



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

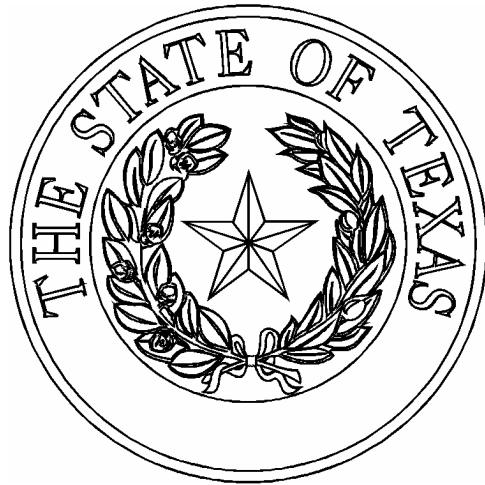
BOARD MEETING OF JANUARY 8, 2003

Michael Jones, Chair

C. Kent Conine, Vice-Chair

Beth Anderson, Member
Vidal Gonzalez, Member

Shadrick Bogany, Member
Norberto Salinas, Member



MISSION

***TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS***

***TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY
OF LIFE THROUGH THE DEVELOPMENT OF BETTER
COMMUNITIES***

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

JANUARY 8, 2003

ROLL CALL

	Present	Absent
Jones, Michael, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Anderson, Beth, Member	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

EXECUTIVE SESSION

Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Heatherwilde Estates Apartments, LIHTC Development No. 02-075

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 & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2002 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

READING ROAD APARTMENTS

\$9,760,000 (*) Tax Exempt – Series 2003A

\$2,440,000 (*) Tax Exempt – Series 2003B

TABLE OF EXHIBITS

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TAB 8	Results of Public/TEFRA Hearings (November 25, 2002)

() Preliminary - subject to change*

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM**

January 8, 2003

PROJECT: Reading Road Apartments, Rosenberg, Fort Bend County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2003 Multifamily Housing Mortgage Revenue Bonds
(Reservation received 10/18/2002)

ACTION

REQUESTED: Approve the issuance of multifamily housing mortgage 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 Reading Road Apartments, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a proposed 252-unit multifamily residential rental development to be constructed in Fort Bend County, Texas. (the "Project"). The Bonds will be tax-exempt by virtue of the Project qualifying as a residential rental project.

BOND AMOUNT: \$ 9,760,000 Series 2003A (the "Senior Bonds")
\$ 2,440,000 Series 2003B (the "Subordinate Bonds")
\$12,200,000 Total Bond Amount (*) (the "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 October 18, 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 February 15, 2003, the anticipated closing date is February 11, 2003.

BORROWER: Reading Road Apartments, L.P., a Texas limited partnership, the general partner of which is Reading Road Development, L.L.C., a Texas limited liability company, the Managers of which are J. Steve Ford, William D. Henson and Sally Gaskin.

COMPLIANCE

HISTORY: A recent Compliance Status Summary reveals that the managers of the general partner above have a total of twenty-two (22) properties being monitored by the Department. Fourteen (14) of these properties have

* Preliminary - Represents Maximum Amount

received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

ISSUANCE TEAM & ADVISORS:

AIG SunAmerica, Inc. (“Equity Provider”)
AIG SunAmerica, Inc. (Construction Phase Credit Facility Provider)
Bank One, National Association, (“Trustee”)
Kirkpatrick Pettis, Smith, Polian Inc. (“Placement Agent/Bond Purchaser”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be privately purchased by Kirkpatrick Pettis, Smith, Polian Inc. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

PROJECT DESCRIPTION:

Project: The Project is a 252-unit multifamily residential rental development to be constructed on approximately 14.5 acres of land located at 5525 Reading Road in the eastern portion of the City of Rosenberg, Fort Bend County, Texas. Since Rosenberg does not currently utilize zoning ordinances to regulate development, the project is not subject to this type of regulation.

Site: The site is currently undeveloped as is the land immediately north, west and east of the site. The South Texas Medical Clinic is located across Reading Road to the south of the subject property. There are current plans to improve the vacant land north and west of the subject property with the proposed Villages of Town Center single-family residential subdivision. The proposed site density is 17.4 dwelling units per acre. The subject site is not located in a flood hazard area and has adequate slope for drainage purposes.

Linkages: *Transportation* is available via the private automobile. Principal thoroughfares serving the Rosenberg include US Highway 59; FM 2218; FM 1640; Avenues H, N, and M; FM 762; and Highway 90A. *Schools* are convenient to the site. Wharton Junior College and neighborhood schools of all levels are located within a two mile radius of the site. *Shopping centers* include a Wal-Mart Supercenter, an Office Depot, a Home Depot home improvement center and several grocery-anchored shopping centers. *Employment* is available from a nearby regional mall and neighborhood power center, various businesses located along major thoroughfares in the area, and numerous offices, retail centers and service centers in the area. *Medical facilities* are convenient. In addition to the South Texas Medical Clinic located just south of the site, Polly Ryon Memorial Hospital is located less than two miles north of the subject property. Nearby *recreational facilities* include Fort Bend Country Club, Brazos Park, Riverbend Park and Sunset Park. Brazos Bend State Park is located approximately 10 miles southeast of the subject property.

Buildings: The Project will include a total of twenty-seven, two and three-story, wood-framed buildings with a total of 238,896 net rentable square feet and an average unit size of 948 square feet. The exterior walls will be finished with 50% brick veneer and 50% siding. The pitched roofs will be finished with a composition shingles. The interiors will consist of 9 foot ceilings, sheetrock walls and a combination of carpet and vinyl flooring. There will be a full range of kitchen appliances excluding dishwashers, microwave ovens and garbage disposals. Additional features include energy-efficient appliances, washer/dryer connections, walk-in closets, private patios/balconies and the availability of cable television service.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed Net Rent</u>
76	1-Bedrooms/1-Baths	684	\$584
56	2-Bedrooms/2-Baths	975	\$677
48	2-Bedrooms/2-Baths	982	\$677
<u>72</u>	3-Bedrooms/2-Baths	1,183	\$778
252			

On-site Amenities: The Project will include a recreation center with offices, a business center, fitness room, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children’s play area, playground equipment, and a picnic area. All ground units will be wheelchair accessible with 5% of the units equipped for persons with mobility impairments, 2% of the units will be for persons with visual/hearing impairments. Additionally, the Project will also include 216 attached garages, 36 detached garages and 278 uncovered parking spaces.

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development will be 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 sixty percent (60%) of the area median income.

TENANT SERVICES:

The Borrower has contracted with Texas Inter-Faith Management Corporation, a Texas non-profit corporation, d.b.a. Good Neighbor to provide a Supportive Services and a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department’s program guidelines.

**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% per annum of the aggregate principal amount of Bonds outstanding)
\$6,300 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:**

\$6,300 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 \$530,036 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 99.9%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$6,543,652 of net equity proceeds 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 38 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.

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 financing carried out through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 6.75%.

**CREDIT
ENHANCEMENT:**

Initially, the bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued as registered bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 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 semiannually on December 1 and June 1 of each year. During the construction phase, the Bonds will be payable as to interest only, from deposits to the Interest Account from the Construction Account, 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 Owner (which means, subject to certain exceptions, the Owner 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 Owner'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:

Extraordinary Mandatory Redemption:

The Senior Bonds are generally subject to extraordinary mandatory redemption prior to the extraordinary mandatory redemption of the Subordinate Bonds, under certain conditions, whether in whole or in part as follows:

- (a) in the event of 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 not applied to restoring and repairing the mortgaged property; or
- (b) upon the occurrence of a Borrower Event of Default or a Construction Phase Credit Facility Provider Default as provided under either the Senior Loan Documents with respect to the Senior Bonds or the Subordinate Loan Documents with respect to the Subordinate Bonds; or

- (c) to achieve Stabilization within sixty (60) days after the Stabilization Date in amounts not to exceed the Senior Stabilization Amount and the Subordinate Stabilization Amount, as applicable; or
- (d) for failure to achieve Stabilization within sixty (60) days after the Final Loan Balancing Date if Stabilization of the Project is not achieved on or prior to the Final Loan Balancing Date; or
- (e) from Excess Bond Proceeds remaining on deposit in the Construction Fund upon completion of the Project.

Optional Redemption:

The Senior Bonds and Subordinate Bonds are subject to redemption at the option of the Borrower prior to their stated maturity on any business day, in whole or in part, from moneys deposited with the Trustee based on an optional prepayment of the Loan by the Borrower.

Mandatory and Cumulative Sinking Fund Redemption:

A portion of the Bonds are subject to mandatory redemption according to the dates and in the amounts indicated in the Trust Indenture.

**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.

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 Eight (8) funds with the following general purposes:

1. Construction Fund – Represents the proceeds of the Bonds received on the Closing Date and consists of three accounts as follows:
 - (a) Bond Proceeds Account – representing a specified amount of the proceeds of the sale of the Senior Bonds and the Subordinate Bonds; and
 - (b) Borrower Equity Account – representing a specified amount from the Borrower.
2. Costs of Issuance Fund – Represents a specified amount from the Borrower and from the proceeds of the sale of the Senior Bonds.

3. Revenue Fund – Represents deposits received under the Loan Agreement, the Senior Note, the Subordinate Note and other revenues to be distributed monthly by the Trustee to various Funds and Accounts according to the order of the distributions designated by the Trust Indenture: First, to the Rebate Fund until funded in full; second, to the Interest Account of the Bond Fund for the payment of interest on the Senior Bonds; third, to the Principal Account of the Bond Fund for the payment of principal on the Senior Bonds; fourth, to the Administrative Fees Account equal to the sum of all Bondholder Advances due and payable; fifth, to the Real Estate Tax and Insurance Account for the payment of taxes and insurance; and so forth according to the Indenture. Interest and principal on the Subordinate Bonds will be paid from the Revenue Fund after all payments of principal and interest on the Senior Bonds and fees associated with the Bonds have been made. The Revenue Fund shall contain an Administrative Fees Account:
 - (a) Administrative Fees Account – representing a portion of the deposits from the Revenue Fund equal to the sum of all Bondholder Advances which are due and payable as of such date. Bondholder Advances are advances made by the bondholder, in its discretion, to pay insurance premiums, taxes and other amounts not paid by the Borrower.
4. Bond Fund – Contains the following accounts:
 - (a) Interest Account – representing funds for the payment of interest as it comes due on the Senior Bonds;
 - (b) Principal Account – representing funds for the payment of principal on the Senior Bonds;
 - (c) Redemption Account – representing funds transferred from the Construction Fund or the Mortgage Recovery Fund and funds paid to the Trustee for the mandatory or optional redemption of the outstanding Senior Bonds; and,
 - (d) Subordinate Bond Account – representing funds transferred from the Revenue Fund, the Construction Fund or the Mortgage Recovery Fund and funds paid to the Trustee for the mandatory or optional redemption of the outstanding Subordinate Bonds and used to pay principal of and interest on the Subordinate Bonds.
5. Rebate Fund – Represents funds delivered or directed by Borrower to be periodically rebated to the appropriate Internal Revenue Service Center to preserve the tax-exempt status of the Bonds. These funds are not subject to any security interest in favor of the bondholders to secure the Bonds or otherwise pledged for any other obligation.

6. Mortgage Recovery Fund – May contain the following types of proceeds:
 - (a) Condemnation Proceeds to pay for the costs of repairing or replacing the Project to the extent required or permitted by the Loan Agreement if there is damage, destruction or Condemnation of the Project, or to redeem Bonds if Borrower fails to comply or elects not to repair or replace the Project;
 - (b) proceeds realized from a foreclosure sale in the event of a foreclosure of the Senior Mortgage or the Subordinate Mortgage and the occurrence of an Event of Default under the Indenture; and
 - (c) proceeds from the title insurance policy with respect to the Project.

Unused balances in the Mortgage Recovery Fund are deposited into the Revenue Fund, or if directed by the Borrower, to the Bond Fund and applied to the redemption of Bonds, or deposited to the Bond Fund to pay principal and interest on the Bonds when due to the extent funds are not otherwise available.

7. Servicing Fund – Contains the following accounts:
 - (a) Real Estate Tax and Insurance Account – represents funds transferred from the Revenue Fund for the payment of real estate taxes and assessments, other governmental charges and insurance premiums; and
 - (b) Replacement Reserve Account – represents funds transferred from the Revenue Fund for the payment of capital expenditures and replacements to the Project.
8. Costs of Issuance Fund – Represents funds for the payment of the Costs of Issuance up to two percent of the Net Proceeds of the Bonds unless partially or completely paid by an equity contribution from 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 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. 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.

RESOLUTION NO. 03-02

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (READING ROAD APARTMENTS) SERIES 2003A AND MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (READING ROAD APARTMENTS) SERIES 2003B; 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 (Reading Road Apartments) Series 2003A (the "Senior Bonds"), and Multifamily Housing Mortgage Revenue Bonds (Reading Road Apartments) Series 2003B (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, as trustee (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 Reading Road Apartments, 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 and 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 amounts equal to the interest on the respective Bonds and to pay other costs described in the Agreement; 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 and the Deeds of Trust, 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 Fort Bend County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower 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 Purchaser will purchase the Bonds and the Department will sell the Bonds to the Purchaser; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement and the Purchase Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deeds of Trust and the Assignments of Leases and Rents; 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 1.12, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deeds of Trust and the Assignments of Leases and Rents 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 purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. 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 and the redemption provisions related to, 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: (a)(i) the interest rate on the Senior Bonds shall, from the date of issuance until paid on the maturity date or earlier redemption or acceleration thereof, be 6.75% per annum or; (ii) the aggregate principal amount of the Senior Bonds shall be \$~~10,160,000~~9,760,000; and (iii) the final maturity of the Senior Bonds shall occur on June 1, 2041; and (b)(i) the interest rate on the Subordinate Bonds shall, from the date of issuance until paid on the maturity date or earlier redemption or acceleration thereof, be 6.75% per annum; (ii) the aggregate principal amount of the Subordinate Bonds shall be \$~~2,540,000~~2,440,000; and (iii) the final maturity of the Subordinate Bonds shall occur on June 1, 2041.

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 Deeds of Trust and Notes. That the Deeds of Trust, the Assignments of Leases and Rents and the Notes 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 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 and the Purchaser.

Section 1.8--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 1.9--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

Section 1.10--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 1.11--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, 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 1.12--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; 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 H to the Regulatory

Agreement and shall be annually redetermined by the Issuer, as stated in Section 7.13 of the Loan Agreement.

Section 2.6--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 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) that the Borrower is not, and 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 2002 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 ____ day of January, 2003.

By: _____
Michael E. Jones, Chairman

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Reading Road Apartments, L.P., a Texas limited partnership

Project: The Project is a 252-unit multifamily facility to be known as Reading Road Apartments and to be located at 5525 Reading Road, Rosenberg, Fort Bend County, Texas. The Project will include a total of twenty-seven (27) two-story residential apartment buildings with approximately 238,896 net rentable square feet and an approximate average unit size of 948 square feet. The unit mix will consist of:

76 one-bedroom/one-bath units
104 two-bedroom/two-bath units
72 three-bedroom/two-bath units

252 Total Units

Unit sizes will range from approximately 684 square feet to approximately 1,183 square feet.

The Project will include a recreation center with offices, a business center, fitness room, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children's play area, playground equipment, and a picnic area. All ground units will be wheelchair accessible with 5% of the units equipped for persons with mobility impairments, 2% of the units will be for persons with visual/hearing impairments and all individual units will have washer/dryer connections. Additionally, the Project will also include 216 attached garages, 36 detached garages and 278 uncovered parking spaces.

Reading Road Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Bond Proceeds, Series 2002A (Senior Bonds)	\$ 10,160,000
Bond Proceeds, Series 2002B (Subordinate Bonds)	\$ 2,540,000
LIHTC Equity	5,300,358
GIC Income	139,000
Interim NOI	629,000
Deferred Developer's Fee	1,725,000
Total Sources	\$ 20,493,358

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 14,986,902
Capitalized Interest (Construction Bond Interest)	1,818,000
Marketing	50,400
Developer's Overhead & Fee (Fee & Note)	2,300,000
Costs of Issuance	
Direct Bond Related	548,655
Bond Purchaser Costs	501,250
Other Transaction Costs	195,151
Real Estate Closing Costs	93,000
Total Uses	\$ 20,493,358

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (0.50% of Issuance)	\$ 63,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,300
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	35,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	60,000
Private Placement	125,000
Underwriting of Senior Bonds (0.80% of Bonds Issued)	81,280
Underwriting of Subordinate Bonds (1.00% of Bonds Issued)	25,400
Underwriter's Counsel	25,000
Rating Fees and Printing	15,000
Trustee's Fees (Note 1)	10,000
Trustee's Counsel (Note 1)	5,000
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 Reservation)	3,175
TEFRA Hearing Publication Expenses	2,500
Total Direct Bond Related	\$ 548,655

Bond Purchase Costs

Reading Road Apartments

Loan Origination Fee (SunAmerica @ 1.75% of Issuance)	222,250
Interim Credit Facility Fee (SunAmerica @ 0.50% of Issuance x 2 years)	127,000
SunAmerica Intercredit Facility Counsel	25,000
Loan Origination Fee (Capri @ 0.50% of Issuance x 2 years)	127,000
Loan Origination Fee (Freddie Mac @ 0.15% of Origination)	19,050
Freddie Mac Council and Expenses	35,000
Total	\$ 501,250

Equity Partner Fees & Other Transaction Costs
--

Bridge Loan Fee (SunAmerica @ 0.51525% of Issuance)	65,437
SunAmerica Counsel	35,000
Upfront Facility Fees	63,500
Tax Credit Determination Fee (4% annual tax cr.)	26,175
Tax Credit Application Fee (\$20/u)	5,040
Total	\$ 195,151

Real Estate Closing Costs

Title & Recording (Const.& Perm.)	83,000
Property Taxes	10,000
Total Real Estate Costs	\$ 93,000

Estimated Total Costs of Issuance	\$ 1,338,056
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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: December 30, 2002 **PROGRAM:** Multifamily Bond 4% LIHTC **FILE NUMBER:** 2002-061 02462

DEVELOPMENT NAME

Reading Road Apartments

APPLICANT

Name: Reading Road Apartments, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** Texas
Zip: 77057 **Contact:** Sally Gaskin **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PRINCIPALS of the APPLICANT

Name: Reading Road Development, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Sun America **(%):** 99.99 **Title:** Limited Partner
Name: J. Steven Ford **(%):** _____ **Title:** Manager of G.P.
Name: Sally Gaskin **(%):** _____ **Title:** Manager of G.P.
Name: William Henson **(%):** _____ **Title:** Manager of G.P.

GENERAL PARTNER

Name: Reading Road Development, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** Texas
Zip: 77057 **Contact:** Sally Gaskin **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PROPERTY LOCATION

Location: 6000 Block of Reading Road near FM 2218 QCT DDA
City: Rosenberg **County:** Fort Bend **Zip:** 77471

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$13,650,000	5.25%	30 yrs	30 yrs
2. \$635,826	N/A	N/A	N/A

Other Requested Terms: 1. Tax-exempt private activity mortgage revenue bonds. This is the requested amount per the application; however the Applicant provided a new commitment for \$12,200,000 at a 6.75% interest rate and a 35-year amortization.
2. Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction

SITE DESCRIPTION

Size: 14.0 acres 609,840 square feet **Zoning/ Permitted Uses:** No Zoning in Rosenberg
Flood Zone Designation: X **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 252 **# Rental Buildings:** 27 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
76	1	1	684
56	2	2	975
48	2	2	982
72	3	2	1,183

Net Rentable SF: 238,896 **Av Un SF:** 948 **Common Area SF:** 5,000 **Gross Bldng SF** 243,896

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, game room, central mailroom, swimming pool, equipped children's play area and perimeter fencing.

Uncovered Parking: 262 spaces **Carpports:** 0 spaces **Garages:** 252 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION AND LONG TERM/PERMANENT FINANCING

Source: Sun America Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: \$12,200,000 **Interest Rates:** 6.75%

Additional Information: These terms are for indicate they will receive a new commitment from Sun America for \$12,200,000 with a 6.75% interest rate, 35 year term and 35 year amortization and anticipate a refunding under a FHLMC credit enhanced structure within six months of initial bond closing.

Amortization: 35 yrs **Term:** 35 yrs **Commitment:** None Firm Conditional

Annual Payment: \$853,000 **Lien Priority:** 1st **Commitment Date** 12/ 24/ 2002

LIHTC SYNDICATION

Source: Sun America Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: \$5,300,358 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81¢

Commitment None Firm Conditional **Date:** 12/ 18/ 2002

Additional Information: Based upon total credits of \$6,550,202. Revised draft commitment not signed

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

APPLICANT EQUITY

Amount: \$1,147,173 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	166,350	Assessment for the Year of:	2002
Building:	0	Valuation by:	Fort Bend County Appraisal District
Total Assessed Value:	166,350		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 3/ 31/ 2003 **Anticipated Closing Date:** 1/ 25/ 2003

Acquisition Cost: \$ 1,219,680 **Other Terms/Conditions:** The buyer is Salley Gaskin, Trustee. However the Trust has assigned it over to the Applicant

Seller: RLB Ventures, Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Reading Road Apartments is a proposed new construction development of 252 units of affordable income housing located in east Rosenberg. The development is comprised of 27 residential buildings as follows:

- (13) Building Type/Style A with eight 2-bedroom units;
- (9) Building Type/Style B with eight 3- bedroom units;
- (2) Building Type/Style C with eight 1- bedroom units; and
- (3) Building Type/Style D with 20, 1- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,000-square foot community building plan includes the management office, a 600-square foot community room, computer center, game room, exercise room, kitchen, restrooms, laundry facilities, mailroom, and the maintenance room.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: Personal Growth Opportunities, Family Skills Development, Education Programs, Fun Activities, and Neighborhood Advancement Programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of \$1,000, plus \$7.33 per unit per month for these support services.

Schedule: The Applicant anticipates construction to begin in February of 2003, to be completed in January of 2004, to be placed in service in February of 2004, and to be substantially leased-up in July 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 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All the units will be reserved for households earning 60% or less of AMGI.

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

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$20,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

Special Needs Set-Asides: 18 units (7%) will be handicapped-accessible.

Compliance Period Extension: The intended length of the compliance period was not specified in the application.

MARKET HIGHLIGHTS

A market feasibility study dated November 14, 2002 was prepared by Patrick O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: The market study provided a primary market area consisting of "...properties located within zip codes 77469, 77471, 77479, 77494, and 77450." The secondary market added zip codes 77464, 77417, 77461, 77435, 77485, and 77423. (p. 14) The analyst provided an addendum on December 6, 2002, indicating a new primary market consisting of an area using the U.S. Highway 59 corridor encompassing Rosenberg, Richmond, Sugar Land, First Colony, New Territory, Greatwood and Pecan Grove.

Total Local/Submarket Demand for Rental Units: In the market study, the primary market area consisted of a total demand of 805 income-eligible households and in the secondary market area there is a total demand of 1,112 income-eligible households. (p. 41) In the addendum, the analyst determined a demand of 1,285 units based on the U.S. Highway 59 corridor, which is a market area the Underwriter accepts.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	67	5%	75	4%
Resident Turnover	1,168	86%	1,679	96%
Other Sources	117	9%	0	0%
TOTAL ANNUAL DEMAND	1,285	100%	1,754	100%

Ref: Addendum

Capture Rate: According to the market study, there is a capture rate of 31.30% in the primary market for the tax credit units and 22.66% in the secondary market. (p. 42) However, O'Conner & Associates provided an updated market analysis dated December 6, 2002 with an expanded market area indicating a demand of 1,285 households and a capture rate of 19.61%. This calculation was determined by using a market area that followed the U.S. Highway 59 corridor from Rosenberg to Sugar Land. The Underwriter believes this revised market area is more appropriate and will support the demand for the development more accurately than the entire county, which was an alternative market area provided by the analyst in the analyst's first addendum, or the various zip codes utilized in the original market analysis. The Underwriter determined a demand of 1,754 units and a capture rate of 14%. The main difference between the analyst's final demand and the Underwriter's demand was that the Underwriter used the Houston IREM turnover of 63.3%, while the analyst used an undocumented turnover rate of 50%. There are no other proposed or unstabilized LIHTC units in the US Highway 59 corridor defined market area.

Local Housing Authority Waiting List Information: "The waiting list for Section 8 Vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in *the Houston Chronicle*, the waiting list for Section 8 vouchers is approximately six years....The Rosenberg Housing Authority reports a waiting list of over 200 families. The list was closed to new applicants in October 2001 and may be opened during 2003..."(p. 35)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling

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

1,544 units in the market area. (p. 55) There are a total of 9,489 units in the submarket. (p. 28)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$584	\$584	\$0	\$700	-\$116
2-Bedroom (60%)	\$677	\$677	\$0	\$930	-\$253
3-Bedroom (60%)	\$778	\$778	\$0	\$1,200	-\$422

(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 overall occupancy rate for the projects in the submarket is currently 95.43%.” (p. 28)

Absorption Projections: “Absorption in the subject’s primary market area over the past eight quarters ending September 2002 totals a positive 842 units....” (p. 30) Although a number of new projects were constructed in the subject’s primary market area in 1999 and 2000, all these appear to be operating at stabilized occupancy....an absorption rate of approximately 20 units per month should be achievable. (p. 30)

Known Planned Development: There are two properties currently under construction and leasing units. The Club of the Brazos began pre-leasing in July 2002 and is averaging 22 leases per month. The Fountains of Rosenberg began pre-leasing in June 2002 averaging 20 units per month (p. 30). Neither of these are LIHTC properties.

Effect on Existing Housing Stock: Falcon Pointe, located one mile northwest, is an LIHTC property completed in 1999. The property is 98% leased and reportedly has a waiting list equivalent to 110% occupancy. (p. 30)

Other Relevant Information: According to the analyst, Falcon Pointe has an average rent of \$0.70 with an occupancy rate of 98%. The property was built in 1999 and has been stabilized for over a year. (p. 36) The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Rosenberg is located approximately 30 miles southwest of Houston in Fort Bend County. The site is an irregularly-shaped parcel located on the eastern side of Rosenberg, approximately one mile from the central business district. The site is situated on the northern side of Reading Road.

Population: The estimated 2000 population of Fort Bend County was 354,452, an increase of 57.2% from 1990 to 2000. The new primary market area’s population in 2001 was 162,258. Within the primary market area there were estimated to be 61,203 households in 2006.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly vacant land and single family. Adjacent land uses include vacant land to the north, west, and east, with the South Texas Medical Clinic located to the south. The vacant land to the north and west is currently being improved with residential subdivision lots.

Site Access: Access to the property is from the east or west along Reading Road from FM 2218. The development has one main entry and an exit located on Reading Road. Access to FM 2218 is 0.25 miles south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is near numerous shopping centers, including Wal-Mart, Office Depot, Home Depot and several grocery-anchored shopping centers. The site is also close to schools and Brazos Park with the South Texas Medical Clinic located across the street.

Site Inspection Findings: The site was inspected by a TDHCA staff member on November 25, 2002 and the inspector found the site to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated November 15, 2002 was prepared by the Murillo Company and contained the following findings and recommendations:

Findings: One leaking underground storage tank was located 0.50 miles northwest that is occupied by Stop-

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

n-Go. The site is listed as Final Concurrence Issued, implying acceptable cleanup. Two Underground Storage Tanks are located 0.25 miles southwest.

Recommendations: The Murillo Company believes no direct evidence of any recognized environmental conditions exist at the subject site.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Both the Underwriter and the Applicant are assuming \$15 per unit per month in secondary income and a vacancy and collection loss of 7.5%.

Expenses: The Applicant's estimate of total operating expense is 4% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's total expense estimate of \$3,700 per unit compares favorably with a TDHCA database-derived estimate of \$3,888 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly repairs and maintenance (50K higher), property taxes (47K lower), payroll (40K lower), utilities (30K lower), and property insurance (24K higher) than the Underwriter's estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Applicant's proposed debt service appears to provide a bonds only debt coverage ratio of just above the Department's minimum of 1.10. It should be noted, however, that TCHCA Administration and Issuer fees may be required to be paid out of cash flow for the first two years as the aggregate DCR is 1.07.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,220,000 (\$2.00/SF or \$87,143/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,488 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$886,722, or 8.7%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. As a result, the Applicant's total costs may be underestimated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$391,044 to reflect an apparent overestimation of eligible fees. Of this amount, \$104,375 is being reduced for construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. The Applicant also included as eligible the full amount of tax counsel and underwriting fees for the bonds when only the portion attributable to the construction period is eligible. As a result, the Underwriter reduced \$68,250 as eligible from tax counsel and \$218,419 as eligible from underwriting fees. This issue was clarified in correspondence with the Applicant as the Underwriter prorated these fees by including as eligible only 9% of the total fees.

Fees: The Applicant included \$150,000 in field supervision, \$201,000 in field overhead and \$6,500 in punch-out. The Underwriter moved these amounts to contingency, to allow for the maximization in fees, resulting in a net overestimation of \$114,750. The Applicant's contractor's profit and general requirements were each above the 6% threshold by \$21,450, while the contractor overhead was \$7,150 above the 2% threshold allowed under the TDHCA guidelines. The Applicant's developer fee was also overestimated by \$36,123, as a result of the higher contractor fees.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$17,069,869 is used to determine a credit allocation of \$624,757 from this method based upon the underwriting applicable percentage of 3.66 effective the month the Application was submitted (October 2002). The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the

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

recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on tax-exempt private activity mortgage revenue bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The commitment letter provided with the application reflects that the bonds are tax-exempt private activity mortgage revenue bonds to be issued by the TDHCA and placed with Sun America. The Underwriter received a permanent loan commitment in the application for \$9,760,000 in Series A tax-exempt bonds and \$2,440,000 in Series B tax-exempt bonds. The interest rate on the bonds was estimated to be 6.75%, exclusive of credit enhancement, issuer and trustee fees. The bonds will have a three year interest-only period followed by a 35-year amortization period. Such loan amount will provide a debt coverage ratio above TDHCA's 1.10 minimum. The proposed structure would be subject to a refunding within six months of the original bond closing. At the time of the refunding, the transaction would be re-underwritten based upon a FHLMC credit enhancement permanent loan structure. Since the commitment was not an executed agreement, this report is conditioned upon an executed copy of the revised commitment.

LIHTC Syndication: Sun America Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,508,835 based on a 99.9% interest in the Partnership and a syndication factor of 81%. Sun America will also offer a Bridge Loan not to exceed \$3,794,711. All funds under \$3,305,301 will be interest free. Interest will accrue on any amount beyond that at a rate of 1% over prime. The syndication funds would be disbursed in a four-phased pay-in schedule:

1. 3% upon admission to the partnership;
2. 76% upon last Certificate of Occupancy;
3. 17% upon 3 months at 90% occupancy;
4. 4% upon 8609's.

Although, according to the Applicant, Sun America will be a 99.99% owner in the Partnership and will disperse \$5,513,798 in funds.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,147,173 amount to 50% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$624,757 annually for ten years, resulting in syndication proceeds of approximately \$5,055,473. Based on this analysis, the total fee deferred would be \$2,708,285, which represents all of the developer fee and \$165,558 of the contractor fee. The total fee is not repayable in 10 years however it appears to be repayable out of cash flow in less than 15 years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies interior utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The buildings also contain eight attached garages that are entered via an additional door or a set of interior stairs. The units are in two- and three-story walk-up structures with mixed brick veneer and hardiboard siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC-funded developments. The executed agreement of limited partnership identifies Sun America, the General Partner, as comprising 99.9% of the partnership and the Limited Partner as comprising 0.1%. This partnership structure will not facilitate syndication of the tax credit allocation for which the Applicant has applied. Therefore, the partnership must be reorganized in order to make use of the allocation requested. However, the analysis performed by both the Underwriter and the Applicant indicate a 99.99% ownership by the limited partner.

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

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.
- Dwayne Henson Investments, Inc., 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$8,392,974 and consisting of \$261,047 in cash, \$5,509,555 in receivables, \$110,000 in real property, \$12,372 in machinery, equipment, and fixtures, and \$2,500,000 in partnership interests. Liabilities totaled \$213,347, resulting in a net worth of \$8,179,627.
- Resolution Real Estate Services, LLC, 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$898,000 and consisting of \$140,000 in cash, \$700,000 in receivables, \$30,000 in stocks and securities, and \$28,000 in machinery, equipment, and fixtures. Liabilities totaled \$95,000, resulting in a net worth of \$803,000.
- SGI Ventures, Inc., 20% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$601,305 and consisting of \$20,000 in cash, \$322,500 in receivables, \$5,000 in machinery, equipment, and fixtures, and \$253,805 in fees receivables. Liabilities totaled \$2,500, resulting in a net worth of \$598,805.
- The principals of the General Partner, J. Steve Ford, Sally Gaskin, and William D. Henson, submitted unaudited financial statements as of October 15, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Sally Gaskin has completed five affordable housing developments totaling 403 units since 1997.
- William Henson has completed 14 affordable housing developments totaling 2,191 units since 1995, and will be the General Contractor for the development.
- J. Steve Ford has completed eight affordable housing developments totaling 1,464 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

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

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$624,757 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF TAX-EXEMPT BONDS NOT TO EXCEED \$12,200,000, STRUCTURED AS FULLY AMORTIZING OVER NOT LESS THAN 35 YEARS AT NOT MORE THAN 6.75% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an executed financing commitment not to exceed \$12,200,000 reflecting the terms as outlined above;
2. Should the terms of the proposed debt be altered, the previous conditions and recommendations herein should be re-evaluated.

Underwriter:

Mark Fugina

Date: December 30, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 30, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

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
TC60%	76	1	1	684	\$670	\$584	\$44,384	\$0.85	\$86.00	\$11.00
TC60%	56	2	2	975	804	677	37,912	0.69	127.00	11.00
TC60%	48	2	2	982	804	677	32,496	0.69	127.00	11.00
TC60%	72	3	2	1,183	930	778	56,016	0.66	152.00	11.00
TOTAL:	252		AVERAGE:	948	\$800	\$678	\$170,808	\$0.71	\$121.78	\$11.00

INCOME		Total Net Rentable Sq Ft:	238,896		TDHCA	APPLICANT		
POTENTIAL GROSS RENT					\$2,049,696	\$2,049,696		
Secondary Income		Per Unit Per Month:	\$15.00		45,360	45,360	\$15.00	Per Unit Per Month
Other Support Income					0	0		
POTENTIAL GROSS INCOME					\$2,095,056	\$2,095,056		
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(157,129)	(157,128)	-7.50%	of Potential Gross Income
Employee or Other Non-Rental Units or Concessions					0	0		
EFFECTIVE GROSS INCOME					\$1,937,927	\$1,937,928		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.04%	\$311	\$0.33	\$78,316	\$64,490	\$0.27	\$256	3.33%
Management	5.00%	385	0.41	96,896	96,896	0.41	385	5.00%
Payroll & Payroll Tax	11.34%	872	0.92	219,744	180,200	0.75	715	9.30%
Repairs & Maintenance	5.65%	435	0.46	109,526	160,000	0.67	635	8.26%
Utilities	3.56%	274	0.29	68,948	38,500	0.16	153	1.99%
Water, Sewer, & Trash	3.00%	231	0.24	58,221	67,000	0.28	266	3.46%
Property Insurance	2.47%	190	0.20	47,779	71,669	0.30	284	3.70%
Property Tax	2.84038%	216	0.23	54,400	50,400	0.21	200	2.60%
Reserve for Replacements	2.60%	200	0.21	50,400	50,400	0.21	200	2.60%
Other: Security, Compliance, Su p	2.73%	210	0.22	52,987	52,987	0.22	210	2.73%
TOTAL EXPENSES	50.55%	\$3,888	\$4.10	\$979,656	\$932,400	\$3.90	\$3,700	48.11%
NET OPERATING INC	49.45%	\$3,803	\$4.01	\$958,271	\$1,005,528	\$4.21	\$3,990	51.89%

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
1st tier bonds	46.94%	\$3,610	\$3.81	\$909,754	\$918,110	\$3.84	\$3,643	47.38%
Trustee Fee	0.18%	\$14	\$0.01	\$3,500	3,500	\$0.01	\$14	0.18%
TDHCA Admin. Fees	0.63%	\$48	\$0.05	12,200	13,650	\$0.06	\$54	0.70%
Asset Oversight & Compliance Fee	0.65%	\$50	\$0.05	12,600	12,600	\$0.05	\$50	0.65%
NET CASH FLOW	1.04%	\$80	\$0.08	\$20,217	\$57,668	\$0.24	\$229	2.98%
AGGREGATE DEBT COVERAGE RATIO				1.02	1.06			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.05	1.09			
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO					1.11			

CONSTRUCTION COST	% OF TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldng)	5.94%	\$4,841	\$5.11	\$1,220,000	\$1,220,000	\$5.11	\$4,841	6.21%
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	7.60%	6,200	6.54	1,562,500	1,562,500	6.54	6,200	7.95%
Direct Construction	49.54%	40,394	42.61	10,179,222	9,292,500	38.90	36,875	47.30%
Contingency	5.00%	2,330	2.46	587,086	657,500	2.75	2,609	3.35%
General Req'ts	5.73%	2,670	2.82	672,750	672,750	2.82	2,670	3.42%
Contractor's G & A	1.91%	890	0.94	224,250	224,250	0.94	890	1.14%
Contractor's Profi	5.73%	2,670	2.82	672,750	672,750	2.82	2,670	3.42%
Indirect Construction	2.98%	2,433	2.57	613,000	613,000	2.57	2,433	3.12%
Ineligible Costs	4.66%	3,797	4.00	956,744	956,744	4.00	3,797	4.87%
Developer's G & A	1.91%	1,197	1.26	301,684	301,684	1.26	1,197	1.54%
Developer's Profit	12.39%	7,782	8.21	1,960,944	1,960,944	8.21	7,782	9.98%
Interim Financing	6.39%	5,210	5.50	1,312,914	1,312,914	5.50	5,210	6.68%
Reserves	1.38%	1,129	1.19	284,512	200,000	0.84	794	1.02%
TOTAL COST	100.00%	\$81,541	\$86.01	\$20,548,356	\$19,647,536	\$82.24	\$77,966	100.00%
Recap-Hard Construction Costs	67.64%	\$55,153	\$58.18	\$13,898,558	\$13,082,250	\$54.76	\$51,914	66.58%

SOURCES OF FUNDS	% OF TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
1st tier bonds	49.44%	\$40,317	\$42.53	\$10,160,000	\$10,160,000	\$9,760,000
Second tier bonds	12.36%	\$10,079	\$10.63	2,540,000	2,540,000	2,440,000
LIHTC Syndication Proceeds	26.83%	\$21,880	\$23.08	5,513,798	5,513,798	5,055,473
Deferred Developer's Fee	10.21%	\$8,322	\$8.78	2,097,173	2,097,173	2,392,063
Additional (excess) Funds Required	1.16%	\$942	\$0.99	237,385	(663,435)	0
TOTAL SOURCES				\$20,548,356	\$19,647,536	\$19,647,536

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$10,117,873
Adjustments				
Exterior Wall Fini	4.50%		\$1.91	\$455,304
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(241,285)
Floor Cover			1.92	458,680
Porches/Balconies	\$21.41	25,245	2.26	540,369
Plumbing	\$615	528	1.36	324,720
Built-In Appliance	\$1,625	252	1.71	409,500
Stairs	\$1,625	114	0.78	185,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	351,177
Garages	\$12.01	50,400	2.53	605,304
Comm &/or Aux Bldg	\$53.70	5,000	1.12	268,515
Other:			0.00	0
SUBTOTAL			56.41	13,475,408
Current Cost Multiplier	1.02		1.13	269,508
Local Multiplier	0.91		(5.08)	(1,212,787)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.46	\$12,532,130
Plans, specs, survy, b	3.90%		(\$2.05)	(\$488,753)
Interim Construction I	3.38%		(1.77)	(422,959)
Contractor's OH & Prof	11.50%		(6.03)	(1,441,195)
NET DIRECT CONSTRUCTION COSTS			\$42.61	\$10,179,222

PAYMENT COMPUTATION

Primary	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.05

Secondary		Amort	
Int Rate		Subtotal DCR	1.04

Additional		Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$909,754
Trustee Fee	3,500
TDHCA Fees	24,800
NET CASH FLOW	\$67,474

Primary	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.11

Debt plus Trustee	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

All-in Debt Cost	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.07

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,049,696	\$2,111,187	\$2,174,522	\$2,239,758	\$2,306,951	\$2,674,388	\$3,100,349	\$3,594,154	\$4,830,243
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Developer's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,095,056	2,157,908	2,222,645	2,289,324	2,358,004	2,733,573	3,168,960	3,673,693	4,937,137
Vacancy & Collection Loss	(157,128)	(161,843)	(166,698)	(171,699)	(176,850)	(205,018)	(237,672)	(275,527)	(370,285)
TOTAL COST	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,937,928	\$1,996,065	\$2,055,947	\$2,117,625	\$2,181,154	\$2,528,555	\$2,931,288	\$3,398,166	\$4,566,851
EXPENSES at 4.00%									
General & Administrative	\$64,490	\$67,070	\$69,752	\$72,542	\$75,444	\$91,789	\$111,676	\$135,871	\$201,122
Management	96,896	99,803	102,797	105,881	109,058	126,428	146,564	169,908	228,343
Payroll & Payroll Tax	180,200	187,408	194,904	202,700	210,809	256,481	312,048	379,654	561,981
Repairs & Maintenance	160,000	166,400	173,056	179,978	187,177	227,730	277,068	337,096	498,984
Utilities	38,500	40,040	41,642	43,307	45,040	54,798	66,670	81,114	120,068
Water, Sewer & Trash	67,000	69,680	72,467	75,366	78,381	95,362	116,022	141,159	208,950
Insurance	71,669	74,536	77,517	80,618	83,843	102,007	124,108	150,996	223,511
Property Tax	150,258	156,268	162,519	169,020	175,781	213,864	260,198	316,571	468,602
Reserve for Replacements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other	52,987	55,106	57,311	59,603	61,987	75,417	91,756	111,636	165,248
TOTAL EXPENSES	\$932,400	\$968,727	\$1,006,478	\$1,045,710	\$1,086,479	\$1,315,610	\$1,593,387	\$1,930,189	\$2,833,988
NET OPERATING INCOME	\$1,005,528	\$1,027,337	\$1,049,468	\$1,071,915	\$1,094,674	\$1,212,944	\$1,337,901	\$1,467,977	\$1,732,863
DEBT SERVICE									
First Lien Financing	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754
Adjustments	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Trustee Fee	12,200	12,111	12,016	11,914	11,805	11,136	10,199	8,887	4,478
TDHCA Admin. Fees	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Cash Flow	67,474	88,868	110,570	132,574	154,875	270,621	392,629	519,290	775,836
AGGREGATE DCR	1.07	1.09	1.12	1.14	1.16	1.29	1.42	1.55	1.81

LIHTC Allocation Calculation - Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

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	\$1,220,000	\$1,220,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,562,500	\$1,562,500	\$1,562,500	\$1,562,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,292,500	\$10,179,222	\$9,292,500	\$10,179,222
(4) Contractor Fees & General Requirements				
Contractor overhead	\$224,250	\$224,250	\$217,100	\$224,250
Contractor profit	\$672,750	\$672,750	\$651,300	\$672,750
General requirements	\$672,750	\$672,750	\$651,300	\$672,750
(5) Contingencies				
	\$657,500	\$587,086	\$542,750	\$587,086
(6) Eligible Indirect Fees				
	\$613,000	\$613,000	\$613,000	\$613,000
(7) Eligible Financing Fees				
	\$1,312,914	\$1,312,914	\$1,312,914	\$1,312,914
(8) All Ineligible Costs				
	\$956,744	\$956,744		
(9) Developer Fees				
			\$2,226,505	
Developer overhead	\$301,684	\$301,684		\$301,684
Developer fee	\$1,960,944	\$1,960,944		\$1,960,944
(10) Development Reserves				
	\$200,000	\$284,512		
TOTAL DEVELOPMENT COSTS	\$19,647,536	\$20,548,356	\$17,069,869	\$18,087,100

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			\$17,069,869	\$18,087,100
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$17,069,869	\$18,087,100
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$17,069,869	\$18,087,100
Applicable Percentage			3.66%	3.66%
TOTAL AMOUNT OF TAX CREDITS			\$624,757	\$661,988

Syndication Proceeds 0.8092 \$5,055,473 \$5,356,740

RENT CAP 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 (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 20,850	\$ 25,020	33,400	Efficiency	\$ 521	\$ 625	\$ 835	\$ 60	\$ 461	\$ 565	\$ 775
2	23,850	28,620	38,150	1-Bedroom	558	670	894	86	472	584	808
	26,800	32,160	42,900	2-Bedroom	670	804	1,072	127	543	677	945
4	29,800	35,760	47,700	3-Bedroom	775	930	1,240	152	623	778	1,088
5	32,200	38,640	51,500	4-Bedroom	863	1,036	1,382	196	667	840	1,186
6	34,550	41,460	55,300	5-Bedroom	953	1,144	1,525		757	948	1,329
7	36,950	44,340	59,100								
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 60% income bracket earning \$32,160 could not pay more than \$804 for rent and utilities under the affordable definition.

- 1) \$32,160 divided by 12 = **\$2,680** monthly income; then,
- 2) **\$2,680** monthly income times 30% = **\$804** 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.

READING ROAD APARTMENTS

RESULTS & ANALYSIS:

Tenants in the 60% AMFI bracket will **save \$86 to \$358** per month (leaving 3.6% to 11.5% more of their monthly income for food, child care and other living expenses).

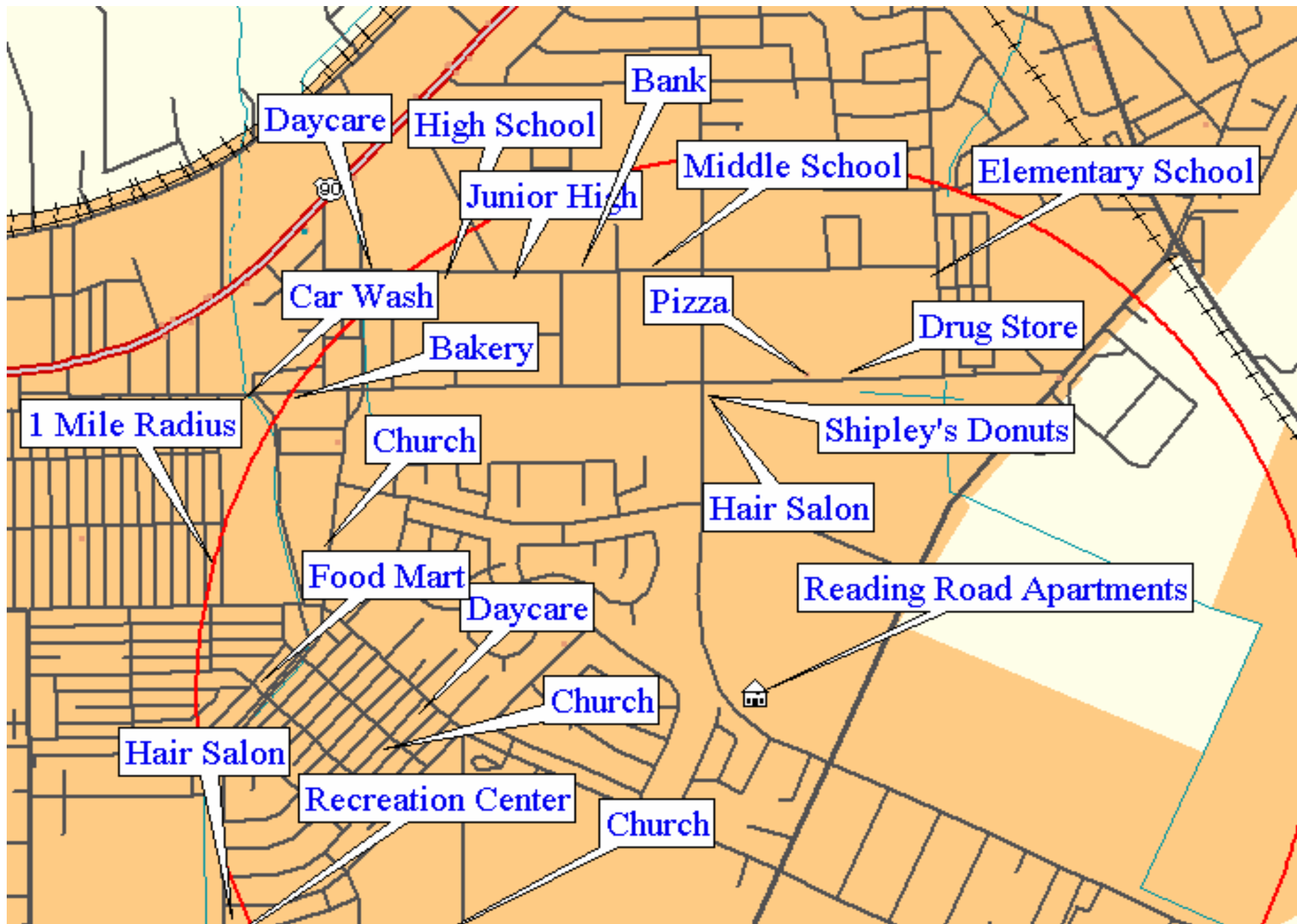
This is a monthly savings off the market rents of **12.9% to 31.5%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	684	978	1,183	
Rents if Offered at Market Rates	\$670	\$890	\$1,136	
Rent per Square Foot	\$0.98	\$0.91	\$0.96	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	\$584	\$677	\$778	
Monthly Savings for Tenant	\$86	\$213	\$358	
Rent per square foot	\$0.85	\$0.69	\$0.66	
Maximum Monthly Income - 60% AMFI	\$2,385	\$2,680	\$3,100	
Monthly Savings as % of Monthly Income	3.6%	7.9%	11.5%	
% DISCOUNT OFF MONTHLY RENT	12.9%	23.9%	31.5%	

Market information provided by: Patrick O'Connor & Associates, 2000 North Loop West, Suite 110, Houston, Texas 77018. Report dated November 14, 2002.





Developer Evaluation

Compliance Status Summary

Project ID #: 2002-061/02462 LIHTC 9% LIHTC 4%
Project Name: Reading Road Apartments HOME HTF
Project City: BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 14 # not yet monitored or pending review 8

of projects grouped by score 0-9: 14 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo Taylor **Completed on** 12/18/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 11/04/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 12/18/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** 11/14/2002

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 12/19/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 11/05/2002

Executive Director: Edwina Carrington **Date Signed:** ember 30, 2002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
READING ROAD APARTMENTS

PUBLIC HEARING

Cafeteria
Lamar Consolidated High School
4606 Mustang Avenue
Rosenberg, Texas

November 25, 2002
6:14 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

ON THE RECORD REPORTING
(512) 450-0342

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer, and I would like to proceed with the public hearing. Let the record show that it is 6:14, Monday, November 25, and we are at the Lamar Consolidated High School Cafeteria, located at 4606 Mustang Avenue, in Rosenberg, Texas.

I'm here to conduct the 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 public comments that will be provided to the highest elected official with jurisdiction over the issue, which, for this issue, is the Texas Attorney General.

No decisions regarding the project will be made at this hearing; there are no department board members present. The department's board is scheduled to meet to consider the transaction either on December 12, 2002, or on January 8 of 2003, 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 512-475-3085 up until five o'clock on December 2 for the December 12 meeting or December 27 for the January 8 meeting.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed 14 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 Reading Road Apartments, LP, or a 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 248-unit multifamily residential rental development to be constructed on approximately 14 acres located at the 6000 block of Reading Road on the north side of Reading Road, approximately 500 feet west of FM 2218 in Rosenberg, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would like to now open the floor for comment.

Let the record show that there are no attendees;
therefore, the meeting is now adjourned, and the time is
now 6:17 p.m.

(Whereupon, at 6:17 p.m., the public hearing
was concluded.)

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

**Single Family Finance Production
Approval of Participating Lenders for Program 59 & 59A**

Invitations to Originate Mortgage Loans were recently sent to interested lenders for participation in upcoming Bond Program 59 & 59A. In order to proceed with the scheduled bond release of Program 59 on January 27, 2003, we would like to request that the following list of lenders be approved by the Board.

LENDER NAME

*Allied Home Mortgage Corporation
Banc One
CDC of Brownsville
CH Mortgage Co.
Chase Manhattan Mortgage Corp.
Coastal Bend Mtg. Inc. dba Global Mtg. Group
Countrywide Home Loans, Inc.
CTX Mortgage Co.
Falcon International Bank
First Bank Southwest
First Natl. Bank Tx. dba First Community Mort.
First Horizon Home Loan Corp.
Fort Worth Mortgage (Colonial Savings)
Guarantee Residential Lending, Inc.
Hammersmith Financial
Hibernia Mortgage Banking
*Independent Mortgage Company
International Bank of Commerce
Judith O. Smith Mortgage
Kaufman & Broad Mortgage Co.
McAfee Mortgage

LENDER NAME

Mercedes National Bank
National City Mortgage
New South Federal Savings Bank
Northstar Mortgage Corporation
Patriot Mortgage
**Pineywoods Home Team
Regions Bank
Rocky Mountain Mortgage Co.
Ryland Mortgage Co.
Southside Bank
Southtrust Mortgage
*State National Bank
Sterling Capital Mortgage Co.
Summit Mortgage Corporation
Tri-State Mortgage Company
Universal American Mortgage Corporation
Valley Mortgage Co., Inc.
Washington Mutual Bank, F.A.
Wells Fargo Home Mortgage

* Indicates new lender

**Pineywoods Home Team – works in conjunction with Banc One to provide coverage to the Lufkin, Nacogdoches, Longview and Jasper areas.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Allied Home Mortgage Capital Corp.	Arlington
Allied Home Mortgage Capital Corp.	Austin
Allied Home Mortgage Capital Corp.	Bridgeport
Allied Home Mortgage Capital Corp.	Brownwood
Allied Home Mortgage Capital Corp.	Celina
Allied Home Mortgage Capital Corp.	Colleyville
Allied Home Mortgage Capital Corp.	Conroe
Allied Home Mortgage Capital Corp.	Corpus Christi
Allied Home Mortgage Capital Corp.	Cypress
Allied Home Mortgage Capital Corp.	Dallas
Allied Home Mortgage Capital Corp.	Denton
Allied Home Mortgage Capital Corp.	Eagle Pass
Allied Home Mortgage Capital Corp.	Early
Allied Home Mortgage Capital Corp.	Eules
Allied Home Mortgage Capital Corp.	Fort Worth
Allied Home Mortgage Capital Corp.	Graham
Allied Home Mortgage Capital Corp.	Grandbury
Allied Home Mortgage Capital Corp.	Grandview
Allied Home Mortgage Capital Corp.	Greenville
Allied Home Mortgage Capital Corp.	Houston
Allied Home Mortgage Capital Corp.	Hurst
Allied Home Mortgage Capital Corp.	Irving
Allied Home Mortgage Capital Corp.	Kingwood
Allied Home Mortgage Capital Corp.	Lindale
Allied Home Mortgage Capital Corp.	Longview
Allied Home Mortgage Capital Corp.	Mansfield
Allied Home Mortgage Capital Corp.	McAllen
Allied Home Mortgage Capital Corp.	McKinney
Allied Home Mortgage Capital Corp.	Orange
Allied Home Mortgage Capital Corp.	Plano
Allied Home Mortgage Capital Corp.	Richardson
Allied Home Mortgage Capital Corp.	Roanoke
Allied Home Mortgage Capital Corp.	Rockwall
Allied Home Mortgage Capital Corp.	Rosenburg

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Allied Home Mortgage Capital Corp.	Round Rock
Allied Home Mortgage Capital Corp.	San Antonio
Allied Home Mortgage Capital Corp.	San Marcos
Allied Home Mortgage Capital Corp.	Temple
Allied Home Mortgage Capital Corp.	Waco
Allied Home Mortgage Capital Corp.	Weatherford
Allied Home Mortgage Capital Corp.	Wichita Falls
Allied Home Mortgage Capital Corp.	Woodlands
Bank One Mortgage	Arlington
Bank One Mortgage	Austin
Bank One Mortgage	Corsicana
Bank One Mortgage	Dallas
Bank One Mortgage	Houston
Bank One Mortgage	Odessa
Bank One Mortgage	San Antonio
Bank One Mortgage	Wichita Falls
CDC of Brownsville	Brownsville
CH Mortgage Company I, Ltd.	Addison
CH Mortgage Company I, Ltd.	Arlington
CH Mortgage Company I, Ltd.	Austin
CH Mortgage Company I, Ltd.	Houston
CH Mortgage Company I, Ltd.	San Antonio
Chase Manhattan Mortgage Corp.	Austin
Chase Manhattan Mortgage Corp.	Dallas
Chase Manhattan Mortgage Corp.	Friendswood
Chase Manhattan Mortgage Corp.	Houston
Chase Manhattan Mortgage Corp.	Hurst
Chase Manhattan Mortgage Corp.	San Antonio
Colonial Savings (Fort Worth Mtg)	Arlington
Colonial Savings (Fort Worth Mtg)	Austin
Colonial Savings (Fort Worth Mtg)	Cleburne
Colonial Savings (Fort Worth Mtg)	Dallas
Colonial Savings (Fort Worth Mtg)	Fort Worth
Colonial Savings (Fort Worth Mtg)	Hurst

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Colonial Savings (Fort Worth Mtg)	Lewisville
Colonial Savings (Fort Worth Mtg)	SouthLake
Costal Bend Mtg. Inc., dba Global Mtg. Group	Corpus Christi
Countrywide Home Loans, Inc.	Abilene
Countrywide Home Loans, Inc.	Amarillo
Countrywide Home Loans, Inc.	Arlington
Countrywide Home Loans, Inc.	Austin
Countrywide Home Loans, Inc.	Beaumont
Countrywide Home Loans, Inc.	Corpus Christi
Countrywide Home Loans, Inc.	Dallas
Countrywide Home Loans, Inc.	DeSoto
Countrywide Home Loans, Inc.	El Paso
Countrywide Home Loans, Inc.	Fort Worth
Countrywide Home Loans, Inc.	Garland
Countrywide Home Loans, Inc.	Houston
Countrywide Home Loans, Inc.	Killeen
Countrywide Home Loans, Inc.	Kingwood
Countrywide Home Loans, Inc.	Lewisville
Countrywide Home Loans, Inc.	Lubbock
Countrywide Home Loans, Inc.	Midland
Countrywide Home Loans, Inc.	Plano
Countrywide Home Loans, Inc.	San Antonio
Countrywide Home Loans, Inc.	SouthLake
Countrywide Home Loans, Inc.	Sugarland
Countrywide Home Loans, Inc.	The Woodlands
Countrywide Home Loans, Inc.	Waco
CTX Mortgage Company, Inc.	Arlington
CTX Mortgage Company, Inc.	Austin
CTX Mortgage Company, Inc.	Dallas
CTX Mortgage Company, Inc.	Harker Heights
CTX Mortgage Company, Inc.	Houston
CTX Mortgage Company, Inc.	San Antonio
CTX Mortgage Company, Inc.	Sherman
Falcon International Bank	Laredo

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Falcon International Bank	San Antonio
First Horizon Home Loan Corp.	Addison
First Horizon Home Loan Corp.	Austin
First Horizon Home Loan Corp.	DeSoto
First Horizon Home Loan Corp.	Southlake
First National Bank Tx dba First Community Mtg.	Conroe
First National Bank Tx dba First Community Mtg.	Copperas Cove
First National Bank Tx dba First Community Mtg.	Killeen
FirstBank Southwest, National Association	Amarillo
FirstBank Southwest, National Association	Hereford
FirstBank Southwest, National Association	Pampa
FirstBank Southwest, National Association	Perryton
Guaranty Residential Lending, Inc.	Austin
Guaranty Residential Lending, Inc.	Dallas / North
Guaranty Residential Lending, Inc.	Fort Worth
Guaranty Residential Lending, Inc.	Harker Heights
Guaranty Residential Lending, Inc.	Houston
Guaranty Residential Lending, Inc.	San Antonio
Guaranty Residential Lending, Inc.	Temple
Hammersmith Financial, LP	Houston
Hibernia National Bank	Beaumont
Hibernia National Bank	Longview
Hibernia National Bank	McKinney
Hibernia National Bank	Texarkana
Hibernia National Bank	Tyler
Independent Mortgage Company	Austin
Independent Mortgage Company	Carrollton
Independent Mortgage Company	Georgetown
Independent Mortgage Company	Stafford
Independent Mortgage Company	Temple
International Bank of Commerce	Angleton
International Bank of Commerce	Bay City
International Bank of Commerce	Brownsville
International Bank of Commerce	Corpus Christi

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
International Bank of Commerce	Edinburg
International Bank of Commerce	Freeport
International Bank of Commerce	Harlingen
International Bank of Commerce	Houston
International Bank of Commerce	Kerrville
International Bank of Commerce	Lake Jackson
International Bank of Commerce	Laredo
International Bank of Commerce	McAllen
International Bank of Commerce	Mission
International Bank of Commerce	New Braunfels
International Bank of Commerce	Pharr
International Bank of Commerce	Port Isabel
International Bank of Commerce	Port Lavaca
International Bank of Commerce	Rio Grande City
International Bank of Commerce	Rockport
International Bank of Commerce	Roma
International Bank of Commerce	Rosenberg
International Bank of Commerce	San Antonio
International Bank of Commerce	South Padre Island
International Bank of Commerce	Weslaco
International Bank of Commerce	Zapata
Judith O. Smith Mortgage Group, Inc.	Fort Worth
Judith O. Smith Mortgage Group, Inc.	Hurst
KB Home Mortgage Co.	Houston
KB Home Mortgage Co.	San Antonio
McAfee Mortgage & Investment Co., Inc.	Abilene
McAfee Mortgage & Investment Co., Inc.	Amarillo
McAfee Mortgage & Investment Co., Inc.	Beaumont
McAfee Mortgage & Investment Co., Inc.	College Station
McAfee Mortgage & Investment Co., Inc.	El Paso
McAfee Mortgage & Investment Co., Inc.	Houston
McAfee Mortgage & Investment Co., Inc.	Hurst
McAfee Mortgage & Investment Co., Inc.	Killeen
McAfee Mortgage & Investment Co., Inc.	Longview

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
McAfee Mortgage & Investment Co., Inc.	Lubbock
McAfee Mortgage & Investment Co., Inc.	Port Arthur
McAfee Mortgage & Investment Co., Inc.	San Antonio
McAfee Mortgage & Investment Co., Inc.	Temple
McAfee Mortgage & Investment Co., Inc.	Tyler
Mercedes National Bank	Mercedes
National City Mortgage Co.	Arlington
National City Mortgage Co.	Austin
National City Mortgage Co.	Dallas
National City Mortgage Co.	Houston
National City Mortgage Co.	Sugarland
New South Federal Savings Bank	Houston
Northstar Mortgage Corp.	Dallas
Patriot Mortgage	El Paso
Regions Bank	Texarkana
Rocky Mountain Mortgage Co.	El Paso
Ryland Mortgage Co.	Austin
Ryland Mortgage Co.	Dallas
Ryland Mortgage Co.	Houston
Ryland Mortgage Co.	San Antonio
Southside Bank	Longview
Southside Bank	Tyler
Southtrust Mortgage Corp.	Austin
Southtrust Mortgage Corp.	Beaumont
Southtrust Mortgage Corp.	Houston
Southtrust Mortgage Corp.	Plano
Southtrust Mortgage Corp.	San Antonio
Southtrust Mortgage Corp.	Sugarland
State National Bank	Abilene
State National Bank	Lubbock
State National Bank	Odessa
Sterling Capital Mortgage	Austin
Sterling Capital Mortgage	Dallas
Sterling Capital Mortgage	El Paso

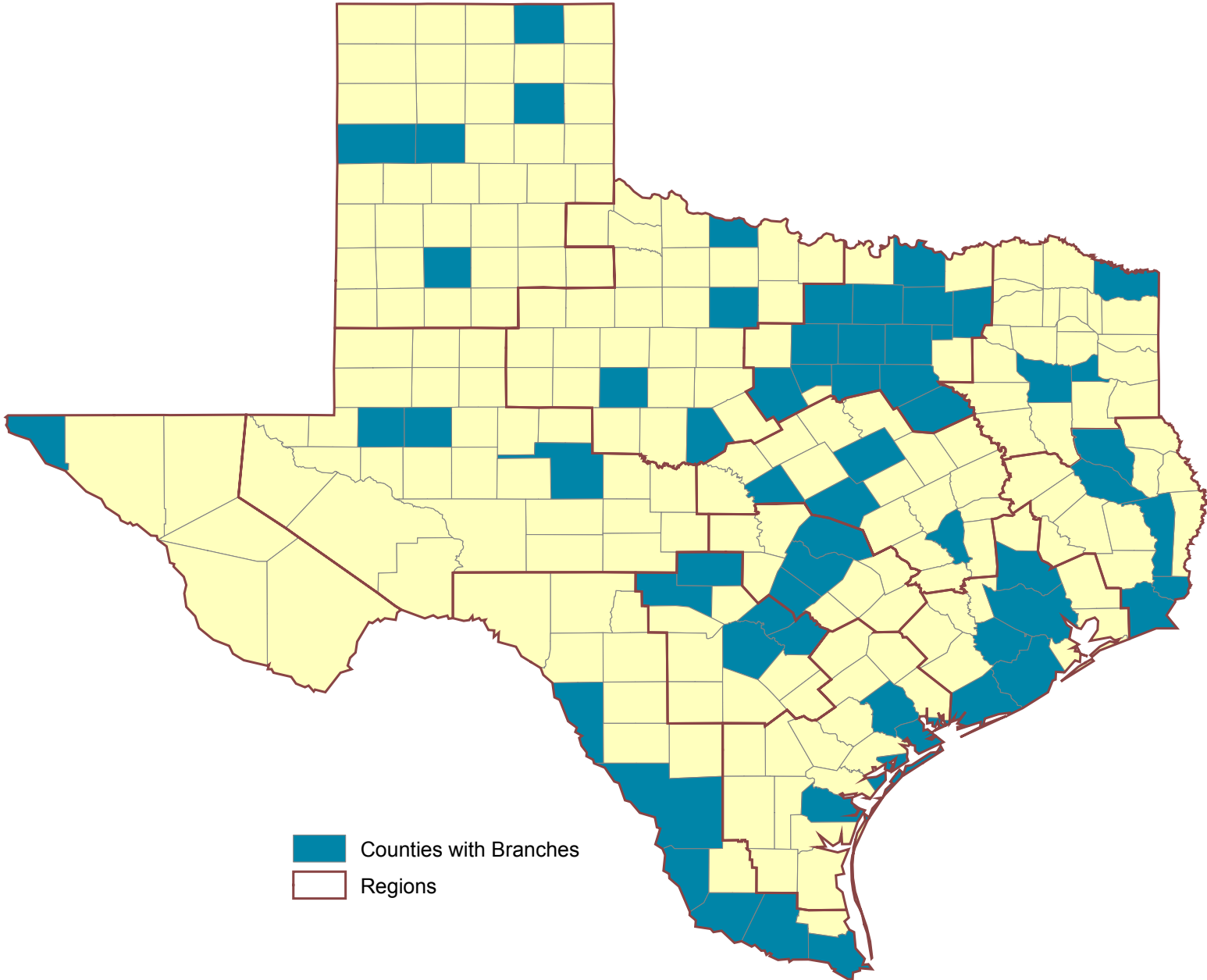
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Single Family Finance Production
Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Sterling Capital Mortgage	Houston
Sterling Capital Mortgage	Round Rock
Sterling Capital Mortgage	San Antonio
Sterling Capital Mortgage	Waco
Summit Mortgage Corp.	Austin
Summit Mortgage Corp.	Dallas
Summit Mortgage Corp.	Houston
Summit Mortgage Corp.	San Antonio
Summit Mortgage Corp.	Selma
Tri State Mortgage Company	El Paso
Universal American Mortgage (US Home Mtg)	Dallas
Universal American Mortgage (US Home Mtg)	Houston
Universal American Mortgage (US Home Mtg)	McAllen
Valley Mortgage Co., Inc.	Brownsville
Valley Mortgage Co., Inc.	Corpus Christi
Valley Mortgage Co., Inc.	Harlingen
Valley Mortgage Co., Inc.	Laredo
Valley Mortgage Co., Inc.	McAllen
Valley Mortgage Co., Inc.	San Antonio
Washington Mutual Bank, F.A. (NAMCO)	Austin
Washington Mutual Bank, F.A. (NAMCO)	Bedford
Washington Mutual Bank, F.A. (NAMCO)	Grandbury
Washington Mutual Bank, F.A. (NAMCO)	Houston
Washington Mutual Bank, F.A. (NAMCO)	Sherman
Washington Mutual Bank, F.A. (NAMCO)	Stephenville
Wells Fargo Home Mortgage, Inc.	Amarillo
Wells Fargo Home Mortgage, Inc.	Austin
Wells Fargo Home Mortgage, Inc.	Beaumont
Wells Fargo Home Mortgage, Inc.	Bedford
Wells Fargo Home Mortgage, Inc.	Big Spring / Abilene
Wells Fargo Home Mortgage, Inc.	Brownsville
Wells Fargo Home Mortgage, Inc.	Bryan / College Station
Wells Fargo Home Mortgage, Inc.	Cibolo
Wells Fargo Home Mortgage, Inc.	Corpus Christi

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Single Family Finance Production
 Participating Lender Branch Office Locations for Program 59 and 59A

Lender	City
Wells Fargo Home Mortgage, Inc.	Dallas
Wells Fargo Home Mortgage, Inc.	El Paso
Wells Fargo Home Mortgage, Inc.	Bassett
Wells Fargo Home Mortgage, Inc.	Flower Mound
Wells Fargo Home Mortgage, Inc.	Fort Worth
Wells Fargo Home Mortgage, Inc.	Arlington
Wells Fargo Home Mortgage, Inc.	Fredericksburg
Wells Fargo Home Mortgage, Inc.	Harlingen
Wells Fargo Home Mortgage, Inc.	Houston
Wells Fargo Home Mortgage, Inc.	Humble
Wells Fargo Home Mortgage, Inc.	Kerrville
Wells Fargo Home Mortgage, Inc.	Laredo
Wells Fargo Home Mortgage, Inc.	Lubbock
Wells Fargo Home Mortgage, Inc.	McAllen
Wells Fargo Home Mortgage, Inc.	Midland
Wells Fargo Home Mortgage, Inc.	Missouri City / Sugarland
Wells Fargo Home Mortgage, Inc.	Pharr
Wells Fargo Home Mortgage, Inc.	Rosenberg
Wells Fargo Home Mortgage, Inc.	San Angelo
Wells Fargo Home Mortgage, Inc.	San Antonio
Wells Fargo Home Mortgage, Inc.	Southlake
Wells Fargo Home Mortgage, Inc.	The Woodlands
Wells Fargo Home Mortgage, Inc.	Victoria
Wells Fargo Home Mortgage, Inc.	Waco
Wells Fargo Home Mortgage, Inc.	Waxahachie
Wells Fargo Home Mortgage, Inc.	Wichita Falls
Wells Fargo Home Mortgage, Inc.	Woodway / Houston

Texas Department of Housing and Community Affairs
Counties with Participating Lender Branch Offices
Bond Programs 59 and 59A



Total Number of Lender Branch Offices: 388

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
JANUARY 8, 2003**

**PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF REQUEST FOR
QUALIFICATIONS FOR TRUSTEE SERVICES FOR THE DEPARTMENT'S SINGLE
FAMILY MORTGAGE REVENUE BOND ISSUES
AND OTHER RELATED MATTERS**

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 qualifications ("RFQ") 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.

In June 2002, TDHCA's Board approved Staff reviewing the qualifications of institutions to serve as trustee for TDHCA's single family bond issues and/or refundings. Six responses were received in conjunction with TDHCA's request for information. Due to deficiencies noted in all of the responses, Staff concluded last August it was in TDHCA's best interest to refrain from pursuing any selection process until a later time.

Responses to this RFQ are due Friday, February 21, 2003. Staff will present its recommendations at the March 2003 Board meeting.

RECOMMENDATION

The Board approve issuing a RFQ for trustee services for TDHCA's single family mortgage revenue bond issues and/or refundings.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Request for Qualifications
For Trustee Services

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 TDHCA's requirements.

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, February 21, 2003 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 Qualifications ("RFQ") while the selection process is open. Any violation of this policy will be considered a basis for disqualification.***

Also, in releasing this RFQ, TDHCA shall not be obligated to proceed with any action on the RFQ 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 RFQ 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:

5 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

Attn: Mr. Gary P. Machak
Managing Director
(214) 989-1659

RBC Dain Rauscher, Inc
First City Tower
1001 Fannin, Suite 400
Houston, TX 77002-0220

Attn: Mr. J.C. Howell
Vice President
(713) 651-3345

VI. Response Format

1. **Each question in Section VII of this Request for Qualifications 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 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.
2. Does your firm maintain a specialty group focused solely on serving single family mortgage revenue bonds?
3. If answered yes to question 2, please list; 1) how long this group has been operating, 2) the group's size (full-time employees) and 3) 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 statements**, 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 2002 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 2000, 2001 and 2002. 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 2002 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 2000, 2001 and 2002. 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. Disclosure

14. 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.**

E. Compensation

15. 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		\$50,000,000		\$100,000,000		\$150,000,000	
	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points	Actual	Basis Points
Fees:												
Acceptance												
Semi-annual												
Administration												
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.

16. Express your willingness to defer any fees you have proposed in the above table. State which fees would be deferred.

G. Affirmative Action

17. 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. All questions and responses will be made available to all applicants and will be subject to disclosure under the Open Records Act.

IX. Open Records

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 RFQ or any oral presentation required to supplement and/or clarify the RFQ which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 REQUEST FOR QUALIFICATIONS FOR TRUSTEE SERVICES
 TIMETABLE**

Date			Days from Texas Register Notice Submission to RFQ Response Date	Days from Notice Submission in Texas Marketplace to RFQ Response Date	Days from RFQ Published in Texas Register & Bond Buyer to RFQ Response Date	Days from RFQ Posted on Web Site to RFQ Response Date	Days from RFQ Response Date to Submission to Executive Office
January 8	TDHCA Board Meeting	Bond Finance	37	28	28	28	11
January 15	Submit Notice to Texas Register and Bond Buyer	Bond Finance					
January 24	Submit Notice to Texas Marketplace	Bond Finance					
January 24	Post RFQ on TDHCA Website	Bond Finance					
January 24	Mail RFQ for Trustee Services	Bond Finance		Tst - Trustees			
January 24	Notice Published in Texas Register and Bond Buyer	Bond Finance		EPC - Edwina Carrington			
February 21	RFQ Responses Due	Tst/Bond Finance		BVJ - Byron Johnson			
February 24 - 28	Review submissions	Bond Finance					
March 4	Submit recommendations for inclusion in board package	Bond Finance					
March 13	TDHCA Board Meeting - Present Recommendations to Finance Committee and Board	Finance Committee/ EPC/BVJ					

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
JANUARY 8, 2003**

**PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF REQUEST FOR
QUALIFICATIONS FOR CO-MANAGING INVESTMENT BANKING FIRMS FOR
THE SALE OF TDHCA'S SINGLE FAMILY MORTGAGE REVENUE AND
REFUNDING BONDS AND OTHER RELATED MATTERS**

In 2001 the Board selected twelve investment banking firms to provide single family bond underwriting services for the TDHCA. Six firms were designated as senior managers and six firms were designated as co-managers.

TDHCA is nearing the completion of rotating investment banks in the senior manager pool. Thereafter, TDHCA anticipates reducing the senior manager pool from six senior managers to three. TDHCA also anticipates transacting at least three single family bond issues in 2003. Bond Finance recommends the selection of additional firms to provide underwriting services as co-managers. The primary role of the co-managers will be to support senior managers with the sale of the Department's bonds.

After the selection of these additional firms, TDHCA will have a total of at least fifteen investment banks in its bond underwriting pool. Bond Finance will then establish three underwriting teams. Each team will be comprised of five firms: one senior manager, one co-senior manager, and three co-managers. Each team will participate on at least one transaction per year on a rotational basis.

Staff requests approval for publication of a Request for Qualifications for co-managing underwriting firms for TDHCA's single family bond program.

RECOMMENDATION

Authorize Staff to issue a Request for Qualifications for co-managing underwriting firms for the sale of the TDHCA's single family mortgage revenue and refunding bonds.

**Texas Department of Housing And Community Affairs
Request for Qualifications for Underwriting Services**

I. Purpose of Request

The Texas Department of Housing and Community Affairs (“TDHCA”) is issuing this request for qualifications (RFQ) from investment banking firms interested in providing investment banking services from time to time as Co-Manager for one or more of its proposed single family mortgage revenue bond new issues and/or refundings. TDHCA desires to revise its list of approved underwriters from which to select its underwriting team for specific municipal bond issues as financing opportunities arise. TDHCA reserves the right to select a team for any particular financing project, from the approved list of Senior Managers and Placement Agents, Co-Senior Managers, Co-Managers or Selling Group Members, with any combination or number of participants.

II. Deadline for Responses And Other Information

Response Due: Friday, February 21, 2003 4:00 P.M. C.S.T.

No proposal received after the deadline will be considered. Faxed and/or email responses will not be accepted. TDHCA further reserves the right to negotiate individual elements of a firm’s proposal.

With the exception of certain written communications allowed under Section VII, investment banking firms, or any representative of the firm, responding to the RFQ must refrain from any contact or communication with members of the Board of Directors or with any TDHCA staff as to the selection of firms pursuant to this RFQ. A DETERMINATION BY THE BOARD THAT A VIOLATION OF THIS POLICY HAS OCCURRED WILL BE GROUNDS FOR DISQUALIFICATION OF A FIRM’S PROPOSAL.

III. TDHCA Board Review and Oral Presentations

Firms that have responded to this RFQ may be asked to make oral presentations at a meeting of TDHCA’s Board. In such event, those firms will be given not less than three (3) business days notice along with the date, time and place for such oral presentation. The Board will give final approval to the selection of firms.

IV. Delivery of Responses

Please deliver 5 copies to TDHCA’s Director of Bond Finance as follows:	Please deliver 1 copy to TDHCA’s Financial Advisor as follows:
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Byron V. Johnson
Director of Bond Finance
Texas Department of Housing
And Community Affairs
507 Sabine Street
P.O. Box 13941
Austin, Texas 78711-3941

Gary Machak
Managing Director
Dain Rauscher, Inc.
Cityplace, Suite 2400
2711 N. Haskell Avenue
Dallas, Texas 75204-2936

V. Response Format

- Each question in this Section V should be specifically addressed or the reason no response was given should be indicated.
- Responses should be submitted by individual firms only. No responses should be submitted on a joint basis.
- Responses should be limited to the information requested by TDHCA in this RFQ and, if possible, should be no longer than 10 pages. Should a firm desire to submit any additional information, such information must be submitted in the form of an attachment or appendix. TDHCA will generally consider only the information for which a response has been requested.

**Texas Department of Housing And Community Affairs
Request for Qualifications for Underwriting Services**

- Identify the question being answered in the introduction to each response.

A. Underwriting Role

TDHCA seeks RFQ's from investment banking firms interested in providing investment banking services from time to time as Co-Manager for one or more of its proposed single family mortgage revenue bond new issues and/or refundings. . However, should an investment bank appointed as a co-manager offer a truly unique and feasible idea which adds economic value to the TDHCA's bond program, TDHCA will consider, on a case-by-case basis, assigning that firm as a senior managing underwriter for that particular transaction.

B. Distribution Capabilities

Provide the following information:

1. Number of professionals (analyst level or above) *specializing* in housing finance. Indicate whether your firm has a separate and distinct housing finance group.
2. Number of Retail Salespeople.
3. Number of Retail Municipal Bond Salespeople.
4. Number of Institutional Municipal Bond Salespeople.
5. Number of Taxable Municipal Bond Salespeople.
6. Number of Institutional Mortgage-Backed Securities Salespeople.
7. Provide information describing your firm's municipal bond underwriting operation—number of underwriters and location of the underwriting office(s) that would handle TDHCA's account.

C. Experience

1. Co-Senior Manager, Co-Manager or Selling Group Member Experience: For the past four calendar years (1999, 2000, 2001 and 2002), list in table format the firm's experience as co-senior manager, co-manager or selling group member with new money and refunding single family mortgage revenue bond transactions.

This information should be provided in table format with the column headings across the top in order from left to right. Please total each category and/or column by year and show an overall total.

Column Headings

Date of Issue
Name of Issuer
Issue Description
Issue Amount (Principal Amount (\$) and Lendable Proceeds Amount (\$))
Amount of New Money Included in Issue Amount
Role in Transaction (Co-Senior Manager, Co-Manager or Selling Group Member)
Management Fee
Takedown
Expenses
Risk
Total Gross Spread
Any Other Fees Outside the Transaction (Swap Fees, etc.)
Participation %

2. State Housing Agency Clients. Indicate state housing agencies where your firm currently and actively serves as: 1) senior manager/placement agent, and/or 2) co-senior manager or co-manager. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact

Texas Department of Housing And Community Affairs Request for Qualifications for Underwriting Services

all such state housing agency references. TDHCA also reserves the right to independently contact any other references as deemed necessary.

3. Local Housing Issuer Clients in Texas. Indicate local housing issuer clients in Texas where your firm currently and actively serves as co-senior manager or co-manager. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such local housing issuer references. TDHCA also reserves the right to independently contact these and other references.

D. Other Qualifications

1. Taxable Capabilities. TDHCA is interested in pursuing tax-exempt/taxable single family bond financings. Provide the par amount of taxable single family bonds managed in calendar years 2001 and 2002 (Full Credit to Book Manager). Also provide the par amount of taxable single family bonds managed in calendar years 2001 and 2002 (Full Credit to Each Manager). Indicate whether your firm maintains a separate and distinct taxable municipal bond group.
2. Mortgage-Backed Securities Sales and Trading Capabilities. Describe your firm's mortgage-backed securities sales and trading operations. Provide the overall par amount of agency certificates/whole loans your firm has sold as principal or senior manager/placement agent since 1998 to the present as a result of refunding or restructuring tax-exempt single family mortgage revenue bond issues. Indicate whether your firm maintains a separate and distinct mortgage-backed securities sales and trading group. Indicate whether your firm has successfully structured and marketed mortgage-backed securities secured by subprime "A-" and/or "B" first lien, purchase mortgages. Provide the par amount of such subprime mortgage-backed securities (asset-backed securities) your firm sold as senior manager/placement agent during 2001 and 2002. Please provide totals for each year.
3. Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps. Describe your firm's experience with Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps for single family mortgage revenue bonds. Provide the par/notional amount of such products your firm managed as senior manager/placement agent/structuring agent/financial advisor during 2001 and 2002 (single family mortgage revenue bonds only). Please provide totals for each product for each year.

E. Personnel

Provide names, titles, brief resumes and office location of the persons to be assigned to this account. Specifically indicate the capacity of the persons assigned to this account as that of a relationship banker, a technical banker or an analyst.

List, on an individual basis by banker, other clients served by the personnel assigned to TDHCA's team.

F. Affirmative Action

Provide a copy of your firm's equal employment opportunity and affirmative action policy.

G. Financial Condition

Provide a copy of your firm's most recent annual audited financial statements. Provide a copy of your firm's FOCUS I or FOCUS IIa report dated as of [December 31, 2002](#). (These items should be included as an attachment or appendix and will not be considered part of the page limitation of responses).

VI. Program Information

To obtain further information about the TDHCA Single Family Bond Program or this RFQ, please fax your request to the attention of Byron V. Johnson at (512) 475-3362 or visit the Bond Finance Division web page at www.tdhca.state.tx.us.

**Texas Department of Housing And Community Affairs
Request for Qualifications for Underwriting Services**

VII. Public Information

Information submitted to TDHCA is public information and is available upon request after the Board has approved the selection of firms for its list of underwriters in accordance with the Texas Public Information Act, chapter 552 of the Government Code (the "Act"). 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.

VIII. Cost Incurred in Responding

All costs directly or indirectly related to preparation of a response to this RFQ or any oral presentation required to supplement and/or clarify the RFQ which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REQUEST FOR QUALIFICATIONS FOR CO-MANAGING UNDERWRITING SERVICES
TIMETABLE**

Date			Days from Texas Register Notice Submission to RFQ Response Date	Days from Notice Submission in Texas Marketplace to RFQ Response Date	Days from RFQ Published in Texas Register & Bond Buyer to RFQ Response Date	Days from RFQ Posted on Web Site to RFQ Response Date	Days from RFQ Response Date to Submission to Executive Office
January 8	TDHCA Board Meeting	Bond Finance	37	28	28	28	11
January 15	Submit Notice to Texas Register and Bond Buyer	Bond Finance					
January 24	Submit Notice to Texas Marketplace	Bond Finance					
January 24	Post RFQ on TDHCA Website	Bond Finance					
January 24	Mail RFQ for Underwriting Services	Bond Finance			IB - Investment Bankers		
January 24	Notice Published in Texas Register and Bond Buyer	Bond Finance			EPC - Edwina Carrington		
February 21	RFQ Responses Due	IB/Bond Finance			BVJ - Byron Johnson		
February 24 - 28	Review submissions	Bond Finance					
March 4	Submit recommendations for inclusion in board package	Bond Finance					
March 13	TDHCA Board Meeting - Present Recommendations to Finance Committee and Board	Finance Committee/ EPC/BVJ					

**Low Income Housing Tax Credit Program
Board Action Request
January 8, 2003**

Action Item

Request review and possible approval of four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.
TDHCA as Issuer for tax exempt bond transactions.

Recommendation

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **TDHCA as Issuer** for tax exempt bond transactions known as:

Development No.	Name	Location	Total Units	LI Units	Total Development Costs	Recommended Tax Exempt Bond Amount	Recommended Credit Allocation
02462	Reading Road Apartments	Rosenberg	252	252	19,647,536	\$12,200,000	\$624,757



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: **Reading Road Apartments**

TDHCA#: 02462

DEVELOPMENT AND OWNER INFORMATION

Development Location: Rosenberg QCT: N DDA: N TTC: N
 Development Owner: Reading Road Apartments, L.P.
 General Partner(s): Reading Road Development, LLC, 100%, Contact: Sally Gaskin
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$635,826 Eligible Basis Amt: \$624,757 Equity/Gap Amt.: \$920,358
Annual Tax Credit Allocation Recommendation: \$624,757
 Total Tax Credit Allocation Over Ten Years: \$ 6,247,570

PROPERTY INFORMATION

Unit and Building Information

Total Units: 252 LIHTC Units: 252 % of LIHTC Units: 100%
 Gross Square Footage: 243,896 Net Rentable Square Footage: 238,896
 Average Square Footage/Unit: 948
 Number of Buildings: 27
 Currently Occupied: N

Development Cost

Total Cost: \$19,647,536 Total Cost/Net Rentable Sq. Ft.: \$82.24

Income and Expenses

Effective Gross Income:¹ \$1,937,928 Ttl. Expenses: \$932,400 Net Operating Inc.: \$1,005,528
 Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant: SGI Ventures, Inc. Manager: Orion Real Estate Services, Inc.
 Attorney: To Be Determined Architect: Mark S. Mucasey, A. I.A.
 Accountant: Reznick, Fedder & Silverman Engineer: Lott & Brown Engineering Services
 Market Analyst: O'Connor and Associates Lender: Sun America Affordable Housing Partners, Inc.
 Contractor: Dwayne Henson Investments, Inc. Syndicator: Sun America Affordable Housing Partners, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. J. E. "Buster" Brown, District 17 - NC
# in Opposition: 0	Rep. Charlie Howard, District 26 - NC
	Mayor Joe M. Gurecky - NC
	Jeff D. Braun, City Manager, City of Rosenberg; Consistent with the City of Rosenberg Economic Development Strategy Plan.

1. Gross Income less Vacancy
 2. NC - No comment received, O - Opposition, S - Support

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 financing commitment not to exceed \$12,200,000 reflecting the terms outlined above or an alternative financing structure acceptable to the Department.
3. Should the terms of the proposed debt be altered, the previous conditions and recommendations herein should be re-evaluated.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Charles E. Nwaneri, LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE 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
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

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

DATE: December 30, 2002 **PROGRAM:** Multifamily Bond 4% LIHTC **FILE NUMBER:** 2002-061 02462

DEVELOPMENT NAME

Reading Road Apartments

APPLICANT

Name: Reading Road Apartments, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** Texas
Zip: 77057 **Contact:** Sally Gaskin **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PRINCIPALS of the APPLICANT

Name: Reading Road Development, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Sun America **(%):** 99.99 **Title:** Limited Partner
Name: J. Steven Ford **(%):** _____ **Title:** Manager of G.P.
Name: Sally Gaskin **(%):** _____ **Title:** Manager of G.P.
Name: William Henson **(%):** _____ **Title:** Manager of G.P.

GENERAL PARTNER

Name: Reading Road Development, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** Texas
Zip: 77057 **Contact:** Sally Gaskin **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PROPERTY LOCATION

Location: 6000 Block of Reading Road near FM 2218 QCT DDA
City: Rosenberg **County:** Fort Bend **Zip:** 77471

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1. \$13,650,000	5.25%	30 yrs	30 yrs
2. \$635,826	N/A	N/A	N/A

Other Requested Terms: 1. Tax-exempt private activity mortgage revenue bonds. This is the requested amount per the application; however the Applicant provided a new commitment for \$12,200,000 at a 6.75% interest rate and a 35-year amortization.
2. Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction

SITE DESCRIPTION

Size: 14.0 acres 609,840 square feet **Zoning/ Permitted Uses:** No Zoning in Rosenberg
Flood Zone Designation: X **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 252 **# Rental Buildings:** 27 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
76	1	1	684
56	2	2	975
48	2	2	982
72	3	2	1,183

Net Rentable SF: 238,896 **Av Un SF:** 948 **Common Area SF:** 5,000 **Gross Bldng SF** 243,896

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

5,000 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, game room, central mailroom, swimming pool, equipped children's play area and perimeter fencing.

Uncovered Parking: 262 spaces **Carpports:** 0 spaces **Garages:** 252 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION AND LONG TERM/PERMANENT FINANCING

Source: Sun America Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: \$12,200,000 **Interest Rates:** 6.75%

Additional Information: These terms are for indicate they will receive a new commitment from Sun America for \$12,200,000 with a 6.75% interest rate, 35 year term and 35 year amortization and anticipate a refunding under a FHLMC credit enhanced structure within six months of initial bond closing.

Amortization: 35 yrs **Term:** 35 yrs **Commitment:** None Firm Conditional

Annual Payment: \$853,000 **Lien Priority:** 1st **Commitment Date** 12/ 24/ 2002

LIHTC SYNDICATION

Source: Sun America Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: \$5,300,358 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 81¢

Commitment None Firm Conditional **Date:** 12/ 18/ 2002

Additional Information: Based upon total credits of \$6,550,202. Revised draft commitment not signed

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

APPLICANT EQUITY

Amount: \$1,147,173 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	166,350	Assessment for the Year of:	2002
Building:	0	Valuation by:	Fort Bend County Appraisal District
Total Assessed Value:	166,350		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 3/ 31/ 2003 **Anticipated Closing Date:** 1/ 25/ 2003

Acquisition Cost: \$ 1,219,680 **Other Terms/Conditions:** The buyer is Salley Gaskin, Trustee. However the Trust has assigned it over to the Applicant

Seller: RLB Ventures, Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Reading Road Apartments is a proposed new construction development of 252 units of affordable income housing located in east Rosenberg. The development is comprised of 27 residential buildings as follows:

- (13) Building Type/Style A with eight 2-bedroom units;
- (9) Building Type/Style B with eight 3- bedroom units;
- (2) Building Type/Style C with eight 1- bedroom units; and
- (3) Building Type/Style D with 20, 1- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 5,000-square foot community building plan includes the management office, a 600-square foot community room, computer center, game room, exercise room, kitchen, restrooms, laundry facilities, mailroom, and the maintenance room.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: Personal Growth Opportunities, Family Skills Development, Education Programs, Fun Activities, and Neighborhood Advancement Programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of \$1,000, plus \$7.33 per unit per month for these support services.

Schedule: The Applicant anticipates construction to begin in February of 2003, to be completed in January of 2004, to be placed in service in February of 2004, and to be substantially leased-up in July 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 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All the units will be reserved for households earning 60% or less of AMGI.

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MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$20,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

Special Needs Set-Asides: 18 units (7%) will be handicapped-accessible.

Compliance Period Extension: The intended length of the compliance period was not specified in the application.

MARKET HIGHLIGHTS

A market feasibility study dated November 14, 2002 was prepared by Patrick O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: The market study provided a primary market area consisting of "...properties located within zip codes 77469, 77471, 77479, 77494, and 77450." The secondary market added zip codes 77464, 77417, 77461, 77435, 77485, and 77423. (p. 14) The analyst provided an addendum on December 6, 2002, indicating a new primary market consisting of an area using the U.S. Highway 59 corridor encompassing Rosenberg, Richmond, Sugar Land, First Colony, New Territory, Greatwood and Pecan Grove.

Total Local/Submarket Demand for Rental Units: In the market study, the primary market area consisted of a total demand of 805 income-eligible households and in the secondary market area there is a total demand of 1,112 income-eligible households. (p. 41) In the addendum, the analyst determined a demand of 1,285 units based on the U.S. Highway 59 corridor, which is a market area the Underwriter accepts.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	67	5%	75	4%
Resident Turnover	1,168	86%	1,679	96%
Other Sources	117	9%	0	0%
TOTAL ANNUAL DEMAND	1,285	100%	1,754	100%

Ref: Addendum

Capture Rate: According to the market study, there is a capture rate of 31.30% in the primary market for the tax credit units and 22.66% in the secondary market. (p. 42) However, O'Conner & Associates provided an updated market analysis dated December 6, 2002 with an expanded market area indicating a demand of 1,285 households and a capture rate of 19.61%. This calculation was determined by using a market area that followed the U.S. Highway 59 corridor from Rosenberg to Sugar Land. The Underwriter believes this revised market area is more appropriate and will support the demand for the development more accurately than the entire county, which was an alternative market area provided by the analyst in the analyst's first addendum, or the various zip codes utilized in the original market analysis. The Underwriter determined a demand of 1,754 units and a capture rate of 14%. The main difference between the analyst's final demand and the Underwriter's demand was that the Underwriter used the Houston IREM turnover of 63.3%, while the analyst used an undocumented turnover rate of 50%. There are no other proposed or unstabilized LIHTC units in the US Highway 59 corridor defined market area.

Local Housing Authority Waiting List Information: "The waiting list for Section 8 Vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in *the Houston Chronicle*, the waiting list for Section 8 vouchers is approximately six years....The Rosenberg Housing Authority reports a waiting list of over 200 families. The list was closed to new applicants in October 2001 and may be opened during 2003..."(p. 35)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling

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1,544 units in the market area. (p. 55) There are a total of 9,489 units in the submarket. (p. 28)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$584	\$584	\$0	\$700	-\$116
2-Bedroom (60%)	\$677	\$677	\$0	\$930	-\$253
3-Bedroom (60%)	\$778	\$778	\$0	\$1,200	-\$422

(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 overall occupancy rate for the projects in the submarket is currently 95.43%.” (p. 28)

Absorption Projections: “Absorption in the subject’s primary market area over the past eight quarters ending September 2002 totals a positive 842 units....” (p. 30) Although a number of new projects were constructed in the subject’s primary market area in 1999 and 2000, all these appear to be operating at stabilized occupancy....an absorption rate of approximately 20 units per month should be achievable. (p. 30)

Known Planned Development: There are two properties currently under construction and leasing units. The Club of the Brazos began pre-leasing in July 2002 and is averaging 22 leases per month. The Fountains of Rosenberg began pre-leasing in June 2002 averaging 20 units per month (p. 30). Neither of these are LIHTC properties.

Effect on Existing Housing Stock: Falcon Pointe, located one mile northwest, is an LIHTC property completed in 1999. The property is 98% leased and reportedly has a waiting list equivalent to 110% occupancy. (p. 30)

Other Relevant Information: According to the analyst, Falcon Pointe has an average rent of \$0.70 with an occupancy rate of 98%. The property was built in 1999 and has been stabilized for over a year. (p. 36) The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Rosenberg is located approximately 30 miles southwest of Houston in Fort Bend County. The site is an irregularly-shaped parcel located on the eastern side of Rosenberg, approximately one mile from the central business district. The site is situated on the northern side of Reading Road.

Population: The estimated 2000 population of Fort Bend County was 354,452, an increase of 57.2% from 1990 to 2000. The new primary market area’s population in 2001 was 162,258. Within the primary market area there were estimated to be 61,203 households in 2006.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly vacant land and single family. Adjacent land uses include vacant land to the north, west, and east, with the South Texas Medical Clinic located to the south. The vacant land to the north and west is currently being improved with residential subdivision lots.

Site Access: Access to the property is from the east or west along Reading Road from FM 2218. The development has one main entry and an exit located on Reading Road. Access to FM 2218 is 0.25 miles south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is near numerous shopping centers, including Wal-Mart, Office Depot, Home Depot and several grocery-anchored shopping centers. The site is also close to schools and Brazos Park with the South Texas Medical Clinic located across the street.

Site Inspection Findings: The site was inspected by a TDHCA staff member on November 25, 2002 and the inspector found the site to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated November 15, 2002 was prepared by the Murillo Company and contained the following findings and recommendations:

Findings: One leaking underground storage tank was located 0.50 miles northwest that is occupied by Stop-

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n-Go. The site is listed as Final Concurrence Issued, implying acceptable cleanup. Two Underground Storage Tanks are located 0.25 miles southwest.

Recommendations: The Murillo Company believes no direct evidence of any recognized environmental conditions exist at the subject site.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. Both the Underwriter and the Applicant are assuming \$15 per unit per month in secondary income and a vacancy and collection loss of 7.5%.

Expenses: The Applicant's estimate of total operating expense is 4% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's total expense estimate of \$3,700 per unit compares favorably with a TDHCA database-derived estimate of \$3,888 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly repairs and maintenance (50K higher), property taxes (47K lower), payroll (40K lower), utilities (30K lower), and property insurance (24K higher) than the Underwriter's estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Applicant's proposed debt service appears to provide a bonds only debt coverage ratio of just above the Department's minimum of 1.10. It should be noted, however, that TCHCA Administration and Issuer fees may be required to be paid out of cash flow for the first two years as the aggregate DCR is 1.07.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,220,000 (\$2.00/SF or \$87,143/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,488 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$886,722, or 8.7%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. As a result, the Applicant's total costs may be underestimated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$391,044 to reflect an apparent overestimation of eligible fees. Of this amount, \$104,375 is being reduced for construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. The Applicant also included as eligible the full amount of tax counsel and underwriting fees for the bonds when only the portion attributable to the construction period is eligible. As a result, the Underwriter reduced \$68,250 as eligible from tax counsel and \$218,419 as eligible from underwriting fees. This issue was clarified in correspondence with the Applicant as the Underwriter prorated these fees by including as eligible only 9% of the total fees.

Fees: The Applicant included \$150,000 in field supervision, \$201,000 in field overhead and \$6,500 in punch-out. The Underwriter moved these amounts to contingency, to allow for the maximization in fees, resulting in a net overestimation of \$114,750. The Applicant's contractor's profit and general requirements were each above the 6% threshold by \$21,450, while the contractor overhead was \$7,150 above the 2% threshold allowed under the TDHCA guidelines. The Applicant's developer fee was also overestimated by \$36,123, as a result of the higher contractor fees.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$17,069,869 is used to determine a credit allocation of \$624,757 from this method based upon the underwriting applicable percentage of 3.66 effective the month the Application was submitted (October 2002). The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the

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recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on tax-exempt private activity mortgage revenue bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The commitment letter provided with the application reflects that the bonds are tax-exempt private activity mortgage revenue bonds to be issued by the TDHCA and placed with Sun America. The Underwriter received a permanent loan commitment in the application for \$9,760,000 in Series A tax-exempt bonds and \$2,440,000 in Series B tax-exempt bonds. The interest rate on the bonds was estimated to be 6.75%, exclusive of credit enhancement, issuer and trustee fees. The bonds will have a three year interest-only period followed by a 35-year amortization period. Such loan amount will provide a debt coverage ratio above TDHCA's 1.10 minimum. The proposed structure would be subject to a refunding within six months of the original bond closing. At the time of the refunding, the transaction would be re-underwritten based upon a FHLMC credit enhancement permanent loan structure. Since the commitment was not an executed agreement, this report is conditioned upon an executed copy of the revised commitment.

LIHTC Syndication: Sun America Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,508,835 based on a 99.9% interest in the Partnership and a syndication factor of 81%. Sun America will also offer a Bridge Loan not to exceed \$3,794,711. All funds under \$3,305,301 will be interest free. Interest will accrue on any amount beyond that at a rate of 1% over prime. The syndication funds would be disbursed in a four-phased pay-in schedule:

1. 3% upon admission to the partnership;
2. 76% upon last Certificate of Occupancy;
3. 17% upon 3 months at 90% occupancy;
4. 4% upon 8609's.

Although, according to the Applicant, Sun America will be a 99.99% owner in the Partnership and will disperse \$5,513,798 in funds.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,147,173 amount to 50% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed \$624,757 annually for ten years, resulting in syndication proceeds of approximately \$5,055,473. Based on this analysis, the total fee deferred would be \$2,708,285, which represents all of the developer fee and \$165,558 of the contractor fee. The total fee is not repayable in 10 years however it appears to be repayable out of cash flow in less than 15 years.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies interior utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The buildings also contain eight attached garages that are entered via an additional door or a set of interior stairs. The units are in two- and three-story walk-up structures with mixed brick veneer and hardiboard siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC-funded developments. The executed agreement of limited partnership identifies Sun America, the General Partner, as comprising 99.9% of the partnership and the Limited Partner as comprising 0.1%. This partnership structure will not facilitate syndication of the tax credit allocation for which the Applicant has applied. Therefore, the partnership must be reorganized in order to make use of the allocation requested. However, the analysis performed by both the Underwriter and the Applicant indicate a 99.99% ownership by the limited partner.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Dwayne Henson Investments, Inc., 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$8,392,974 and consisting of \$261,047 in cash, \$5,509,555 in receivables, \$110,000 in real property, \$12,372 in machinery, equipment, and fixtures, and \$2,500,000 in partnership interests. Liabilities totaled \$213,347, resulting in a net worth of \$8,179,627.
- Resolution Real Estate Services, LLC, 40% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$898,000 and consisting of \$140,000 in cash, \$700,000 in receivables, \$30,000 in stocks and securities, and \$28,000 in machinery, equipment, and fixtures. Liabilities totaled \$95,000, resulting in a net worth of \$803,000.
- SGI Ventures, Inc., 20% owner of the General Partner, submitted an unaudited financial statement as of October 15, 2002 reporting total assets of \$601,305 and consisting of \$20,000 in cash, \$322,500 in receivables, \$5,000 in machinery, equipment, and fixtures, and \$253,805 in fees receivables. Liabilities totaled \$2,500, resulting in a net worth of \$598,805.
- The principals of the General Partner, J. Steve Ford, Sally Gaskin, and William D. Henson, submitted unaudited financial statements as of October 15, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Sally Gaskin has completed five affordable housing developments totaling 403 units since 1997.
- William Henson has completed 14 affordable housing developments totaling 2,191 units since 1995, and will be the General Contractor for the development.
- J. Steve Ford has completed eight affordable housing developments totaling 1,464 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

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

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$624,757 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF TAX-EXEMPT BONDS NOT TO EXCEED \$12,200,000, STRUCTURED AS FULLY AMORTIZING OVER NOT LESS THAN 35 YEARS AT NOT MORE THAN 6.75% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an executed financing commitment not to exceed \$12,200,000 reflecting the terms as outlined above;
2. Should the terms of the proposed debt be altered, the previous conditions and recommendations herein should be re-evaluated.

Underwriter:

Mark Fugina

Date: December 30, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 30, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

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
TC60%	76	1	1	684	\$670	\$584	\$44,384	\$0.85	\$86.00	\$11.00
TC60%	56	2	2	975	804	677	37,912	0.69	127.00	11.00
TC60%	48	2	2	982	804	677	32,496	0.69	127.00	11.00
TC60%	72	3	2	1,183	930	778	56,016	0.66	152.00	11.00
TOTAL:	252		AVERAGE:	948	\$800	\$678	\$170,808	\$0.71	\$121.78	\$11.00

INCOME		Total Net Rentable Sq Ft:	238,896		TDHCA	APPLICANT			
POTENTIAL GROSS RENT									
Secondary Income		Per Unit Per Month:	\$15.00		\$2,049,696	\$2,049,696			
Other Support Income					45,360	45,360	\$15.00	Per Unit Per Month	
POTENTIAL GROSS INCOME									
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		\$2,095,056	\$2,095,056			
Employee or Other Non-Rental Units or Concessions					(157,129)	(157,128)	-7.50%	of Potential Gross Income	
EFFECTIVE GROSS INCOME									
					\$1,937,927	\$1,937,928			

EXPENSES	% OF RGI	PER UNIT	PER SQ FT		TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
General & Administrative	4.04%	\$311	\$0.33		\$78,316	\$64,490	\$0.27	\$256	3.33%
Management	5.00%	385	0.41		96,896	96,896	0.41	385	5.00%
Payroll & Payroll Tax	11.34%	872	0.92		219,744	180,200	0.75	715	9.30%
Repairs & Maintenance	5.65%	435	0.46		109,526	160,000	0.67	635	8.26%
Utilities	3.56%	274	0.29		68,948	38,500	0.16	153	1.99%
Water, Sewer, & Trash	3.00%	231	0.24		58,221	67,000	0.28	266	3.46%
Property Insurance	2.47%	190	0.20		47,779	71,669	0.30	284	3.70%
Property Tax	2.84038	2.84038	0.82		196,838	150,258	0.63	596	7.75%
Reserve for Replacements	2.60%	200	0.21		50,400	50,400	0.21	200	2.60%
Other: Security, Compliance, Sup	2.73%	210	0.22		52,987	52,987	0.22	210	2.73%
TOTAL EXPENSES	50.55%	\$3,888	\$4.10		\$979,656	\$932,400	\$3.90	\$3,700	48.11%
NET OPERATING INC	49.45%	\$3,803	\$4.01		\$958,271	\$1,005,528	\$4.21	\$3,990	51.89%

DEBT SERVICE	% OF RGI	PER UNIT	PER SQ FT		TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF RGI
1st tier bonds	46.94%	\$3,610	\$3.81		\$909,754	\$918,110	\$3.84	\$3,643	47.38%
Trustee Fee	0.18%	\$14	\$0.01		\$3,500	3,500	\$0.01	\$14	0.18%
TDHCA Admin. Fees	0.63%	\$48	\$0.05		12,200	13,650	\$0.06	\$54	0.70%
Asset Oversight & Compliance Fee	0.65%	\$50	\$0.05		12,600	12,600	\$0.05	\$50	0.65%
NET CASH FLOW	1.04%	\$80	\$0.08		\$20,217	\$57,668	\$0.24	\$229	2.98%
AGGREGATE DEBT COVERAGE RATIO									
					1.02	1.06			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO									
					1.05	1.09			
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO									
						1.11			

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)			5.94%	\$4,841	\$5.11		\$1,220,000	\$1,220,000	\$5.11	\$4,841	6.21%
Off-Sites			0.00%	0	0.00		0	0	0.00	0	0.00%
Sitework			7.60%	6,200	6.54		1,562,500	1,562,500	6.54	6,200	7.95%
Direct Construction			49.54%	40,394	42.61		10,179,222	9,292,500	38.90	36,875	47.30%
Contingency	5.00%		2.86%	2,330	2.46		587,086	657,500	2.75	2,609	3.35%
General Req'ts	5.73%		3.27%	2,670	2.82		672,750	672,750	2.82	2,670	3.42%
Contractor's G & i	1.91%		1.09%	890	0.94		224,250	224,250	0.94	890	1.14%
Contractor's Prof:	5.73%		3.27%	2,670	2.82		672,750	672,750	2.82	2,670	3.42%
Indirect Construction			2.98%	2,433	2.57		613,000	613,000	2.57	2,433	3.12%
Ineligible Costs			4.66%	3,797	4.00		956,744	956,744	4.00	3,797	4.87%
Developer's G & A	1.91%		1.47%	1,197	1.26		301,684	301,684	1.26	1,197	1.54%
Developer's Profit	12.39%		9.54%	7,782	8.21		1,960,944	1,960,944	8.21	7,782	9.98%
Interim Financing			6.39%	5,210	5.50		1,312,914	1,312,914	5.50	5,210	6.68%
Reserves			1.38%	1,129	1.19		284,512	200,000	0.84	794	1.02%
TOTAL COST			100.00%	\$81,541	\$86.01		\$20,548,356	\$19,647,536	\$82.24	\$77,966	100.00%
Recap-Hard Construction Costs			67.64%	\$55,153	\$58.18		\$13,898,558	\$13,082,250	\$54.76	\$51,914	66.58%

SOURCES OF FUNDS						RECOMMENDED
1st tier bonds	49.44%	\$40,317	\$42.53		\$10,160,000	\$10,160,000
Second tier bonds	12.36%	\$10,079	\$10.63		2,540,000	2,540,000
LIHTC Syndication Proceeds	26.83%	\$21,880	\$23.08		5,513,798	5,513,798
Deferred Developer's Fee	10.21%	\$8,322	\$8.78		2,097,173	2,097,173
Additional (excess) Funds Required	1.16%	\$942	\$0.99		237,385	(663,435)
TOTAL SOURCES					\$20,548,356	\$19,647,536

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.35	\$10,117,873
Adjustments				
Exterior Wall Finish	4.50%		\$1.91	\$455,304
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(241,285)
Floor Cover			1.92	458,680
Porches/Balconies	\$21.41	25,245	2.26	540,369
Plumbing	\$615	528	1.36	324,720
Built-In Appliance	\$1,625	252	1.71	409,500
Stairs	\$1,625	114	0.78	185,250
Floor Insulation			0.00	0
Heating/Cooling			1.47	351,177
Garages	\$12.01	50,400	2.53	605,304
Comm &/or Aux Bldg	\$53.70	5,000	1.12	268,515
Other:			0.00	0
SUBTOTAL			56.41	13,475,408
Current Cost Multiplier	1.02		1.13	269,508
Local Multiplier	0.91		(5.08)	(1,212,787)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.46	\$12,532,130
Plans, specs, survy, b	3.90%		(\$2.05)	(\$488,753)
Interim Construction I	3.38%		(1.77)	(422,959)
Contractor's OH & Prof	11.50%		(6.03)	(1,441,195)
NET DIRECT CONSTRUCTION COSTS			\$42.61	\$10,179,222

PAYMENT COMPUTATION

Primary	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.05

Secondary		Amort	
Int Rate		Subtotal DCR	1.04

Additional		Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$909,754
Trustee Fee	3,500
TDHCA Fees	24,800
NET CASH FLOW	\$67,474

Primary	\$12,200,000	Amort	420
Int Rate	6.75%	DCR	1.11

Debt plus Trustee	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

All-in Debt Cost	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.07

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,049,696	\$2,111,187	\$2,174,522	\$2,239,758	\$2,306,951	\$2,674,388	\$3,100,349	\$3,594,154	\$4,830,243
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Developer's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,095,056	2,157,908	2,222,645	2,289,324	2,358,004	2,733,573	3,168,960	3,673,693	4,937,137
Vacancy & Collection Loss:	(157,128)	(161,843)	(166,698)	(171,699)	(176,850)	(205,018)	(237,672)	(275,527)	(370,285)
TOTAL COST	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,937,928	\$1,996,065	\$2,055,947	\$2,117,625	\$2,181,154	\$2,528,555	\$2,931,288	\$3,398,166	\$4,566,851
EXPENSES at 4.00%									
General & Administrative	\$64,490	\$67,070	\$69,752	\$72,542	\$75,444	\$91,789	\$111,676	\$135,871	\$201,122
Management	96,896	99,803	102,797	105,881	109,058	126,428	146,564	169,908	228,343
Payroll & Payroll Tax	180,200	187,408	194,904	202,700	210,809	256,481	312,048	379,654	561,981
Repairs & Maintenance	160,000	166,400	173,056	179,978	187,177	227,730	277,068	337,096	498,984
Utilities	38,500	40,040	41,642	43,307	45,040	54,798	66,670	81,114	120,068
Water, Sewer & Trash	67,000	69,680	72,467	75,366	78,381	95,362	116,022	141,159	208,950
Insurance	71,669	74,536	77,517	80,618	83,843	102,007	124,108	150,996	223,511
Property Tax	150,258	156,268	162,519	169,020	175,781	213,864	260,198	316,571	468,602
Reserve for Replacements	50,400	52,416	54,513	56,693	58,961	71,735	87,276	106,185	157,180
Other	52,987	55,106	57,311	59,603	61,987	75,417	91,756	111,636	165,248
TOTAL EXPENSES	\$932,400	\$968,727	\$1,006,478	\$1,045,710	\$1,086,479	\$1,315,610	\$1,593,387	\$1,930,189	\$2,833,988
NET OPERATING INCOME	\$1,005,528	\$1,027,337	\$1,049,468	\$1,071,915	\$1,094,674	\$1,212,944	\$1,337,901	\$1,467,977	\$1,732,863
DEBT SERVICE									
First Lien Financing	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754	\$909,754
Adjustments	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Trustee Fee	12,200	12,111	12,016	11,914	11,805	11,136	10,199	8,887	4,478
TDHCA Admin. Fees	12,600	13,104	13,628	14,173	14,740	17,934	21,819	26,546	39,295
Cash Flow	67,474	88,868	110,570	132,574	154,875	270,621	392,629	519,290	775,836
AGGREGATE DCR	1.07	1.09	1.12	1.14	1.16	1.29	1.42	1.55	1.81

LIHTC Allocation Calculation - Reading Road, Rosenberg, Bond #2002-061, LIHTC # 02462

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	\$1,220,000	\$1,220,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,562,500	\$1,562,500	\$1,562,500	\$1,562,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$9,292,500	\$10,179,222	\$9,292,500	\$10,179,222
(4) Contractor Fees & General Requirements				
Contractor overhead	\$224,250	\$224,250	\$217,100	\$224,250
Contractor profit	\$672,750	\$672,750	\$651,300	\$672,750
General requirements	\$672,750	\$672,750	\$651,300	\$672,750
(5) Contingencies				
	\$657,500	\$587,086	\$542,750	\$587,086
(6) Eligible Indirect Fees				
	\$613,000	\$613,000	\$613,000	\$613,000
(7) Eligible Financing Fees				
	\$1,312,914	\$1,312,914	\$1,312,914	\$1,312,914
(8) All Ineligible Costs				
	\$956,744	\$956,744		
(9) Developer Fees				
			\$2,226,505	
Developer overhead	\$301,684	\$301,684		\$301,684
Developer fee	\$1,960,944	\$1,960,944		\$1,960,944
(10) Development Reserves				
	\$200,000	\$284,512		
TOTAL DEVELOPMENT COSTS	\$19,647,536	\$20,548,356	\$17,069,869	\$18,087,100

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			\$17,069,869	\$18,087,100
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$17,069,869	\$18,087,100
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$17,069,869	\$18,087,100
Applicable Percentage			3.66%	3.66%
TOTAL AMOUNT OF TAX CREDITS			\$624,757	\$661,988

Syndication Proceeds 0.8092 \$5,055,473 \$5,356,740

Developer Evaluation

Compliance Status Summary

Project ID #: 2002-061/02462

LIHTC 9% LIHTC 4%

Project Name: Reading Road Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 14 # not yet monitored or pending review 8

of projects grouped by score 0-9: 14 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo Taylor **Completed on** 12/18/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 11/04/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 12/18/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** 11/14/2002

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 12/19/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 11/05/2002

Executive Director: Edwina Carrington **Date Signed:** ember 30, 2002

**Low Income Housing Tax Credit Program
Board Action Request
January 8, 2003**

Action Item

Request review and possible approval of four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
02459	The Park at Sycamore School Apartments	Fort Worth	Tarrant County HFC	216	216	\$18,638,757	\$12,800,000	\$590,923



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: **The Park at Sycamore School Apartments**

TDHCA#: 02459

DEVELOPMENT AND OWNER INFORMATION

Development Location: Fort Worth QCT: N DDA: N TTC: N
 Development Owner: Tarrant County Partners, L.P.
 General Partner(s): Jan-TX III, LLC, 100%, Contact: Cliff Bates
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Tarrant County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$592,834 Eligible Basis Amt: \$590,923 Equity/Gap Amt.: \$807,201
Annual Tax Credit Allocation Recommendation: \$590,923
 Total Tax Credit Allocation Over Ten Years: 5,909,230

PROPERTY INFORMATION

Unit and Building Information

Total Units: 216 LIHTC Units: 216 % of LIHTC Units: 100%
 Gross Square Footage: 235,100 Net Rentable Square Footage: 230,904
 Average Square Footage/Unit: 1069
 Number of Buildings: 9
 Currently Occupied: N

Development Cost

Total Cost: \$18,638,757 Total Cost/Net Rentable Sq. Ft.: \$80.72

Income and Expenses

Effective Gross Income:¹ \$1,883,315 Ttl. Expenses: \$856,650 Net Operating Inc.: \$1,026,665
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized	Manager: Park Management
Attorney: Taylor, Covington & Smith	Architect: Humphreys & Partners
Accountant: Novogradac & Company, LLP	Engineer: Adams Consulting Engineers
Market Analyst: Jack Poe Company	Lender: South Trust Bank
Contractor: Unicorp, Inc.	Syndicator: South Trust Community Reinvestment Company, LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Mike Moncrief, District 12 - NC
# in Opposition: 0	Rep. Kim Brimer, District 96 - NC
	Mayor Kenneth Barr - NC
	Reid Rector, Assistant City Manager; Consistent with the local Consolidated Plan.

1. Gross Income less Vacancy
 2. NC - No comment received, O - Opposition, S - Support

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 a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
3. Initial debt service does not appear to have the capacity to exceed \$933,383; therefore, firm financing commitments not subject to any lender due diligence are required and should be reviewed by underwriting staff for consistency with this evaluation.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Charles E. Nwaneri, LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE 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
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Michael E. Jones, Chairman of the Board

Date

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

DATE: December 2, 2002 PROGRAM: 4% LIHTC FILE NUMBER: 02459

DEVELOPMENT NAME

The Park at Sycamore School Apartments

APPLICANT

Name: Tarrant County Partners, L.P. Type: For Profit Non-Profit Municipal Other
 Address: P.O. Box 741 City: Jackson State: MS
 Zip: 39205 Contact: Cliff Bates Phone: (601) 321-7623 Fax: (601) 321-7693

PRINCIPALS of the APPLICANT

Name: JAN-TX III, LLC (%): 0.1 Title: Managing General Partner
 Name: SouthTrust Community Reinvestment (%): 99.9 Title: Limited Partner
 Name: Southeast Development, LLC Title: 100% owner of MGP
 Name: J. H. Thames, Jr. Title: 75% owner of Southeast Dev.
 Name: Rodney R. Triplett, Jr. Title: 25% owner of Southeast Dev.

GENERAL PARTNER

Name: JAN-TX III, LLC Type: For Profit Non-Profit Municipal Other
 Address: P.O. Box 741 City: Jackson State: MS
 Zip: 39205 Contact: ChipTriplett Phone: (601) 321-7620 Fax: (601) 321-7694

PROPERTY LOCATION

Location: Southeast corner of west Cleburne Road at Sycamore School Road QCT DDA
 City: Fort Worth County: Tarrant Zip: 76133

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$592,834	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: 13.68 acres 595,901 square feet Zoning/ Permitted Uses: C, Medium Density Multi-Family District
 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: 216 **# Rental Buildings:** 9 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs

Number	Bedrooms	Bathroom	Size in SF
36	1	1	774
108	2	2	1,048
72	3	2	1,248

Net Rentable SF: 230,904 **Av Un SF:** 1,069 **Common Area SF:** 4,196 **Gross Bldg SF:** 235,100

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 15% brick veneer/85% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

4,196 SF community building with community room, fitness & laundry facilities, restrooms, central mailroom, swimming pool, equipped children's play area, perimeter fencing

Uncovered Parking: 446 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

BOND/LONG TERM/CREDIT ENHANCEMENT/PERMANENT FINANCING

Source: SouthTrust Bank **Contact:** Mark Brinton

Principal Amount: \$12,800,000 **Interest Rate:** TBD

Additional Information: With low floater swap, the all-in interest rate is calculated by Applicant as 6.43%, Commitments reflect 27 year amortization and a maximum interest rate of 6.5%

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

Annual Payment: \$1,018,694 **Lien Priority:** 1st **Commitment Date:** 10/ 23/ 2002

LIHTC SYNDICATION

Source: SouthTrust Community Reinvestment Company, LLC **Contact:** Dale Taylor

Address: P.O. Box 2554 **City:** Birmingham

State: AL **Zip:** 35290 **Phone:** (205) 254-5893 **Fax:** (205) 254-5501

Net Proceeds: \$4,845,411 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 84¢

Commitment: None Firm Conditional **Date:** 10/ 23/ 2002

Additional Information: Commitment letter reflects proceeds of \$4,845,411 based on credits of \$5,774,121

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

APPLICANT EQUITY

Amount: \$1,000,228 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 18.68 ac. \$373,600 **Assessment for the Year of:** 2002
1 acre: \$20,000 **Valuation by:** Tarrant County Appraisal District
Total Value: 13.68 ac \$273,600 prorated

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract
Contract Expiration Date: 1/ 30/ 2003 **Anticipated Closing Date:** 1/ 15/ 2003
Acquisition Cost: \$ 1,380,775 **Other Terms/Conditions:** \$10,000 earnest money plus \$25,000 extension fee
Seller: Ace Investments **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Park at Sycamore School Apartments is a proposed new construction development of 216 units of affordable housing located in southwest Fort Worth. The development is comprised of nine residential buildings as follows:

- Three Building Type I with twelve one-bedroom units and twelve two-bedroom units;
- Six Building Type II with twelve two-bedroom units and twelve three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 4,196-square foot community building plan includes the management office, a community room, exercise room, and restrooms.

Supportive Services: The Applicant has contracted with Mississippi Housing & Community Services, Inc. to provide the following supportive services to tenants: resident activities, financial counseling, tax services, law enforcement safety seminars, church programs, health seminars through hospitals, book vans, transportation services, and pet visit programs. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services. The contract does not indicate any additional fee that the Applicant will have to pay for these services and none was included in the operating budget.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside and as a Priority 2 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,740	\$29,400	\$33,120	\$36,780	\$39,720	\$42,660

Special Needs Set-Asides: The application did not specify that any of the units are specifically designated to

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

be handicapped-accessible or equipped for tenants with hearing or visual impairments; however, the Applicant has signed the certification confirming that the development will meet minimum accessibility requirements under Section 504, Rehabilitation Act of 1973.

Compliance Period Extension: By virtue of the tax-exempt bond/LIHTC financing, the development is obligated to remain affordable throughout a 30-year compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 28, 2002 was prepared by the Jack Poe Company, Inc. and highlighted the following findings:

Definition of Market/Submarket : “The primary market is defined as an area within a three-mile radius of the subject site. Although not exact, the geographic boundaries of this neighborhood are generally delineated by Interstate Highway 20 to the north, Interstate Highway 35 to the east, Cleburne-Crowley road to the south, and Bryant Irvin Road and Benbrook Lake to the west.” (p. 31)

Total Local/Submarket Demand for Rental Units: “New income-qualified renter household growth is estimated at 77 households per year...demand in the primary market includes 3,797 income-qualified renter households that are turning over each year...Thus, total demand in the primary market is estimated to be 3,874 households” (p. 34)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Units of Demand	% of Total Demand
Household Growth	77	2%
Resident Turnover	3,797	98%
TOTAL ANNUAL DEMAND	3,874	100%

Ref: p. 34

Capture Rate: “The total low-income-qualified demand is estimated to be 3,874 in the primary market area, and the capture rate of the subject’s 216 units is 5.6%.” (p. 37) The underwriter included 494 additional proposed or approve but not fully stabilized affordable units in this submarket to conclude an acceptable inclusive capture rate of 18%.

Market Rent Comparables: The market analyst surveyed eleven comparable apartment projects in the market area. (p. 51)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$633	\$627	+\$6	\$650	-\$17
2-Bedroom (60%)	\$758	\$752	+\$6	\$775	-\$17
3-Bedroom (60%)	\$872	\$870	+\$2	\$1,000	-\$128

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

Submarket Occupancy Rates: “Average apartment occupancy, at 94.4%, in the subject’s submarket, is higher than the D/FW average of 92.2%” (p. 27)

Absorption Projections: “New LIHTC apartments are leasing up at rates between 17 and 36 units per month. Thus, a lease-up rate of 25 units per month is reasonable...” (p. 61)

Known Planned Development: “Although Sycamore Point Townhomes, 126 restricted units, is an existing project, it just reached stabilized occupancy within the past few weeks. The remaining two projects, 368 units, are either under construction or in the planning stages.” (p. 37)

The Underwriter found the market study to be acceptable.

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southwest area of Fort Worth, approximately nine miles from the central business district. The site is situated on the south side of Sycamore School Road between West Cleburne road and McCart Avenue.

Population: The estimated 2001 population of the primary market area was 83,660 and is expected to increase by 7% to approximately 89,541 by 2006. Within the primary market area there were estimated to be 31,657 households in 2001.

Adjacent Land Uses: Much of the subject's neighborhood is vacant, but most of the development is single-family housing, with multifamily improvements on major traffic arteries and commercial development along the major traffic arteries and at major intersections.. Adjacent land uses include:

- **North:** Vacant land and multifamily residential
- **South:** Single-family residential
- **East:** Vacant land and commercial retail
- **West:** Vacant land and commercial retail

Site Access: Access to the defined neighborhood is good due to its proximity to Loop 820 and IH-35W. Loop 820 encircles the city of Fort Worth and intersects with IH-35W approximately three miles northeast of the subject..

Public Transportation: The availability of public transportation to the site is unknown.

Shopping & Services: The subject neighborhood is characterized as a mature neighborhood. The neighborhood has a wide variety of improvements that are reasonably well maintained. It is conveniently located to major traffic arteries that provide access to the entire Dallas/Forth Worth Metroplex and there is significant vacant land available for future development. Most of the improvements in the neighborhood are single-family residences, but there are a typical variety of amenities such as schools, churches, public parks, restaurants, and retail establishments within the neighborhood, which offer area residents a convenient neighborhood infrastructure.

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 October 24, 2002 was prepared by Professional Service Industries, Inc. and contained the following findings and recommendations:

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

Recommendations: No further assessment of recognized environmental conditions appears to be warranted.

OPERATING PROFORMA ANALYSIS

Income: The 2002 rent limits were used by the Applicant in setting the rents. However, the Applicant miscalculated utility allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The resulting difference in potential gross rent is approximately \$12K. The Applicant's effective gross income estimate is \$11K, or 1%, higher than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,606 per unit is 9% lower than the Underwriter's TDHCA database-derived estimate of \$3,966 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: general and administrative (\$9K lower), payroll (\$9K lower), utilities (\$30K lower), water, sewer, and trash (\$47K lower), and insurance (\$21K higher).

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. The Underwriter's estimated debt coverage ratio (DCR) of 1.02 is less than the program minimum standard of 1.10, therefore the maximum annual debt service for this project should be limited to \$933,383.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$1,380,775 (\$5.98/SF) is substantiated through a sales contract and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Fees: The Applicant's contractor's general and administrative fees and contractor's profit exceed the 2% and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$52,362 with the overage effectively moved to ineligible costs.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$16,189,670 is used to determine a credit allocation of \$590,923 annually.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: tax-exempt bonds, syndicated LIHTC equity, and deferred developer's fees.

Bond-Financed Interim to Permanent Loan: SouthTrust Bank has offered to issue credit enhancement for the variable rate tax-exempt bonds in the amount of \$12,800,000 to be issued by the Tarrant County Housing Finance Corporation. The credit enhancement will take the form of a letter of credit with an annual fee of 1.5% of the outstanding balance of the bonds. The commitment letter indicates that an interest rate cap of three years will result in an interest rate equal to the greater of the all-in rate or 6.5% while a term of five years would cause a reduction in the minimum interest rate to 6.25%. Furthermore, should the borrower enter into a low-floater rate swap agreement for a minimum of seven years, the interest rate will be equal to the swap rate plus all add-ons, but an estimate of this rate was not provided. Although the body of the uniform application indicates an amortization period of 40 years, all submitted documentation points to an amortization period of 27 years. This analysis assumes an amortization period of 27 years and an interest rate of 6.5%, based on the most conservative financing structure outlined in the submitted commitment.

LIHTC Syndication: SouthTrust Community Reinvestment Company, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,845,411 based on a syndication factor of 84%. The funds would be disbursed in an eight-phased pay-in schedule:

1. 14.86% upon closing of partnership and funding under bond financing (closing date);
2. 14.86% upon the calendar quarter following the closing date;
3. 14.86% upon the second calendar quarter following the closing date;
4. 14.86% upon the third calendar quarter following the closing date;
5. 14.86% upon the fourth calendar quarter following the closing date;
6. 14.86% upon receipt of certificates of occupancy for all units and completion of construction;
7. 5.42% upon 95% lease-up with qualified tenants, and receipt of all IRS Forms 8609, and achievement of stabilized occupancy (three consecutive months operations at 1.2 DCR);
8. 5.42% upon receipt of Partnership Form K-1 or one partial or whole year's operations.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,000,228 amount to 56% of the total fees.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, as adjusted by the Underwriter, was used to determine a recommended tax credit allocation of \$590,923 annually. The recommended allocation is \$1,911 less than the Applicant's revised request due to the inclusion of the overstated contractor fees in their eligible basis calculation.

The Underwriter's proforma was used to determine the development's debt service capacity resulting in a debt coverage ratio (DCR) that falls below the Department's minimum guideline of 1.10. The development's annual debt service must be limited to \$933,383 in order to reach a 1.10 Bonds-only DCR. Based on the

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

most conservative financing structure outlined in the submitted commitment, mandatory redemption to resize the bond amount to \$11,865,047 is anticipated. This structure would require deferral of 100% of the proposed developer fees and a portion of the related party contractor fees. Receipt, review and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing is a condition of this report. The total deferred fees of \$1,814,921 appear to be repayable within 10 years of stabilized operation.

If the lower 6.25% rate projected for a five year minimum interest rate cap is alternatively pursued, the amount of debt could increase by \$290K and would result in an equal amount of reduction in deferred developer fees. Moreover, if the lower rate was used over the Applicant's suggested 40 year amortization, the full proposed debt amount would be serviceable within the Department's 1.10 to 1.25 DCR guideline. Thus, receipt, review and acceptance of final lender commitments not subject to any additional lender due diligence are required, but are likely not to have an effect on the recommended credit allocation.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive, with varied rooflines. All units are of average size for LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is shared with other unit off an interior breezeway. The units are in three-story walk-up structures with brick and wood siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are related entities. These are common identities of interest 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.
- The 75% owner of the General Partner, J. H. Thames, Jr., has completed 93 LIHTC/affordable and conventional housing developments totaling 6,822 units since 1980.
- The 25% owner of the General Partner, Rodney F. Triplett, Jr., has completed 44 LIHTC/affordable and conventional housing developments totaling 5,405 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

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

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$590,923 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report; and
3. Initial debt service does not appear to have the capacity to exceed \$933,383; therefore, firm financing commitments not subject to any lender due diligence are required and should be reviewed by underwriting staff for consistency with this evaluation..

Underwriter:

Carl Hoover

Date: December 2, 2002

Credit Underwriting Supervisor:

Lisa Vecchietti

Date: December 2, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Park at Sycamore School, Ft. Worth, LIHTC #02459

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, Trash
LIHTC (60%)	36	1	1	774	\$689	\$627	\$22,572	\$0.81	\$62.00	\$20.00
LIHTC (60%)	108	2	2	1,048	828	752	81,216	0.72	76.00	22.00
LIHTC (60%)	72	3	2	1,248	956	870	62,640	0.70	86.00	25.00
TOTAL:	216		AVERAGE:	1,069	\$848	\$771	\$166,428	\$0.72	\$77.00	\$22.67

INCOME Total Net Rentable Sq Ft: **230,904**

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

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

EFFECTIVE GROSS INCOME

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.16%	\$276	\$0.26
Management	5.00%	436	0.41
Payroll & Payroll Tax	9.66%	842	0.79
Repairs & Maintenance	4.98%	434	0.41
Utilities	2.70%	236	0.22
Water, Sewer, & Trash	3.12%	272	0.25
Property Insurance	1.96%	171	0.16
Property Tax 3.141367773	12.61%	1,099	1.03
Reserve for Replacements	2.29%	200	0.19
Other Expenses:	0.00%	0	0.00
TOTAL EXPENSES	45.49%	\$3,966	\$3.71
NET OPERATING INC	54.51%	\$4,753	\$4.45

DEBT SERVICE

SouthTrust Bank	53.47%	\$4,662	\$4.36
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	1.05%	\$91	\$0.09

AGGREGATE DEBT COVERAGE RATIO

ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		7.09%	\$6,392	\$5.98
Off-Sites		0.00%	0	0.00
Sitework		7.21%	6,500	6.08
Direct Construction		51.01%	45,999	43.03
Contingency	3.97%	2.31%	2,083	1.95
General Req'ts	5.50%	3.20%	2,889	2.70
Contractor's G & I	1.94%	1.13%	1,021	0.96
Contractor's Prof:	5.98%	3.48%	3,141	2.94
Indirect Construction		3.32%	2,991	2.80
Ineligible Costs		4.16%	3,754	3.51
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	11.83%	9.23%	8,323	7.79
Interim Financing		6.38%	5,755	5.38
Reserves		1.47%	1,327	1.24
TOTAL COST		100.00%	\$90,175	\$84.35
Recap-Hard Construction Costs		68.35%	\$61,633	\$57.65

SOURCES OF FUNDS

SouthTrust Bank	65.72%	\$59,259	\$55.43
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	24.84%	\$22,401	\$20.95
Deferred Developer Fees	5.14%	\$4,631	\$4.33
Additional (excess) Funds Req'd	4.31%	\$3,885	\$3.63
TOTAL SOURCES			

	TDHCA	APPLICANT			
	\$1,997,136	\$2,009,232			
	38,880	38,880	\$15.00	Per Unit Per Month	
	0	0			
	\$2,036,016	\$2,048,112			
	(152,701)	(153,612)	-7.50%	of Potential Gross Income	
	0	0			
	\$1,883,315	\$1,894,500			
	\$59,537	\$50,760	\$0.22	\$235	2.68%
	94,166	86,630	0.38	401	4.57%
	181,872	172,800	0.75	800	9.12%
	93,798	97,200	0.42	450	5.13%
	50,894	20,400	0.09	94	1.08%
	58,752	12,000	0.05	56	0.63%
	36,945	58,320	0.25	270	3.08%
	237,487	237,600	1.03	1,100	12.54%
	43,200	43,200	0.19	200	2.28%
	0	0	0.00	0	0.00%
	\$856,650	\$778,910	\$3.37	\$3,606	41.11%
	\$1,026,665	\$1,115,590	\$4.83	\$5,165	58.89%
	\$1,006,932	\$945,742	\$4.10	\$4,378	49.92%
	0	0	\$0.00	\$0	0.00%
	0	0	\$0.00	\$0	0.00%
	\$19,732	\$169,848	\$0.74	\$786	8.97%
	1.02	1.18			
	1.10				

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$1,380,775	\$1,380,775	\$5.98	\$6,392	7.41%
	0	0	0.00	0	0.00%
	1,404,000	1,404,000	6.08	6,500	7.53%
	9,935,698	9,178,141	39.75	42,491	49.24%
	450,000	450,000	1.95	2,083	2.41%
	624,128	624,128	2.70	2,889	3.35%
	220,525	220,525	0.96	1,021	1.18%
	678,408	678,408	2.94	3,141	3.64%
	646,000	646,000	2.80	2,991	3.47%
	810,950	810,950	3.51	3,754	4.35%
	0	0	0.00	0	0.00%
	1,797,780	1,797,780	7.79	8,323	9.65%
	1,243,050	1,243,050	5.38	5,755	6.67%
	286,552	205,000	0.89	949	1.10%
	\$19,477,866	\$18,638,757	\$80.72	\$86,291	100.00%
	\$13,312,759	\$12,555,202	\$54.37	\$58,126	67.36%
	\$12,800,000	\$12,800,000		\$11,865,047	
	0	0		0	
	4,838,529	4,838,529		4,958,789	
	1,000,228	1,000,228		1,814,921	
	839,109	0		0	
	\$19,477,866	\$18,638,757		\$18,638,757	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

The Park at Sycamore School, Ft. Worth, LIHTC #02459

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.12	\$9,493,948
Adjustments				
Exterior Wall Finish	2.05%		\$0.84	\$194,626
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(155,475)
Floor Cover			1.92	443,336
Porches/Balconies	\$29.24	57,024	7.22	1,667,382
Plumbing	\$615	540	1.44	332,100
Built-In Appliances	\$1,625	216	1.52	351,000
Stairs/Fireplaces	\$1,625	72	0.51	117,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	339,429
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$54.76	4,196	1.00	229,756
Other:			0.00	0
SUBTOTAL			56.36	13,013,101
Current Cost Multiplier	1.02		1.13	260,262
Local Multiplier	0.92		(4.51)	(1,041,048)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.98	\$12,232,315
Plans, specs, survy, b.	3.90%		(\$2.07)	(\$477,060)
Interim Construction I.	3.38%		(1.79)	(412,841)
Contractor's OH & Prof.	11.50%		(6.09)	(1,406,716)
NET DIRECT CONSTRUCTION COSTS			\$43.03	\$9,935,698

PAYMENT COMPUTATION

Primary	\$12,800,000	Amort	324
Int Rate	6.50%	DCR	1.02

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.02

Additional	\$4,838,529	Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$933,383
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$93,282

Primary	\$11,865,047	Amort	324
Int Rate	6.50%	DCR	1.10

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$4,838,529	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,997,136	\$2,057,050	\$2,118,762	\$2,182,324	\$2,247,794	\$2,605,809	\$3,020,847	\$3,501,990	\$4,706,382
Secondary Income	38,880	40,046	41,248	42,485	43,760	50,730	58,809	68,176	91,623
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,036,016	2,097,096	2,160,009	2,224,810	2,291,554	2,656,539	3,079,657	3,570,166	4,798,005
Vacancy & Collection Los	(152,701)	(157,282)	(162,001)	(166,861)	(171,867)	(199,240)	(230,974)	(267,762)	(359,850)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,883,315	\$1,939,814	\$1,998,009	\$2,057,949	\$2,119,687	\$2,457,299	\$2,848,683	\$3,302,404	\$4,438,155
EXPENSES at 4.00%									
General & Administrative	\$59,537	\$61,918	\$64,395	\$66,971	\$69,650	\$84,740	\$103,099	\$125,435	\$185,675
Management	94,166	96,991	99,900	102,897	105,984	122,865	142,434	165,120	221,908
Payroll & Payroll Tax	181,872	189,147	196,713	204,581	212,765	258,861	314,943	383,177	567,195
Repairs & Maintenance	93,798	97,549	101,451	105,510	109,730	133,503	162,427	197,617	292,522
Utilities	50,894	52,930	55,047	57,249	59,539	72,438	88,132	107,226	158,720
Water, Sewer & Trash	58,752	61,102	63,546	66,088	68,732	83,622	101,739	123,782	183,227
Insurance	36,945	38,422	39,959	41,558	43,220	52,584	63,976	77,837	115,217
Property Tax	237,487	246,987	256,866	267,141	277,827	338,019	411,251	500,350	740,640
Reserve for Replacements	43,200	44,928	46,725	48,594	50,538	61,487	74,808	91,016	134,726
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$856,650	\$889,975	\$924,604	\$960,589	\$997,983	\$1,208,118	\$1,462,810	\$1,771,560	\$2,599,831
NET OPERATING INCOME	\$1,026,665	\$1,049,840	\$1,073,405	\$1,097,360	\$1,121,704	\$1,249,181	\$1,385,872	\$1,530,844	\$1,838,324
DEBT SERVICE									
First Lien Financing	\$933,383	\$933,383	\$933,383	\$933,383	\$933,383	\$933,383	\$933,383	\$933,383	\$933,383
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$93,282	\$116,457	\$140,022	\$163,977	\$188,321	\$315,798	\$452,489	\$597,461	\$904,941
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.18	1.20	1.34	1.48	1.64	1.97

LIHTC Allocation Calculation - The Park at Sycamore School, Ft. Worth, TX

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	\$1,380,775	\$1,380,775		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,178,141	\$9,935,698	\$9,178,141	\$9,935,698
(4) Contractor Fees & General Requirements				
Contractor overhead	\$220,525	\$220,525	\$211,643	\$220,525
Contractor profit	\$678,408	\$678,408	\$634,928	\$678,408
General requirements	\$624,128	\$624,128	\$624,128	\$624,128
(5) Contingencies	\$450,000	\$450,000	\$450,000	\$450,000
(6) Eligible Indirect Fees	\$646,000	\$646,000	\$646,000	\$646,000
(7) Eligible Financing Fees	\$1,243,050	\$1,243,050	\$1,243,050	\$1,243,050
(8) All Ineligible Costs	\$810,950	\$810,950		
(9) Developer Fees				
Developer overhead				
Developer fee	\$1,797,780	\$1,797,780	\$1,797,780	\$1,797,780
(10) Development Reserves	\$205,000	\$286,552		
TOTAL DEVELOPMENT COSTS	\$18,638,757	\$19,477,866	\$16,189,670	\$16,999,589

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			\$16,189,670	\$16,999,589
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$16,189,670	\$16,999,589
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$16,189,670	\$16,999,589
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$590,923	\$620,485

Syndication Proceeds 0.8392 \$4,958,789 \$5,206,862

Developer Evaluation

Compliance Status Summary

Project ID #: 02459

LIHTC 9% LIHTC 4%

Project Name: The Park @ Sycamore School

HOME

HTF

Project City: Fort Worth

BOND

SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 0

of projects grouped by score 0-9: 0 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 10/28/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 10/28/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 10/28/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. roth **Completed on** 10/28/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 10/28/2002

Executive Director: _____ **Date Signed:** _____

REPORT ITEMS

Executive Directors Report

Edwina Carrington

Final Organization Chart

Sunset Advisory Commission Vote on TDHCA

Letter to Office of State-Federal Relations on Legislative Priorities

For 108th US Congress

Single Family Homeownership Tax Credit Legislation

Appointment to Federal Home Loan Bank Advisory Committee

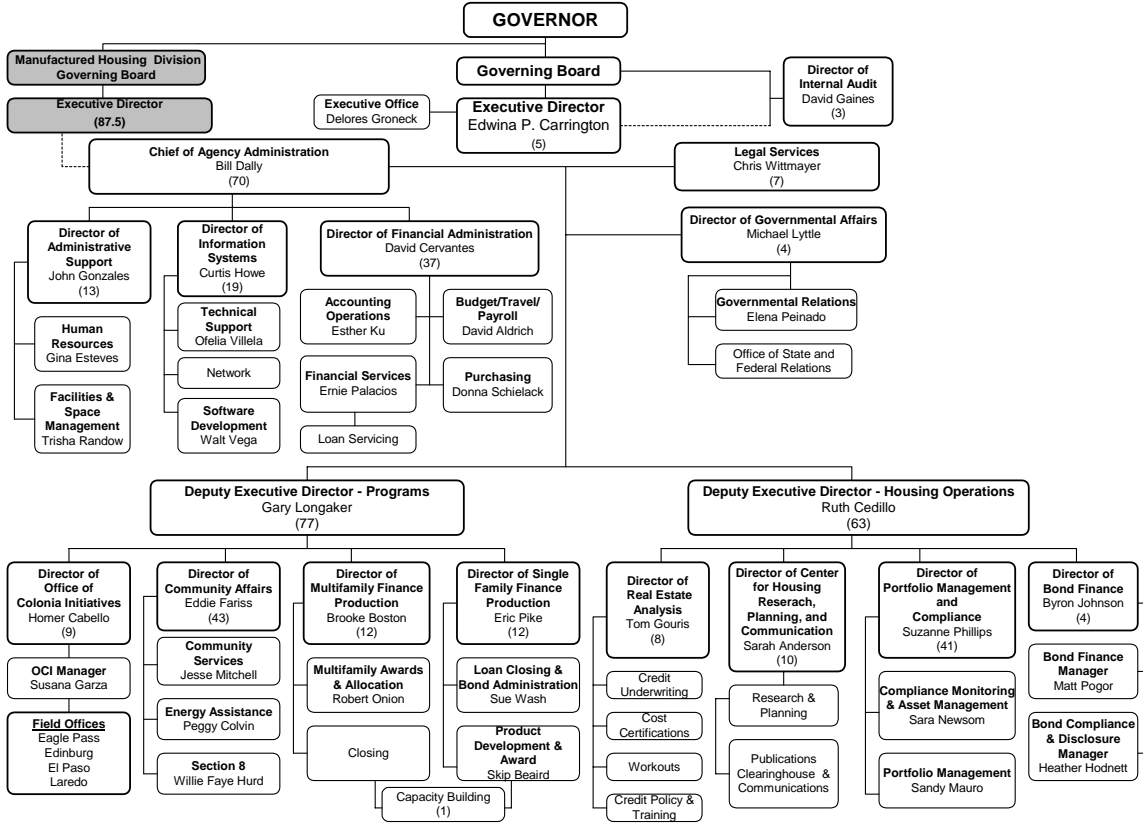
Upcoming Speaking Events – Dallas Affordable Housing Task Force and

Dallas Housing Summit

Participation in Rural Task Force for Texas Affordable Housing Coalition

Final Organizational Chart

Texas Department of Housing & Community Affairs Organizational Chart (323)



**Sunset Advisory Commission Vote on the Texas Department of Housing and Community
Affairs**

January 15, 2003

The Sunset Commission will meet to consider and vote on the continuation of the Texas Department of Housing and Community Affairs. This meeting will take place at the State Capitol Extension

**Letter to Office of Office of State-Federal Relations on Legislative Priorities for
108th US Congress**

December 31, 2002

Mr. Ed Perez, Executive Director
Texas Office of State-Federal Relations
122 C Street, NW, Suite #200
Washington, D.C. 20001

Re: Federal Legislative Priorities

Dear Mr. Perez:

Thank you for the opportunity for the Texas Department of Housing and Community Affairs (TDHCA) to provide input into our state's legislative priorities for the soon-to-convene 108th U.S. Congress.

I have visited with members of the TDHCA governing board as well as senior staff in compiling a list of issues we would like to see addressed. For your consideration, we would like to forward the following priorities which we believe would help create additional resources for quality affordable housing in Texas. They include:

- Repeal of the Multifamily Revenue Bond Ten-Year Rule
- Reform the Multifamily Revenue Bond purchase price limit
- Improve the use of Bonds and Credit in rural areas
- Increase HOME funding, without federal set-asides, and support changes to HOME which increase flexibility but decrease any additional bureaucracy
- Creation of a new state-administered rental production program targeted toward extremely low income families
- Removal of the preference in Internal Revenue Service code, Section 42 for Qualified Census Tracts, which has aggravated concentration and fair housing concerns in Texas

Please feel free to contact me or Michael Lyttle of my staff if you need any additional information to evaluate these proposed legislative priorities.

Sincerely,

Edwina P. Carrington
Executive Director

Appointment to Federal Home Loan Bank Advisory Committee

Ms. Carrington has been appointed as a member of the Advisory Committee for the Federal Home Loan Bank.

Single Family Housing Tax Credit Legislation

Single Family Housing Tax Credit legislation considered by Congress

H.R. 5052 Renewing the Dream Tax Credit Act
(Portman, Cardin, Watts)

S. 3126 Community Development Homeownership Tax Credit Act
(Kerry, Santorum, Sarbanes, Allard)

Upcoming Events

January 6, 2003

Ms. Carrington will speak at the Dallas Affordable Housing Task Force meeting and discuss housing issues.

January 30, 2003

Ms. Carrington will speak at the Dallas Housing Summit and will focus on programs of the Texas Department of Housing and Community Affairs; new initiatives; and issues faced in the current challenging economy.

Rural Task Force for Texas Affordable Housing Coalition

At the Policy Summit in New Mexico, ARCIT volunteered to be the “point person” for the rural task force project.

The group agreed to initially look at the following:

1. List different definitions for Rural Texas
2. Identify and evaluate the barriers that exist for developing rural affordable housing
3. Develop tools that will help to overcome the identified barriers

Within a 2 hour discussion, the task force identified the lack of financing tools as one of the primary barriers for rural Texas. It was agreed by the group that TDHCA, Texas State Affordable Housing Corporation and Office of Rural and Community Affairs would be a good “starting off” point to get the 3 agencies together to discuss the future role of TSAHC as the financing “arm” for rural Texas.

The Task Force Members include the Texas Department of Housing and Community Affairs; the Texas State Affordable Housing Corporation; Affordable Housing Developer; ARCIT; SE TX Housing Finance Corp; McAuley Institute; and Office of Rural Community Affairs.

The group will look for ways to overcome some of the affordable housing barriers for rural Texas.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Heatherwilde Estates Apartments, LIHTC Development No. 02-075

The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN

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.