees.

Bonds and Conventional Interim to Permanent Loan : The bonds are $10,968,000 in tax-exempt private activity mortgage revenue bonds to be issued by the Harris County Housing Finance Corporation and placed privately with Charter Municipal Mortgage Acceptance Company (Charter MAC). There is a commitment for interim to permanent financing through Charter MAC in an amount not to exceed $11,200,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 40 years for the permanent, at a fixed interest rate of 7.9% during the construction period and 7.35% for the permanent phase. The Applicant intends to fund the remainder of the construction phase with $4,101,300 in LIHTC syndication proceeds and $2,623,724 from internal sources.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,557,000 based on a syndication factor of 81%. The funds would be disbursed in a six-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 40% upon 50% completion of construction;
3. 20% upon 75% completion of construction;
4. 10% upon 98% completion of construction
5. 5% upon the latest to occur of: completion of construction, receipt of certificates of occupancy, qualification of 100% of units for credits, final cost certification, or achievement of breakeven operating status;
6. 5% upon the latest to occur of: receipt of IRS Forms 8609, final closing of the permanent mortgage loan, or achievement of both 95% occupancy and a 1.1 DCR.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $2,168,024 amount to 98% of the total proposed fees, but 109% of the total eligible fees. As the General Partner also owns the General Contractor, however, $1,141,388 in contractor fees are available for deferral and the Applicant has indicated a willingness to defer these fees as required.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $562,190 annually for ten years, resulting in syndication proceeds of approximately $4,553,562. As a result of the Applicant's overstated secondary income estimate as discussed earlier, the project is not expected to have sufficient net operating income available to service the requested amount of debt. Based on the Underwriting analysis the Applicant's first lien debt service should not exceed $816,547, which results in a reduction in the bond amount to $10,516,480. The Applicant initially anticipated the need to defer $2,168,024 in developer fee, but based on the Underwriter's estimate of total development cost it is anticipated there will be a need to defer $1,998,071 (100%) of the developer fee and $624,512 (55%) of the related contractor fee. These deferred fees are unlikely to be repaid until after year 10 but prior to year 15 if paid out of available cash flow at zero percent interest.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple and typical of current conventional and affordable design. The units are in three-story walk-up structures with 100% stucco exterior finish and pitched and hipped roofs. All units are of average size for market rate and LIHTC units, and have adequate storage, small outdoor storage closets located in the breezeways, and utility closets with hookups for washers and dryers. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units.

IDENTITIES of INTEREST

John D. Rood is the sole member of both the General Partner and the General Contractor. These are common relationships for LIHTC-funded developments.

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

Financial Highlights: The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- John D. Rood, the owner of the General Partner and General Contractor, listed participation as general partner on nine previous affordable housing projects totaling 2,786 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.
- Significant environmental risks exist regarding possible groundwater contamination.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

X RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $562,190 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review, and acceptance of an executed supportive services contract;
2. Receipt, review, and acceptance of evidence from the water and sewer provider of the requirement for the offsite costs included in the project cost schedule;
3. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
4. The project's total debt service should not exceed $816,547. Unless the final permanent bond size is further reduced through mandatory redemption it is likely that all or a portion of TDHCA fees may need to be deferred, waived or paid out of available cash flow in the first two years.
5. Receipt, review, and acceptance of an acceptable groundwater sampling test report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis;
6. Should the terms of the proposed debt be altered, the financial analysis and conclusions herein should be re-evaluated.

Credit Underwriting Supervisor:	______________________ *Jim Anderson*	**Date:**	April 29, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	April 29, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis 1

Matthew Ridge Apartments, 4% LIHTC #02403 1

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	Trash Only
TC (50%)	40	1	1	691	$558	$489	$19,541	$0.71	$69.48	$10.68
TC (50%)	102	2	2	924	670	591	60,322	0.64	78.61	10.68
EO	2	2	2	924		0	0	0.00	78.61	10.68
TC (50%)	96	3	2	1,171	775	686	65,874	0.59	88.81	10.68
TOTAL:	240		AVERAGE:	984	$688	$607	$145,737	$0.62	$81.17	$10.68

INCOME	Total Net Rentable Sq Ft: 236,152			TDHCA	APPLICANT		
POTENTIAL GROSS RENT				$1,748,842	$1,747,896		
Secondary Income	Per Unit Per Month:	$27.50		79,200	126,720	$44.00	Per Unit Per Month
Other Support Income: (describe)				0	0		
POTENTIAL GROSS INCOME				$1,828,042	$1,874,616		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(137,103)	(137,844)	-7.35%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	0		
EFFECTIVE GROSS INCOME				$1,690,939	$1,736,772		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.11%	$360	$0.37	$86,374	$37,200	$0.16	$155	2.14%
Management		5.00%	352	0.36	84,547	76,500	0.32	319	4.40%
Payroll & Payroll Tax		11.82%	833	0.85	199,920	195,700	0.83	815	11.27%
Repairs & Maintenance		5.41%	381	0.39	91,451	62,000	0.26	258	3.57%
Utilities		3.53%	248	0.25	59,610	22,600	0.10	94	1.30%
Water, Sewer, & Trash		1.82%	128	0.13	30,758	41,400	0.18	173	2.38%
Property Insurance		2.23%	157	0.16	37,784	76,320	0.32	318	4.39%
Property Tax	2.32127	9.05%	638	0.65	153,023	192,000	0.81	800	11.05%
Reserve for Replacements		2.84%	200	0.20	48,000	48,000	0.20	200	2.76%
Other: Security		0.06%	4	0.00	1,000	1,000	0.00	4	0.06%
TOTAL EXPENSES		46.87%	$3,302	$3.36	$792,467	$752,720	$3.19	$3,136	43.34%
NET OPERATING INC		53.13%	$3,744	$3.80	$898,472	$984,052	$4.17	$4,100	56.66%
DEBT SERVICE									
First Lien Mortgage		50.36%	$3,548	$3.61	$851,573	$850,000	$3.60	$3,542	48.94%
Compliance Fees		0.35%	$25	$0.03	6,000	6,000	$0.03	$25	0.35%
Support Services		1.06%	$75	$0.08	18,000	18,000	$0.08	$75	1.04%
NET CASH FLOW		1.35%	$95	$0.10	$22,899	$110,052	$0.47	$459	6.34%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.13			
BONDS-ONLY DEBT COVERAGE RATIO					1.06				
ALTERNATIVE BONDS-ONLY 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)		6.96%	$5,115	$5.20	$1,227,535	$1,227,535	$5.20	$5,115	6.94%
Off-Sites		0.31%	227	0.23	54,525	54,525	0.23	227	0.31%
Sitework		8.52%	6,260	6.36	1,502,450	1,502,450	6.36	6,260	8.49%
Direct Construction		49.37%	36,255	36.85	8,701,261	8,791,525	37.23	36,631	49.69%
Contingency	0.98%	0.57%	417	0.42	100,000	100,000	0.42	417	0.57%
General Requiremen	4.17%	2.42%	1,774	1.80	425,740	425,740	1.80	1,774	2.41%
Contractor's G & A	1.47%	0.85%	625	0.64	150,000	150,000	0.64	625	0.85%
Contractor's Profi	5.54%	3.21%	2,357	2.40	565,648	565,648	2.40	2,357	3.20%
Indirect Construction		5.13%	3,767	3.83	904,047	904,047	3.83	3,767	5.11%
Ineligible Expenses		4.96%	3,640	3.70	873,595	873,595	3.70	3,640	4.94%
Developer's G & A	2.00%	1.50%	1,103	1.12	264,604	0	0.00	0	0.00%
Developer's Profit	13.00%	9.76%	7,166	7.28	1,719,927	2,216,898	9.39	9,237	12.53%
Interim Financing		5.00%	3,671	3.73	881,061	881,061	3.73	3,671	4.98%
Reserves		1.45%	1,061	1.08	254,726	0	0.00	0	0.00%
TOTAL COST		100.00%	$73,438	$74.63	$17,625,119	$17,693,024	$74.92	$73,721	100.00%
Recap-Hard Construction Costs		*64.94%*	***$47,688***	***$48.46***	***$11,445,099***	***$11,535,363***	***$48.85***	***$48,064***	*65.20%*

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	62.23%	$45,700	$46.44	$10,968,000	$10,968,000	$10,516,880
LIHTC Syndication Proceeds	25.86%	$18,988	$19.30	4,557,000	4,557,000	4,553,562
Additional Financing	0.00%	$0	$0.00	0	0	0
Deferred Developer Fees	12.30%	$9,033	$9.18	2,168,024	2,168,024	1,998,071
Additional (excess) Funds Require	-0.39%	($283)	($0.29)	(67,905)	0	624,512
TOTAL SOURCES				$17,625,119	$17,693,024	$17,693,024

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued) ı

Matthew Ridge Apartments, 4% LIHTC #02403 ı

DIRECT CONSTRUCTION COST ESTIMATE ı

Residential Cost Handbook ı

Average Quality Multiple Residence Basis ı

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.99	$9,442,821
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.65)	(154,286)
Floor Cover			1.82	429,797
Porches/Balconies	$28.10	4,440	0.53	124,764
Plumbing	$585	600	1.49	351,000
Built-In Appliances	$1,550	240	1.58	372,000
Stairs	$1,550	80	0.53	124,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	332,974
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.55	4,560	1.07	253,289
Other:			0.00	0
SUBTOTAL			47.75	11,276,359
Current Cost Multiplier	1.04		1.91	451,054
Local Multiplier	0.91		(4.30)	(1,014,872)
TOTAL DIRECT CONSTRUCTION COSTS			$45.36	$10,712,541
Plans, specs, survy, bld	3.90%		($1.77)	($417,789)
Interim Construction Inte	3.38%		(1.53)	(361,548)
Contractor's OH & Profit	11.50%		(5.22)	(1,231,942)
NET DIRECT CONSTRUCTION COSTS			$36.85	$8,701,261

PAYMENT COMPUTATION ı

Primary	$10,968,000	Term	480
Int Rate	7.35%	DCR	1.06
Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.05
Additional	$0	Term	
Int Rate		Aggregate DCR	1.03

ALTERNATIVE FINANCING STRUCTURE: ı

Primary Debt Service ı	$816,547
Compliance Fees ı	6,000
Additional Debt Service ı	18,000
NET CASH FLOW ı	$57,925

Primary ı	$10,516,880	Term	480 ı
Int Rate ı	7.35%	DCR	1.10 ı
Secondary ı		Term	0 ı
Int Rate ı		Subtotal DCR	1.09 ı
Additional ı		Term	0 ı
Int Rate ı		Aggregate DCR	1.07 ı

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE ı

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15 ı	YEAR 20	YEAR 30 ı
POTENTIAL GROSS RENT	$1,748,842	$1,801,307	$1,855,346	$1,911,007 ı	$1,968,337	$2,281,842	$2,645,280	$3,066,605	$4,121,260
Secondary Income	79,200	81,576	84,023	86,544 ı	89,140	103,338	119,797	138,878	186,640
Other Support Income: (desc	0	0	0	0 ı	0	0	0	0	0
POTENTIAL GROSS INCOME	1,828,042	1,882,883	1,939,370	1,997,551	2,057,477	2,385,180	2,765,077	3,205,482	4,307,900
Vacancy & Collection Loss	(137,103)	(141,216)	(145,453)	(149,816)	(154,311)	(178,888)	(207,381)	(240,411)	(323,093)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,690,939	$1,741,667	$1,793,917	$1,847,734	$1,903,166	$2,206,291	$2,557,697	$2,965,071	$3,984,808
EXPENSES at 4.00%									
General & Administrative ı	$86,374	$89,829	$93,422	$97,159	$101,045	$122,937	$149,571	$181,976	$269,369
Management ı	84,547	87,083	89,696	92,387	95,158	110,315	127,885	148,254	199,240
Payroll & Payroll Tax ı	199,920	207,917	216,233	224,883	233,878	284,548	346,197	421,201	623,481
Repairs & Maintenance ı	91,451	95,109	98,913	102,870	106,984	130,163	158,363	192,673	285,203
Utilities ı	59,610	61,994	64,474	67,053	69,735	84,844	103,225	125,589	185,903
Water, Sewer & Trash ı	30,758	31,989	33,268	34,599	35,983	43,779	53,264	64,803	95,925
Insurance ı	37,784	39,296	40,868	42,502	44,202	53,779	65,430	79,606	117,836
Property Tax ı	153,023	159,144	165,510	172,130	179,015	217,799	264,986	322,396	477,225
Reserve for Replacements ı	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other ı	1,000	1,040	1,082	1,125	1,170	1,423	1,732	2,107	3,119
TOTAL EXPENSES ı	$792,467	$823,320	$855,382	$888,700	$923,325	$1,117,905	$1,353,773	$1,639,734	$2,406,996
NET OPERATING INCOME ı	$898,472	$918,347	$938,535	$959,034	$979,842	$1,088,386	$1,203,923	$1,325,337	$1,577,812
DEBT SERVICE ı									
First Lien Financing ı	$816,547	$816,547	$816,547	$816,547	$816,547	$816,547	$816,547	$816,547	$816,547
Second Lien ı	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Other Financing ı	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
NET CASH FLOW ı	$57,925	$77,800	$97,988	$118,487	$139,295	$247,839	$363,377	$484,790	$737,265
DEBT COVERAGE RATIO ı	1.07	1.09	1.12	1.14	1.17	1.29	1.43	1.58	1.88

LIHTC Allocation Calculation - Matthew Ridge Apartments, 4% LIHTC #02403 ı

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	$1,227,535	$1,227,535		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,502,450	$1,502,450	$1,502,450	$1,502,450
Off-site improvements	$54,525	$54,525		
(3) Construction Hard Costs				
New structures/rehabilitation ha	$8,791,525	$8,701,261	$8,791,525	$8,701,261
(4) Contractor Fees & General Requirements				
Contractor overhead	$150,000	$150,000	$150,000	$150,000
Contractor profit	$565,648	$565,648	$565,648	$565,648
General requirements	$425,740	$425,740	$425,740	$425,740
(5) Contingencies	$100,000	$100,000	$100,000	$100,000
(6) Eligible Indirect Fees	$904,047	$904,047	$904,047	$904,047
(7) Eligible Financing Fees	$881,061	$881,061	$881,061	$881,061
(8) All Ineligible Costs	$873,595	$873,595		
(9) Developer Fees			$1,998,071	
Developer overhead		$264,604		$264,604
Developer fee	$2,216,898	$1,719,927		$1,719,927
(10) Development Reserves		$254,726		
TOTAL DEVELOPMENT COSTS	$17,693,024	$17,625,119	$15,318,542	$15,214,739

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$15,318,542	$15,214,739
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$15,318,542	$15,214,739
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$15,318,542	$15,214,739
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$562,190	$558,381
Syndication Proceeds	**0.8100**	**$4,553,562**	**$4,522,705** ı

Proposed TDHCA CHDO Certification Policy

Background

TDHCA's involvement with CHDOs is derived exclusively from its administration of the federal HOME program. The HOME program statute at 42 USC Sec. 12771(a) requires that for a period of 24 months not less than 15% of the HOME allocation must be "reserved" for CHDOs. As the state administrator of the HOME program[1], TDHCA is responsible for determining that a nonprofit organization satisfies the definitional requirements for a CHDO specified in 42 USC Sec. 12704(6) and the implementing regulations at 24 CFR Sec. 92.1. TDHCA has chosen to require applicants for a CHDO designation to certify to the federal requirements. The certification process has been used as the administrative tool to assist TDHCA in making the determination, although it is not required. TDHCA has been certifying CHDOs contemporaneously with its administration of the HOME program since 1992, and during that time has not required an organization seeking certification as a CHDO to have also submitted an application for HOME funds.

At the April 11, 2002 TDHCA Board meeting, staff was instructed to take the certification process to the public for comment, and to develop/propose a policy to present to the Board at the May 9, 2002 meeting. In response to these instructions, the Department held three public hearings. Below is an overview of those hearings:

Dallas (4/22/02)
Attendees: 15
Comments: 7

Overview of Comments:

- Continue processing CHDO certifications as currently done. Problems are created by having to obtain certification under a variety of local jurisdictions.
- Cease certifying CHDOs and limit the review of an organization's CHDO status to a determination of its eligibility to apply for TDHCA HOME funds under the CHDO set-aside.
- Leave policy changes to the Legislature. The certification of an organization as a CHDO has been held unnecessary for the exemption.
- Local governments should do the CHDO determination – to ensure local approval and participation in projects.

Houston (4/22/02)
Attendees: 7
Comments: 2

Overview of Comments:

- Local governments should be responsible for the certification process.
- Cease certifying CHDOs and limit the review of an organization's CHDO status to a determination of its eligibility to apply for TDHCA HOME funds under the CHDO set-aside.

[1] Section 2306.111, Texas Government Code

Austin (4/25/02)
Attendees: 25
Comments: 2

Overview of Comments:

- CHDO certification process should continue as is, until legislative changes can be made.
- Cease certifying CHDOs and limit the review of an organization's CHDO status to a determination of its eligibility to apply for TDHCA HOME funds under the CHDO set-aside.
- Support not certifying CHDOs in PJs and a moratorium on new CHDO certification through the end of the year.
- Need some refinement of the certification process to incorporate local input.
- There is a lack of local input with the State's certification process.
- The process needs to look more at the experience of nonprofit organizations.

Recommendation
Staff recommends that the Department propose new rules related to State CHDO certification. The proposed rules will incorporate the following changes:

1. Only those organizations applying for the CHDO set-aside within the State HOME Program will be eligible for State CHDO certification. At the time of application for funds, an organization will be required to apply for and submit the pertinent information for CHDO certification. Certification to a qualified organization will only be granted upon the award of State HOME funds by the Department.
2. In the event that an organization applying for State HOME funds (CHDO set-aside) and State CHDO certification intends to serve a population within a Participating Jurisdiction, the applicant must submit evidence of the local taxing jurisdiction or local Participating Jurisdiction certification or designation of the applicant as a CHDO.

Attached are the proposed new State CHDO certification rules.

<p><etb>Title 10. COMMUNITY DEVELOPMENT<et>
<p><etb>Part I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS<et>
<p><etb>Chapter 53. HOME INVESTMENT PARTNERSHIPS PROGRAM<et>
<p><etb>10 TAC <8>53.63. Community Housing Development Organization (CHDO) Certification<et>

<p>The Texas Department of Housing and Community Affairs (the Department) proposes new <*>53.63, concerning the Community Housing Development Organization (CHDO) Certification. The purpose of this section is to provide a process for the certification of Community Housing Development Organizations (CHDO) to participate in the Department's HOME program.

<p>Ms. Edwina P. Carrington, Executive Director, has determined that for the first five-year period the proposed section is in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

<p>Ms. Carrington also has determined that for each year of the first five years the proposed section is in effect, the public benefit anticipated as a result of enforcing the section will be more efficient certification of Community Housing Development Organizations for the HOME program. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the section as proposed. The proposed new rule will not have an impact on any local economy.

<p>Comments may be submitted to Anne O. Paddock, Acting General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: apaddock@tdhca.state.tx.us.

<p>The new section is proposed pursuant to the authority of the Texas Government Code, Chapter 2306.

<p>No other codes, articles or statutes are affected by this proposed new section.

<new><*>53.63. Community Housing Development Organization (CHDO) Certification

(a) Definitions and Terms. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.
   (1) Applicant--A private nonprofit organization that has submitted a request for certification as a Community Housing Development Organization (CHDO) to the Department.
   (2) Articles of Incorporation or Articles of Organization--A document that sets forth the basic terms of a corporation's existence and is the official recognition of the corporation's existence. The documents must evidence that they have been filed with the Secretary of State.
   (3) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the articles of incorporation. Bylaws and amendments to bylaws must be formerly adopted in the manner prescribed by the organization's articles or current bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend bylaws.
   (4) Community--For urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area, but not the whole state.
   (5) Low income--An annual income that does not exceed eighty percent (80%) of the median income for the area, with adjustments for family size, as defined by the U.S. Department of Housing and Urban Development (HUD).
   (6) Memorandum of Understanding (MOU)--A written statement detailing the understanding between parties.
   (7) Moderate income or Low to Moderate income--An annual income that does not exceed eighty percent (80%) of the median income for the area, with adjustments for family size, as defined by the U.S. Department of Housing and Urban Development (HUD).

(8) Neighborhood--A geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

(9) Nonprofit organization--Any private, nonprofit organization (including a State or locally chartered, nonprofit organization) that-

(A) is organized under State or local laws,

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual,

(C) complies with standards of financial accountability acceptable to the Secretary of the United States Department of Housing and Urban Affairs, and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income and moderate-income persons.

(10) Resolutions--Formal action by a corporate board of directors or other corporate body authorizing a particular act, transaction, or appointment. Resolutions must be in writing and state the specific action that was approved and adopted, the date the action was approved and adopted, and the signature of person or persons authorized to signed resolutions. Resolutions must be approved and adopted in accordance with the corporate bylaws.

(b) Application Procedures for Certification of CHDO. An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO application must be submitted with an application for HOME funding under the CHDO set aside. The application must include documentation evidencing the requirements of this subsection.

(1) An Applicant must have the following required legal status at the time of application to apply for certification as a CHDO:

(A) Organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(i) Charter or government issued Certificate of Corporation, or

(ii) Articles of Incorporation or Articles of Organization.

(B) The private nonprofit organization must be registered with the Secretary of State to do business in the State of Texas.

(C) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(i) Charter or government issued Certificate of Corporation, or

(ii) Articles of Incorporation or Articles of Organization.

(D) The private nonprofit organization must have the following tax status:

(i) A current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective while certified as a CHDO; or

(ii) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant.

(iii) A private nonprofit organization's pending application for 501(c) status cannot be used to comply with the tax status requirement under this subsection.

(E) The private nonprofit organization must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(i) Articles of Incorporation or Articles of Organization,

(ii) Charter or government issued Certificate of Corporation,

(iii) Resolutions, or

(iv) Bylaws.

(F) The private nonprofit organization must have a clearly defined service area. The private nonprofit organization may include as its service area an entire community as defined in subsection (a)(4) of this section, but not the whole state. Private nonprofit organizations serving special populations must also define the geographic boundaries of its service areas. This subsection does not require a private nonprofit organization to represent only a single neighborhood.

(2) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR 84.21, "Standards of Financial Management Systems" as evidenced by:

(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department,

(ii) certification from a Certified Public Accountant, or

(iii) HUD approved audit summary.

(B) Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the community within which housing to be assisted with HOME funds is to be located as evidenced by:

(i) statement that documents at least one year of experience in serving the community, or

(ii) for newly created organization formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

(iii) The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization.

(3) An Applicant must have the following organizational structure:

(A) The private nonprofit organization must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in this clause (ii) of this subparagraph. For the purpose of this subparagraph, elected representatives of low-income neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this subparagraph shall be evidenced by:

(i) written provision or statement in the organizations By-laws, Charter or Articles of Incorporation,

(ii) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized, and

(iii) current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(B) The private nonprofit organization must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(i) organization's By-laws,

(ii) Resolution, or

(iii) written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval.

(C) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(i) The state or local government may not appoint more than one-third of the membership of the organization's governing body.

(ii) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members.

(iii) No more than one-third of the governing board members are public officials. Public officials include elected officials, appointed public officials, public employees, and individuals appointed by a public official. Elected officials include, but are not limited to, city council members, aldermen, commissioners, state legislators, or members of a school board. Appointed public officials include, but are not limited to, members of a planning or zoning commission, or of any other regulatory and/or advisory boards or commissions that are appointed by a Participating Jurisdiction official. Public employees include, but are not limited to, employees of public agencies and schools or departments of the Participating Jurisdiction's government.

(iv) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph.

(v) Compliance with clauses (i) – (iv) of this subparagraph shall be evidenced by:

(I) organization's By-laws,

(II) Charter or government issued Certificate of Corporation, or

(III) Articles of Incorporation or Articles of Organization.

(D) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(i) By-laws,

(ii) Charter or government issued Certificate of Corporation, or

(iii) Articles of Incorporation or Articles of Organization.

(E) A private nonprofit organization may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's By-laws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) organization's By-laws, or

(ii) Memorandum of Understanding (MOU).

(4) Religious organizations cannot qualify as a CHDO, but may sponsor the creation of wholly secular private nonprofit organizations. If Applicant is sponsored by a religious organization, the following restrictions apply.

(A) The private nonprofit organization must prove that it is not controlled by the religious organization.

(B) The developed housing must be used exclusively for secular purposes and the housing owned, developed or sponsored by the private nonprofit organization must be made available to all persons regardless of religious affiliations or beliefs.

(C) There are no limits on the proportion of the board that may be appointed by the religious organization.

(D) Compliance with this clauses (i)-(iii) of this paragraph shall be evidenced by:

(i) organization's By-laws,

(ii) Charter or government issued Certificate of Corporation, or

(iii) Articles of Incorporation or Articles of Organization.

(c) An application for Community Housing Development Organization (CHDO) Certification will only be accepted if submitted with an application to the Department for HOME funds. If all requirements under this Section 53.63 are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department.

A new application for CHDO certification must be submitted to the Department with each new application for HOME funds under the CHDO set aside.

(d) If an Applicant submits an application for CHDO certification for a service area that is located in a local Participating Jurisdiction, the Applicant must submit evidence of the local taxing jurisdiction or local Participating Jurisdiction certification or designation of the Applicant as a CHDO.

Multifamily Bond Program Property Tax Exemption Policy Issue

Background

During the 75th Texas Legislative Session, HB 137 provided property tax exemptions for properties that are owned by nonprofit organizations that are organized as Community Housing Development Organization (CHDOs), as defined by 42 U.S.C. Section 12704 -- the federal HOME Investment Partnerships Program (HOME) statute. These tax exemptions were intended to increase the stock of affordable housing and allow property owners to pass along the savings to their lower income tenants

During the 77th Texas Legislative Session, HB 3383 further modified the State tax code. Section 11.182 provides that a CHDO (as defined by 42 U.S.C. Section 12704) constructing a housing project after December 31, 2001 financed with 501(c)(3) bonds issued under Section 145 of the Internal Revenue Code, tax-exempt private activity bonds subject to the volume cap, or low income housing tax credits the CHDO must "comply with all rules of and laws administered by the Texas Department of Housing and Community Affairs (TDHCA) applicable to community housing development organizations; and…submit annually to THDCA…evidence that the organization spent an amount equal to at least 90 percent of the project's cash flow in the preceding fiscal year…on social, educational, or economic development services, capital improvement projects, or rent reduction.[2]

The Department's Multifamily Bond Program issues tax-exempt bonds through two different authorities defined by the Internal Revenue Code.

Private Activity

Under one authority, tax-exempt bonds that are used to create housing projects are subject to the State's private activity volume cap.

501(c)(3)

Under the second authority, TDHCA may issue tax-exempt bonds to finance properties that are owned entirely by nonprofit organizations. Bonds issued under this authority are exempt from the private activity volume cap.

In many cases these organizations funded with tax exempt bonds have requested and received verification through TDHCA regarding their CHDO status, rather than through their local participating jurisdiction or tax appraiser.

Through revised rules regarding CHDO certification the Department believes that no new organizations will be verified as a CHDO outside of the knowledge of the local government. Because there are existing CHDOs that have already received State verification of CHDO status, the Department has reviewed its process for tax exempt bond financing applications.

Recommendation

In an effort to ensure local awareness and involvement in these projects, staff proposes bringing a rule to the Board that will require any applications received by the Department's Multifamily Bond Program for the financing of multifamily rental projects, which are owned or partially owned by a nonprofit corporation qualified as a Community Housing Development Organization to provide:

1. Notification to TDHCA if the organizations intends to apply for a property tax abatement;
2. Verification of the CHDO tax exempt status of the applicant from the local Participating Jurisdiction or tax appraisal district;
3. A letter of non-opposition from every affected taxing unit or entities affected by this exemption, including but not limited to school, county, and city municipal utility districts; and

[2] Section 11.182(e)(2) and (3)

4. If applicable, the terms of any Payment in Lieu of Taxes (PILOT) agreements between the taxing units or entities affected by this exemption.

REPORT ITEMS
Executive Directors Report
Taxable Junior Lien Mortgage Revenue Bonds, Series 2002A Pricing and Closing

Single Family Mortgage Revenue Bond Indenture Economics

Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A, Pricing and Closing - Bonds were successfully priced on March 5, 2002. The transaction was closed on March 27, 2002. The funds are available and staff is working on programs to distribute the funds.

Single Family Mortgage Revenue Bond Indenture Economics – As a result of indenture studies prepared in 2000 and cashflows prepared for the recent Taxable Junior Lien transaction, Bond Finance has concluded that over $9 million in additional funds will be available to redeem bonds. This redemption should enhance the SFMRB indenture's net worth over the intermediate term.

Mthelddec

Urban Affairs Meeting of 05-08-02

There will be a House Committee on Urban Affairs Meeting at 9 a.m. on Wednesday, May 8, 2002 at the State Capitol Extension, Room E1.014, Austin, Texas

The agenda is:

Committee Interim Charge 1: Review the roles of the state oand of local public housing authorities in increasing access to housing assistance for the state's poorest families and in supporting families making the transition from welfare to work.

TDHCA staff will be present to give testimony at this meeting.

The House Committee on Urban Affairs will also meet on Wednesday, June 12, at the Capitol in Austin, to discuss the issue of community housing development organization (CHDO) certification and subsequent issues.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)

Consultation with Attorney Pursuant to Sec. 551.071(), Texas Government Code

The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN

Michael Jones
Chair of Board

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.