

**TDHCA #**

**03162**

**Region 10**



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

Development Name: **Pinnacle Pointe Apartments**

TDHCA #: **03162**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 Site Address: 600 Block of Salem Road  
 City: Victoria County: Victoria Zip Code: 77902  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 144 Elderly: 0 Handicapped/Disabled 11 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Pinnacle Pointe Associates Limited Partnership

| Principal Names              | Principal Contact | Percentage Ownership |
|------------------------------|-------------------|----------------------|
| Pinnacle Pointe General, LLC | David Saling      | .01% of Owner        |
| Terry N. Campbell<br>of GP   | Terry N. Campbell | 50% of GP            |
|                              | James H. Hogue    | 50% of GP            |

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$871,732** Allocation over 10 Years: **\$8,717,320**  
 Credits Requested: **\$872,505** Eligible Basis Amount: **\$871,732** Equity/Gap Amount: **\$955,370**

**UNIT INFORMATION**

|       | Eff | 1 BR | 2 BR | 3 BR | Total |
|-------|-----|------|------|------|-------|
| 30%   | 0   | 0    | 0    | 0    | 0     |
| 40%   | 0   | 0    | 18   | 6    | 24    |
| 50%   | 0   | 0    | 9    | 3    | 12    |
| 60%   | 0   | 0    | 80   | 27   | 107   |
| MR    | 0   | 0    | 0    | 0    | 0     |
| Total | 0   | 0    | 107  | 36   |       |

Total LI Units: 143  
 Owner/Employee Units: 1  
 Total Project Units: 144  
 Applicable Fraction: 100.00

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

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

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

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

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

**BUILDING INFORMATION**

Total Development Cost: \$11,429,248 Average Square Feet/Unit: 961  
 Gross Building Square Feet: 144,792 Cost Per Net Rentable Square Foot: \$82.59  
 Total Net Rentable Area Square Feet: 138,384 Credits per Low Income Uni: \$6,096

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$944,055  
 Total Expenses: \$531,450  
 Net Operating Income: \$412,605  
 Estimated 1st Year Debt Coverage Ratio: 1.25

**FINANCING**

Permanent Principal Amount: \$3,968,000  
 Applicant Equity: \$653,986  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.7819

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

|   |  |
|---|--|
| Developer: Campbell-Hogue & Associates, Inc.          | Market Analyst: Capital Market Resources, Inc. |
| Housing GC: Campbell-Hogue Construction, LLC          | Originator/UW: NA                              |
| Engineer: Bury Partners-TX, Inc.                      | Appraiser: NA                                  |
| Cost Estimator: NA                                    | Attorney: Locke, Liddell & Sapp LLP            |
| Architect: Chiles Architects, Inc.                    | Accountant: Reznick, Fedder & Silverman        |
| Property Manager: Capstone Real Estate Services, Inc. | Supp Services: YMCA of the Golden Crescent     |
| Syndicator: Key Global Capital                        | Permanent Lender: Key Bank                     |

**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **3** Opposition: **0**

A resolution was passed by the local government in support of the development.

| Local/State/Federal Officials with Jurisdiction:           | Comment from Other Public Officials: |
|--|--------------------------------------|
| Local Official: Gary Middleton, Mayor, City of Victoria, S |                                      |
| TX Representative: Geanie W. Morrison, District 30, N      |                                      |
| TX Senator: Ken Armbrister, District 18, N                 |                                      |
| US Representative: Ron Paul, S                             |                                      |
| US Senator: John Cornyn, S                                 |                                      |
| General Summary of Comment: Broad Support                  |                                      |

**DEPARTMENT EVALUATION**

Points Awarded: 80 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of revisions to the market analysis to comply with the TDHCA Market Analysis Rules and Guidelines prior to Carryover, but specifically an adjustment matrix to reconcile the comparable market rent by unit size, and a review of the restricted rent conclusions for the subject. Should the restricted rent conclusions be less than the current maximum limits and less than the market rent conclusion by unit size, the Market Analyst should also re-evaluate conclusions regarding the demand for affordable units. Receipt, review, and acceptance of a third party CPA or tax attorney opinion that the proposed CDBG funds, if awarded as currently structured, do not cause the development to lose its eligibility for the 9% credit or a reduction in credit to not more than \$869,647 prior to Carryover.

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

Alternate Recommendation: NA

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

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

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

|   |               |  |               |
|---|---------------|--|---------------|
| _____<br>Robert Onion, Manager of Awards and Allocation | _____<br>Date | _____<br>Brooke Boston, Director of Multifamily Finance Production | _____<br>Date |
|---|---------------|--|---------------|

|   |               |
|---|---------------|
| _____<br>Edwina Carrington, Executive Director            | _____<br>Date |
| Chairman of Executive Award and Review Advisory Committee |               |

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

Approved Credit Amount:  Date of Determination:

|  |               |
|--|---------------|
| _____<br>Michael E. Jones, Chairman of the Board | _____<br>Date |
|--|---------------|

# Developer Evaluation

Project ID # **03162**

Name: **Pinnacle Pointe Apartments**

City: **Victoria**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

Total # of Projects monitored: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0

Total # monitored with a score less than 30: 2 # not yet monitored or pending review: 1

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by R Meyer Date 6/5/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by EEF Date 6/5/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie Stuntz Date 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 9, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03162

**DEVELOPMENT NAME**

Pinnacle Pointe

**APPLICANT**

**Name:** Pinnacle Pointe Associates LP      **Type:** For Profit  
**Address:** 7200 North Mopac Expressway, Suite 160      **City:** Austin      **State:** Texas  
**Zip:** 78731      **Contact:** David Saling      **Phone:** (512) 794-9378      **Fax:** (512) 794-8168

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** Pinnacle Pointe General, LLC      **(%):** 0.01      **Title:** Managing General Partner  
**Name:** Campbell-Hogue & Associates TX, Inc.      **(%):** N/A      **Title:** Developer

**PROPERTY LOCATION**

**Location:** 600 Block of Salem Road       **QCT**       **DDA**  
**City:** Victoria      **County:** Victoria      **Zip:** 77902

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| 1) \$872,505  | N/A                  | N/A                 | N/A         |

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

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

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

**RECOMMENDATION**

**RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$871,732 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.**

**CONDITIONS**

1. Receipt, review and acceptance of revisions to the market analysis to comply with the TDHCA Market Analysis Rules and Guidelines prior to carryover, but specifically an adjustment matrix to reconcile the comparable market rent by unit size, and a review of the restricted rent conclusions for the subject. Should the restricted rent conclusions be less than the current maximum limits and less than the market rent conclusion by unit size, the Market Analyst should also re-evaluate conclusions regarding the demand for affordable units;
2. Receipt, review and acceptance of a third party CPA or tax attorney opinion that the proposed CDBG funds if awarded as currently structured do not cause the development to lose its eligibility for the 9% credit or a reduction in credit to not more than \$869,647 prior to carryover; and
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 144    **# Rental Buildings:** 8    **# Common Area Bldgs:** 2    **# of Floors:** 3    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 138,384    **Av Un SF:** 961    **Common Area SF:** 6,408    **Gross Bldg SF:** 144,792

**STRUCTURAL MATERIALS**

Wood frame on a post-tensioned concrete slab on grade, 20% stucco 80% 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, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters.

**ON-SITE AMENITIES**

Community room, management offices, fitness & laundry facilities, restrooms, computer/business center, swimming pool, equipped children's play area are located at the entrance to the property. In addition a maintenance building is located toward the rear of the site.

**Uncovered Parking:** 231 spaces    **Carpports:** 75 spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Pinnacle Pointe is a relatively dense +20 units per acre new construction development of 144 units of affordable housing located in Victoria. The development is comprised of eight evenly distributed large garden style walk-up residential buildings as follows:

- Four Building Type I with 24 two-bedroom/two-bath units;
- Three Building Type II with 12 three-bedroom/two-bath units; and
- One Building Type III with 12 two-bedroom/two-bath units.

**Architectural Review:** The unit floor plans offer adequate storage and a utility closet with space for full-size appliances. Although large, the residential buildings will be attractive with varied rooflines and gables. The community building will offer many tenant accessible areas as well as leasing/management offices. The exterior will be consistent with the residential buildings nearby.

**Supportive Services:** The Applicant plans to contract with YMCA of Golden Crescent to provide optional services including an after school program, financial management, English as a second language and others at no additional charge to tenants.

**Schedule:** The Applicant anticipates construction to begin in July of 2004, to be completed in July of 2005, to be placed in service in July of 2005, and to be substantially leased-up in March of 2006.

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 7.065 acres    307,751 square feet    **Zoning/ Permitted Uses:** N/A (Victoria)  
**Flood Zone Designation:** Zone X    **Status of Off-Sites:** Partially Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject site is located on the north side of Salem Road between John Stockbauer Drive and Sam Houston Drive or between Navarro and Guy Grant Street, in the north central section of Victoria. Victoria is located between Houston and Corpus Christi approximately 40 miles from the Gulf of Mexico.

**Adjacent Land Uses:**

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- **Northwest:** two structures adjacent, Highway 77 beyond
- **Northeast:** undeveloped
- **Southwest:** five structures adjacent, intersection of Salem and Highway 77 beyond
- **Southeast:** single family residential across Salem Street

**Site Access:** The subject has access to US 77 (Navarro Street) and has frontage on Salem Road.

**Public Transportation:** The closest bus service is available at Navarro and Whispering Creek, approximately 0.27 miles north of the subject.

**Shopping & Services:** The subject is located within the Victoria Independent School District with An elementary, middle and high school located within a two miles radius. Victoria College and the University of Houston-Victoria are located approximately 2.5 miles south. A large grocery is located within 0.5 miles of the subject. Recreational areas include parks, a zoo, a baseball stadium, and rodeo grounds. Victoria Regional Medical Center and Citizens Medical Center are in close proximity along with several medical offices.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 14, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated December 11, 2002 was prepared by HBC/Terracon and contained the following conclusion: “Based on the scope of services and limitations of this assessment, HBC/Terracon did not identify recognized environmental conditions in connection with the site, which in our opinion, require additional investigation at this time.”

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Twenty-four of the units (17%) will be reserved for households earning 40% or less of AMGI, 12 of the units (8%) will be reserved for households earning 50% or less of AMGI, 107 units (74%) will be reserved for households earning 60% or less of AMGI, and the remaining unit will be employee occupied.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$21,360        | \$24,420         | \$27,480         | \$30,540         | \$33,000         | \$35,400         |

**MARKET HIGHLIGHTS**

A market feasibility study dated December 23, 2002 was prepared by Capital Market Research and highlighted the following findings:

**Definition of Primary Market:** “...the market area needs to be segmented geographically and will be defined as the Victoria Area defined by the following 2000 Census Tracts, 1.00, 2.01, 2.02, 3.01, 3.02, 4.00, 5.01, 5.02, 6.01, 6.02, 7.00, 8.00, 13.00, 14.00, 15.02, 15.02, 16.01, 16.03, 16.04, 16.05 and 17.00.” The 21 census tracts defining Victoria County. (p. 11, 19) Although the Market Analyst has defined the Primary Market Area as Victoria County, all charts used to illustrate demand for the subject units indicate that the information is for Victoria MSA. While this is a very large market area it is consistent with the market size for other midsized markets.

**Population:** The estimated 2000 population of Victoria County was 84,088 and is expected to increase by approximately 94,536 by 2010. The average household size is estimated by the Market Analyst at 2.68 persons.

**Total Local/Submarket Demand for Rental Units:** The Market Analyst utilized the annual turnover

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**MULTIFAMILY UNDERWRITING ANALYSIS**

expectation projected for 2006, the year they anticipate this property to come online. The Analyst's expected turnover for 2003 is 1,940.

| 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                                | 47              | 2%                | 47              | 2%                |
| Resident Turnover                               | 1,962           | 98%               | 1,913           | 98%               |
| <b>TOTAL ANNUAL DEMAND</b>                      | <b>2,009</b>    | <b>100%</b>       | <b>1,960</b>    | <b>100%</b>       |

Ref: p. 26

**Inclusive Capture Rate:** The Market Analyst has calculated a capture rate of 14.1% based on planned units in 2004 of 260 and total demand for 2,009 units. (p. 27) With the information available in the market analysis, the Underwriter calculated an inclusive capture rate of 7% based on only the subject units and 13% based on the potential approval of the subject 144 units and the proposed 116-unit Caney Run (LIHTC #03257).

**Market Rent Comparables:** The Market Analyst surveyed 41 apartment projects totaling 3,927 units in the market area.

| RENT ANALYSIS (net tenant-paid rents) |          |             |              |        |              |
|---------------------------------------|----------|-------------|--------------|--------|--------------|
| Unit Type (% AMI)                     | Proposed | Program Max | Differential | Market | Differential |
| <b>2-Bedroom (40%)</b>                | \$381    | \$415       | -\$34        | \$587  | -\$206       |
| <b>2-Bedroom (50%)</b>                | \$488    | \$529       | -\$41        | \$587  | -\$99        |
| <b>2-Bedroom (60%)</b>                | \$594    | \$644       | -\$50        | \$587  | +\$7         |
| <b>3-Bedroom (40%)</b>                | \$438    | \$477       | -\$39        | \$621  | -\$183       |
| <b>3-Bedroom (50%)</b>                | \$561    | \$609       | -\$48        | \$621  | -\$60        |
| <b>3-Bedroom (60%)</b>                | \$684    | \$742       | -\$58        | \$621  | +\$63        |

(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)

The Market Analyst did not provide an adjustment matrix or any detail regarding how he came to the conclusion of his estimated market rent except that it appears to be the average rent on a per foot basis for all units included in the market. Moreover, the Analyst provided evidence that newer unrestricted units that appear to be comparable to the subject are achieving significantly higher rents than the maximum tax credit rents allowed for the subject. This report is therefore conditioned upon a reconciliation of the restricted and market rent using an adjustment matrix as described in the Department's Market Analysis Rules and Guidelines. Should the market rent as adjusted exceed the maximum restricted rents by unit size, and the Market Analyst concludes the maximum tax credit rents can not be achieved, concerns regarding the demand for affordable units must also be addressed.

**Primary Market Occupancy Rates:** "Capitol Market Research has also surveyed the market area apartment units for November 2002, and our results confirm the Apartment Market Data Services information. The CMR survey of 3,927 units revealed an average rental rate of \$0.61 and an occupancy rate of 90.1%, slightly below the rate shown by Apartment Market Data Services." (p. 16)

**Absorption Projections:** "Based on market conditions anticipated in the area and the proposed development program, the subject should be able to achieve an absorption rate of at least 18 units per month." (p. 48)

**Known Planned Development:** "At the present time there is only one other apartment development planned for development in Victoria, Texas. The Caney Run Estates project is a proposed LIHTC on a 16.7 acre site in an industrial district in southeast Victoria." (p. 39) The last tax credit transaction funded in Victoria was in 1997.

The Market Analysis does not meet the requirements of the Department's Market Analysis Rules and Guidelines and the deficiencies will be required to be addressed as a condition of this report. The



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Underwriter has found sufficient data to complete the Underwriting Analysis however, depending upon the revised conclusions of the Market Analyst's report, adjustments to the conclusions of the report may be necessary.

**OPERATING PROFORMA ANALYSIS**

**Income:** At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rental rates. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2003 maximum rents in this analysis. However, the Market Analyst's market rent conclusion of \$0.63 per square foot for two-bedroom units and \$0.60 per square foot for three-bedroom units result in rental rates that are less than the 2003 LIHTC 60% of AMGI rent limits. These conclusions are not consistent or well documented in the report. Therefore, the Underwriter has utilized the Applicant's rents of \$594 for the two-bedroom and \$684 for the two-bedroom units' set-aside to be affordable to households with incomes at or below 60% of AMGI. The net effect is a potential gross rent estimate that the Applicant's projection is \$15K less than the Underwriter's. The Underwriter estimates an additional \$66K of potential gross income could be collected if the maximum tax credit rents could be achieved. This would allow the debt coverage ratio for the initial year of stabilized operation to exceed the Department's maximum guideline of 1.30 and require a review of the debt potential of the transaction.

The Applicant's secondary income and vacancy/collection loss estimates are consistent with the current underwriting guidelines. Overall, the Applicant's effective gross income figure is within 5% of the Underwriter's estimate and is therefore considered to be reasonable as presented.

**Expenses:** The Applicant's total expense estimate of \$3,444 per unit is more than 5% lower than the Underwriter's estimate. The difference can be attributed in large part to the following line item operating expense, which exceeded the tolerance level indicated in Section 1.32(d) (5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines, management fee (less than the 4% of EGI standard), payroll (more than 10% higher), water sewer and trash (more than 30% lower).

**Conclusion:** The Applicant's total estimated operating expense 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 proforma indicates there is sufficient net operating income to service the total proposed debt at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30. However, should the maximum 60% tax credit rents proven to be achievable in this market, the DCR would rise to 1.42 and exceed the guidelines. This would require additional debt service to be utilized for an efficient credit allocation, up to at least \$30,871 per year, and based upon current loan terms would allow additional debt of at least \$367,924.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                              |           |                                    |                                    |
|------------------------------|-----------|------------------------------------|------------------------------------|
| <b>Land: 7.05 acres</b>      | \$414,840 | <b>Assessment for the Year of:</b> | 2002                               |
| <b>Building:</b>             | N/A       | <b>Valuation by:</b>               | Victoria County Appraisal District |
| <b>Total Assessed Value:</b> | \$414,840 | <b>Tax Rate:</b>                   | 2.7790                             |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                                  |                                |     |      |  |     |          |
|----------------------------------|--------------------------------|-----|------|--|-----|----------|
| <b>Type of Site Control:</b>     | Agreement of Purchase And Sale |     |      |  |     |          |
| <b>Contract Expiration Date:</b> | 09/                            | 30/ | 2003 | <b>Anticipated Closing Date:</b>           | 09/ | 30/ 2003 |
| <b>Acquisition Cost:</b>         | \$300,000                      |     |      | <b>Other Terms/Conditions:</b>             |     |          |
| <b>Seller:</b>                   | Frels Real Estate Corporation  |     |      | <b>Related to Development Team Member:</b> | No  |          |

**CONSTRUCTION COST ESTIMATE EVALUATION**

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

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**Off-Site Costs:** The Applicant claimed off-site costs of \$55K for city sidewalk, water main tap, and sanitary sewer extension and provided sufficient third party certification through an architect. At least half of the proposed costs will potentially be paid with a CDBG grant from the City of Victoria.

**Site work Cost:** The Applicant's claimed site work costs of \$7,125 per unit are within the Department's guidelines.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$120K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Fees:** The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage \$29,799 effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$4,470.

**Conclusion:** Despite the overstated fees, 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. As a result, an eligible basis of \$10,452,421 is used to determine a credit allocation of \$871,732 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**Below Market Federal Funds:** The Applicant also initially excluded from basis the \$25,000 CDBG loan in order to be sure to avoid the federal below market rate loan amount that could restrict the development to the 4% credit. While some forms of CDBG funds and HOME funds can sometimes be used in a way to avoid this restriction, and while the Applicant in this case has indicated that the funds will be used for ineligible offsite infrastructure that will have a public use, the Applicant's more conservative treatment of these funds, by reducing them from basis, was appropriate. The Applicant reconsidered this treatment but did not provide an opinion from his CPA or tax credit attorney verifying that these CDBG funds would not be considered to restrict the property to the 4% credit. Receipt, review and acceptance of such documentation are a condition of this report.

It should be noted that without documentation supporting the conclusion that the CDBG funds do not taint the transaction with below market Federal funding, a reduction in eligible basis would result in a reduction in credits to \$869,647. The reduction in credit as a result of this treatment would not affect the overall feasibility in a significant manner.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** KeyBank **Contact:** Chris Clarke  
**Principal Amount:** \$3,934,000 **Interest Rate:** 7.50%  
**Additional Information:** 24-mo interim loan of \$5,953,727 at 7.50%  
**Amortization:** 30 yrs **Term:** 15 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$276,992 **Lien Priority:** 1<sup>st</sup> **Commitment Date** 02/ 18/ 2003

**INTERIM to PERMANENT FINANCING**

**Source:** City of Victoria **Contact:** Jared Mayfield  
**Principal Amount:** \$25,000 **Interest Rate:** 1%  
**Additional Information:** CDBG funds  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  None  Firm  Conditional  
**Annual Payment:** \$965 **Lien Priority:** 2nd **Commitment Date** / /

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

**LIHTC SYNDICATION**

**Source:** Key Investment Fund Limited Partnership XII      **Contact:** Chris Clarke  
**Address:** 5740 Fleet Street, Suite 110      **City:** Carlsbad  
**State:** CA      **Zip:** 92008      **Phone:** (760) 804-6023      **Fax:** (760) 804-6031  
**Net Proceeds:** \$6,818,731      **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 78.2¢  
**Commitment**       LOI       Firm       Conditional      **Date:** 02/ 18/ 2003  
**Additional Information:** \_\_\_\_\_

**APPLICANT EQUITY**

**Amount:** \$615,514      **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

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

The Applicant also anticipates a CDBG grant from the City of Victoria to be used for off-site infrastructure costs. Initially, the Applicant excluded an amount equal to the grant from eligible basis, but indicated in subsequent correspondence the amount excluded should be reconsidered since the grant funds will be used for costs that are already considered to be ineligible.

**LIHTC Syndication:** The Applicant's anticipated syndication proceeds are consistent with the agreement submitted at application. The majority of the proceeds will be used to fund construction and payoff a gap loan provided by KeyBank. The reduction in eligible basis due to excess eligible contractor and developer fees reduces the credit amount to \$871,732 and anticipated syndication proceeds are subsequently reduced to \$6,816,262.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 48% of total developer fees. The decrease in syndication proceeds raises the deferral anticipated to 49%.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated fees, is used to calculate eligible basis and the recommended annual tax credits of \$871,732, which is supported by the overall gap in need. A slight decrease in anticipated syndication proceeds indicates a need for deferred fees of \$653,986. Deferred developer fees in this amount appear to be repayable from cash flow within 10 years of stabilized operation. Should the development not receive the CDBG funds or should they need to be taken out of basis, there should be sufficient developer fees to defer to absorb those potential losses without affecting the development's feasibility.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principals of the General Partner and owners of the developer, Terry N Campbell and James H Hogue, submitted unaudited financial statements as of December 20, 2002.

**Background & Experience:**

- The Applicant and General Partner are entities to be formed for the purpose of developing the project.
- Mr. Campbell and Mr. Hogue have participated in numerous affordable housing developments within Texas and other states since 1982.

**SUMMARY OF SALIENT RISKS AND ISSUES**

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

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

Underwriter's verifiable ranges.

- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

**Underwriter:**

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

**Date:** June 9, 2003  
\_\_\_\_\_

**Director of Real Estate Analysis:**

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

**Date:** June 9, 2003  
\_\_\_\_\_

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Pinnacle Pointe, Victoria, 9% LIHTC 03162**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. MH | Net Rent per Unit | Rent per Month  | Rent per SF   | Tnt Pd Util    | Wtr, Swr, Trsh |
|---------------|------------|----------|-----------------|------------|--------------------|-------------------|-----------------|---------------|----------------|----------------|
| TC 40%        | 18         | 2        | 2               | 932        | 458                | \$415             | \$7,461         | \$0.44        | \$43.50        | \$48.00        |
| TC 50%        | 9          | 2        | 2               | 932        | 572                | 529               | 4,757           | 0.57          | 43.50          | 48.00          |
| TC 60%        | 80         | 2        | 2               | 932        | 687                | 594               | 47,520          | 0.64          | 43.50          | 48.00          |
| EO            | 1          | 2        | 2               | 932        |                    | 0                 | 0               | 0.00          | 43.50          | 48.00          |
| TC 40%        | 6          | 3        | 2               | 1,048      | 529                | 477               | 2,859           | 0.45          | 52.50          | 48.00          |
| TC 50%        | 3          | 3        | 2               | 1,048      | 661                | 609               | 1,826           | 0.58          | 52.50          | 48.00          |
| TC 60%        | 27         | 3        | 2               | 1,048      | 794                | 684               | 18,468          | 0.65          | 52.50          | 48.00          |
| <b>TOTAL:</b> | <b>144</b> |          | <b>AVERAGE:</b> | <b>961</b> | <b>\$659</b>       | <b>\$576</b>      | <b>\$82,890</b> | <b>\$0.60</b> | <b>\$45.75</b> | <b>\$48.00</b> |

**INCOME** Total Net Rentable Sq Ft: 138,384  
**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 | 4.08%         | \$267          | 0.28          |
| Management               | 5.00%         | 328            | 0.34          |
| Payroll & Payroll Tax    | 11.21%        | 735            | 0.77          |
| Repairs & Maintenance    | 7.47%         | 490            | 0.51          |
| Utilities                | 2.14%         | 140            | 0.15          |
| Water, Sewer, & Trash    | 5.46%         | 358            | 0.37          |
| Property Insurance       | 4.10%         | 269            | 0.28          |
| Property Tax 2.779       | 9.99%         | 655            | 0.68          |
| Reserve for Replacements | 3.81%         | 250            | 0.26          |
| Other Expenses:          | 3.04%         | 199            | 0.21          |
| <b>TOTAL EXPENSES</b>    | <b>56.29%</b> | <b>\$3,691</b> | <b>\$3.84</b> |
| <b>NET OPERATING INC</b> | <b>43.71%</b> | <b>\$2,865</b> | <b>\$2.98</b> |

**DEBT SERVICE**

|                      |              |              |               |
|----------------------|--------------|--------------|---------------|
| First Lien Mortgage  | 34.96%       | \$2,292      | \$2.39        |
| Additional Financing | 0.10%        | \$7          | \$0.01        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>8.64%</b> | <b>\$566</b> | <b>\$0.59</b> |

AGGREGATE DEBT COVERAGE RATIO  
 RECOMMENDED DEBT COVERAGE RATIO

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 2.68%          | \$2,094         | \$2.18         |
| Off-Sites                            |        | 0.49%          | 382             | 0.40           |
| Sitework                             |        | 9.12%          | 7,125           | 7.41           |
| Direct Construction                  |        | 50.04%         | 39,092          | 40.68          |
| Contingency                          | 3.25%  | 1.92%          | 1,500           | 1.56           |
| General Req'ts                       | 6.00%  | 3.55%          | 2,773           | 2.89           |
| Contractor's G & A                   | 2.00%  | 1.18%          | 924             | 0.96           |
| Contractor's Profit                  | 6.00%  | 3.55%          | 2,773           | 2.89           |
| Indirect Construction                |        | 7.41%          | 5,791           | 6.03           |
| Ineligible Costs                     |        | 3.64%          | 2,840           | 2.95           |
| Developer's G & A                    | 2.51%  | 2.00%          | 1,563           | 1.63           |
| Developer's Profit                   | 12.49% | 9.94%          | 7,763           | 8.08           |
| Interim Financing                    |        | 2.81%          | 2,194           | 2.28           |
| Reserves                             |        | 1.67%          | 1,303           | 1.36           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$78,116</b> | <b>\$81.29</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>69.37%</b>  | <b>\$54,187</b> | <b>\$56.39</b> |

**SOURCES OF FUNDS**

|                                    |        |           |          |
|------------------------------------|--------|-----------|----------|
| First Lien Mortgage                | 34.97% | \$27,319  | \$28.43  |
| Additional Financing               | 0.22%  | \$174     | \$0.18   |
| LIHTC Syndication Proceeds         | 60.62% | \$47,352  | \$49.27  |
| Deferred Developer Fees            | 5.79%  | \$4,524   | \$4.71   |
| Additional (excess) Funds Required | -1.60% | (\$1,253) | (\$1.30) |
| <b>TOTAL SOURCES</b>               |        |           |          |

|  | TDHCA       | APPLICANT   |
|--|-------------|-------------|
|  | \$994,680   | \$978,588   |
|  | 25,920      | 25,920      |
|  | 0           | 0           |
|  | \$1,020,600 | \$1,004,508 |
|  | (76,545)    | (75,336)    |
|  | 0           | 0           |
|  | \$944,055   | \$929,172   |
|  | \$38,487    | \$38,880    |
|  | 47,203      | \$37,167    |
|  | 105,871     | \$123,120   |
|  | 70,504      | \$65,520    |
|  | 20,159      | \$17,136    |
|  | 51,507      | \$24,192    |
|  | 38,708      | \$24,480    |
|  | 94,355      | \$100,800   |
|  | 36,000      | \$36,000    |
|  | 28,656      | \$28,656    |
|  | \$531,450   | \$495,951   |
|  | \$412,605   | \$433,221   |
|  |             |             |
|  | \$330,085   | \$276,992   |
|  | 965         | 965         |
|  | 0           | 0           |
|  | \$81,555    | \$155,264   |
|  | 1.25        | 1.56        |
|  | 1.25        |             |

|  | PER SQ FT | PER UNIT | % OF EGI |
|--|-----------|----------|----------|
|  | \$0.44    | \$270    | 4.18%    |
|  | 0.57      | 258      | 4.00%    |
|  | 0.64      | 855      | 13.25%   |
|  | 0.00      | 455      | 7.05%    |
|  | 0.12      | 119      | 1.84%    |
|  | 0.17      | 168      | 2.60%    |
|  | 0.18      | 170      | 2.63%    |
|  | 0.73      | 700      | 10.85%   |
|  | 0.26      | 250      | 3.87%    |
|  | 0.21      | 199      | 3.08%    |
|  | \$3.58    | \$3,444  | 53.38%   |
|  | \$3.13    | \$3,008  | 46.62%   |
|  | \$2.00    | \$1,924  | 29.81%   |
|  | \$0.01    | \$7      | 0.10%    |
|  | \$0.00    | \$0      | 0.00%    |
|  | \$1.12    | \$1,078  | 16.71%   |

|  | RECOMMENDED  |                            |
|--|--------------|----------------------------|
|  | \$3,934,000  | Developer Fee Available    |
|  | 25,000       | \$1,342,917                |
|  | 6,818,731    | % of Dev. Fee Deferred     |
|  | 651,514      | 49%                        |
|  | (180,470)    | 15-Yr Cumulative Cash Flow |
|  | \$11,248,775 | \$1,980,004.22             |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**  
**Pinnacle Pointe, Victoria, 9% LIHTC 03162**

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
 Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$41.99        | \$5,810,610        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 0.80%   |             | \$0.34         | \$46,485           |
| 9' Ceilings                            | 3.00%   |             | 1.26           | 174,318            |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | (0.80)         | (110,114)          |
| Floor Cover                            |         |             | 1.92           | 265,697            |
| Porches/Balconies                      | \$22.75 | 28,370      | 4.66           | 645,479            |
| Plumbing                               | \$615   | 432         | 1.92           | 265,680            |
| Built-In Appliances                    | \$1,625 | 144         | 1.69           | 234,000            |
| Exterior Stairs                        | \$1,625 | 48          | 0.56           | 78,000             |
| Floor Insulation                       |         |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.47           | 203,424            |
| Garages/Carpools                       | \$7.83  | 11,250      | 0.64           | 88,088             |
| Comm &/or Aux Bldgs                    | \$55.70 | 6,408       | 2.58           | 356,935            |
| Other:                                 |         |             | 0.00           | 0                  |
| <b>SUBTOTAL</b>                        |         |             | <b>58.23</b>   | <b>8,058,602</b>   |
| Current Cost Multiplier                | 1.03    |             | 1.75           | 241,758            |
| Local Multiplier                       | 0.83    |             | (9.90)         | (1,369,962)        |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$50.08</b> | <b>\$6,930,398</b> |
| Plans, specs, survy, bld prm           | 3.90%   |             | (\$1.95)       | (\$270,286)        |
| Interim Construction Interest          | 3.38%   |             | (1.69)         | (233,901)          |
| Contractor's OH & Profit               | 11.50%  |             | (5.76)         | (796,996)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$40.68</b> | <b>\$5,629,216</b> |

**PAYMENT COMPUTATION**

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$3,934,000 | Term          | 360  |
| Int Rate          | 7.50%       | DCR           | 1.25 |
| <b>Secondary</b>  | \$25,000    | Term          | 360  |
| Int Rate          | 1.00%       | Subtotal DCR  | 1.25 |
| <b>Additional</b> | \$6,818,731 | Term          |      |
| Int Rate          |             | Aggregate DCR | 1.25 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$330,085       |
| Secondary Debt Service  | 965             |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$81,555</b> |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$3,934,000 | Term          | 360  |
| Int Rate          | 7.50%       | DCR           | 1.25 |
| <b>Secondary</b>  | \$25,000    | Term          | 360  |
| Int Rate          | 1.00%       | Subtotal DCR  | 1.25 |
| <b>Additional</b> | \$6,818,731 | Term          | 0    |
| Int Rate          | 0.00%       | Aggregate DCR | 1.25 |

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

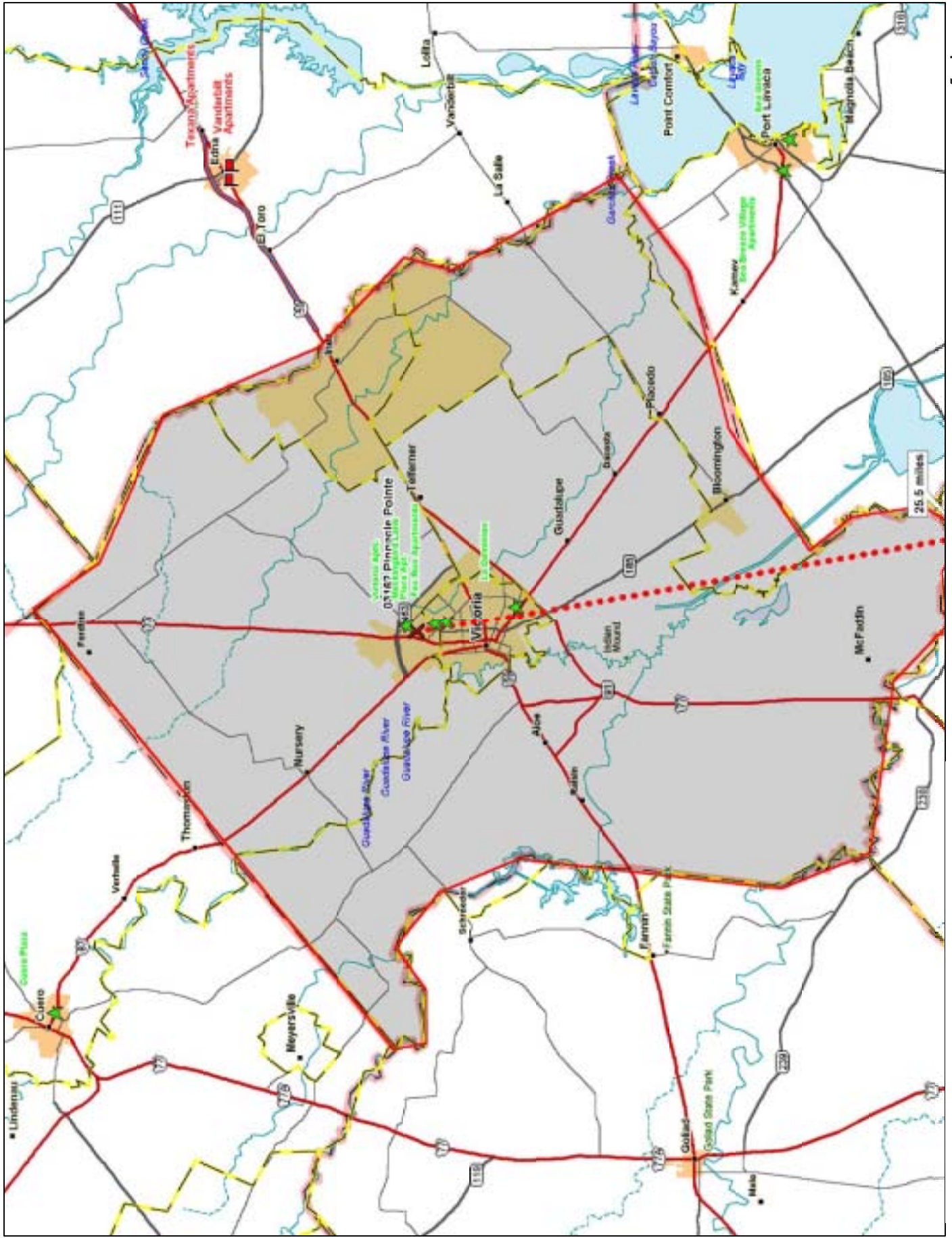
| INCOME at 3.00%                | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | YEAR 10          | YEAR 15          | YEAR 20            | YEAR 30            |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT           | \$994,680        | \$1,024,520      | \$1,055,256      | \$1,086,914      | \$1,119,521      | \$1,297,832      | \$1,504,543      | \$1,744,177        | \$2,344,029        |
| Secondary Income               | 25,920           | 26,698           | 27,499           | 28,323           | 29,173           | 33,820           | 39,206           | 45,451             | 61,082             |
| Other Support Income: (describ | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| POTENTIAL GROSS INCOME         | 1,020,600        | 1,051,218        | 1,082,755        | 1,115,237        | 1,148,694        | 1,331,652        | 1,543,749        | 1,789,628          | 2,405,111          |
| Vacancy & Collection Loss      | (76,545)         | (78,841)         | (81,207)         | (83,643)         | (86,152)         | (99,874)         | (115,781)        | (134,222)          | (180,383)          |
| Employee or Other Non-Rental   | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| EFFECTIVE GROSS INCOME         | \$944,055        | \$972,377        | \$1,001,548      | \$1,031,594      | \$1,062,542      | \$1,231,778      | \$1,427,968      | \$1,655,406        | \$2,224,727        |
| <b>EXPENSES at 4.00%</b>       |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| General & Administrative       | \$38,487         | \$40,026         | \$41,627         | \$43,292         | \$45,024         | \$54,779         | \$66,647         | \$81,086           | \$120,027          |
| Management                     | 47,203           | 48,619           | 50,077           | 51,580           | 53,127           | 61,589           | 71,398           | 82,770             | 111,236            |
| Payroll & Payroll Tax          | 105,871          | 110,106          | 114,510          | 119,091          | 123,854          | 150,688          | 183,335          | 223,055            | 330,175            |
| Repairs & Maintenance          | 70,504           | 73,324           | 76,257           | 79,307           | 82,479           | 100,349          | 122,090          | 148,541            | 219,877            |
| Utilities                      | 20,159           | 20,966           | 21,804           | 22,676           | 23,584           | 28,693           | 34,909           | 42,473             | 62,870             |
| Water, Sewer & Trash           | 51,507           | 53,568           | 55,710           | 57,939           | 60,256           | 73,311           | 89,194           | 108,518            | 160,633            |
| Insurance                      | 38,708           | 40,256           | 41,866           | 43,541           | 45,283           | 55,093           | 67,029           | 81,551             | 120,716            |
| Property Tax                   | 94,355           | 98,129           | 102,054          | 106,137          | 110,382          | 134,297          | 163,392          | 198,792            | 294,261            |
| Reserve for Replacements       | 36,000           | 37,440           | 38,938           | 40,495           | 42,115           | 51,239           | 62,340           | 75,847             | 112,271            |
| Other                          | 28,656           | 29,802           | 30,994           | 32,234           | 33,523           | 40,786           | 49,623           | 60,374             | 89,368             |
| <b>TOTAL EXPENSES</b>          | <b>\$531,450</b> | <b>\$552,236</b> | <b>\$573,839</b> | <b>\$596,292</b> | <b>\$619,628</b> | <b>\$750,823</b> | <b>\$909,958</b> | <b>\$1,103,006</b> | <b>\$1,621,434</b> |
| <b>NET OPERATING INCOME</b>    | <b>\$412,605</b> | <b>\$420,141</b> | <b>\$427,709</b> | <b>\$435,303</b> | <b>\$442,915</b> | <b>\$480,954</b> | <b>\$518,010</b> | <b>\$552,400</b>   | <b>\$603,293</b>   |
| <b>DEBT SERVICE</b>            |                  |                  |                  |                  |                  |                  |                  |                    |                    |
| First Lien Financing           | \$330,085        | \$330,085        | \$330,085        | \$330,085        | \$330,085        | \$330,085        | \$330,085        | \$330,085          | \$330,085          |
| Second Lien                    | 965              | 965              | 965              | 965              | 965              | 965              | 965              | 965                | 965                |
| Other Financing                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  |
| <b>NET CASH FLOW</b>           | <b>\$81,555</b>  | <b>\$89,091</b>  | <b>\$96,659</b>  | <b>\$104,253</b> | <b>\$111,864</b> | <b>\$149,904</b> | <b>\$186,960</b> | <b>\$221,350</b>   | <b>\$272,243</b>   |
| <b>DEBT COVERAGE RATIO</b>     | <b>1.25</b>      | <b>1.27</b>      | <b>1.29</b>      | <b>1.31</b>      | <b>1.34</b>      | <b>1.45</b>      | <b>1.56</b>      | <b>1.67</b>        | <b>1.82</b>        |

LIHTC Allocation Calculation - Pinnacle Pointe, Victoria, 9% LIHTC 03162

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$301,500                       | \$301,500                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,026,000                     | \$1,026,000               | \$1,026,000                                | \$1,026,000                          |
| Off-site improvements                                 | \$55,000                        | \$55,000                  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$5,748,763                     | \$5,629,216               | \$5,748,763                                | \$5,629,216                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$139,752                       | \$133,104                 | \$135,495                                  | \$133,104                            |
| Contractor profit                                     | \$419,257                       | \$399,313                 | \$406,486                                  | \$399,313                            |
| General requirements                                  | \$419,257                       | \$399,313                 | \$406,486                                  | \$399,313                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$216,000                       | \$216,000                 | \$216,000                                  | \$216,000                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$833,846                       | \$833,846                 | \$833,846                                  | \$833,846                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$315,986                       | \$315,986                 | \$315,986                                  | \$315,986                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$408,920                       | \$408,920                 |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$1,363,359                                |                                      |
| Developer overhead                                    | \$250,000                       | \$225,088                 |  | \$225,088                            |
| Developer fee   | \$1,117,829                     | \$1,117,829               |  | \$1,117,829                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$177,138                       | \$187,660                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$11,429,248</b>             | <b>\$11,248,775</b>       | <b>\$10,452,421</b>                        | <b>\$10,295,694</b>                  |

| <b>Deduct from Basis:</b>                                  |  |  |              |              |
|--|--|--|--------------|--------------|
| All grant proceeds used to finance costs in eligible basis |  |  |              |              |
| B.M.R. loans used to finance cost in eligible basis        |  |  |              |              |
| Non-qualified non-recourse financing                       |  |  |              |              |
| Non-qualified portion of higher quality units [42(d)(3)]   |  |  |              |              |
| Historic Credits (on residential portion only)             |  |  |              |              |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$10,452,421 | \$10,295,694 |
| High Cost Area Adjustment                                  |  |  | 100%         | 100%         |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$10,452,421 | \$10,295,694 |
| Applicable Fraction  |  |  | 100%         | 100%         |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$10,452,421 | \$10,295,694 |
| Applicable Percentage                                      |  |  | 8.34%        | 8.34%        |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$871,732    | \$858,661    |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.7819 | \$6,816,262        | \$6,714,057      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$871,732</b>   | <b>\$858,661</b> |
| Syndication Proceeds                         |        | \$6,816,262        | \$6,714,057      |
| Requested Credits                            |        | \$872,505          |                  |
| Syndication Proceeds                         |        | \$6,822,307        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$7,470,248</b> |                  |
| Credit Amount                                |        | \$955,370          |                  |



Scale: 1 : 375,000 Zoom Level: 9-1 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 5.4°E



**TDHCA #**

**03249**

**Region 10**



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

Development Name: **The Palmas Apartments**

TDHCA #: **03249**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 Site Address: 200 Avenue A  
 City: Aransas Pass County: San Patricio Zip Code: 78336  
 TTC  DDA  QCT Purpose / Activity: Acquisition/Rehab  
**Targeted Units:** Family: 24 Elderly: 0 Handicapped/Disabled 2 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: HVM Aransas Pass, Ltd.

| Principal Names  | Principal Contact | Percentage Ownership |
|------------------|-------------------|----------------------|
| HVM Housing, LLC | Dennis Hoover     | 5% of Owner          |
| Dennis Hoover    | Dennis Hoover     | 95% of Initial LP    |

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation: **\$41,006** Allocation over 10 Years: \$410,060  
 Credits Requested: \$41,192 Eligible Basis Amount: \$41,006 Equity/Gap Amount: \$43,273

**UNIT INFORMATION**

|                       | Eff | 1 BR | 2 BR | 3 BR | Total  |
|-----------------------|-----|------|------|------|--------|
| 30%                   | 0   | 0    | 0    | 0    | 0      |
| 40%                   | 0   | 0    | 0    | 0    | 0      |
| 50%                   | 0   | 0    | 0    | 0    | 0      |
| 60%                   | 0   | 8    | 16   | 0    | 24     |
| MR                    | 0   | 0    | 0    | 0    | 0      |
| Total                 | 0   | 8    | 16   | 0    |        |
| Total LI Units:       |     |      |      |      | 24     |
| Owner/Employee Units: |     |      |      |      | 0      |
| Total Project Units:  |     |      |      |      | 24     |
| Applicable Fraction:  |     |      |      |      | 100.00 |

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

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

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

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

**BUILDING INFORMATION**

Total Development Cost: \$858,343 Average Square Feet/Unit: 754  
 Gross Building Square Feet: 18,104 Cost Per Net Rentable Square Foot: \$47.41  
 Total Net Rentable Area Square Feet: 18,104 Credits per Low Income Uni: \$1,709

**INCOME AND EXPENSE INFORMATION**

Effective Gross Income: \$117,926  
 Total Expenses: \$77,142  
 Net Operating Income: \$40,784  
 Estimated 1st Year Debt Coverage Ratio: 1.30

**FINANCING**

Permanent Principal Amount: \$529,500  
 Applicant Equity: \$17,231  
 Equity Source: Deferred Developer Fee  
 Syndication Rate: \$0.7599

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

|                   |                                   |                   |                                      |
|-------------------|-----------------------------------|-------------------|--------------------------------------|
| Developer:        | Dennis Hoover                     | Market Analyst:   | Ipser and Associates, Inc.           |
| Housing GC:       | Hoover Construction Company, Inc. | Originator/UW:    | NA                                   |
| Engineer:         | NA                                | Appraiser:        | Gregory L. Atchley                   |
| Cost Estimator:   | NA                                | Attorney:         | Alvin Nored                          |
| Architect:        | W.S. Allen & Associates           | Accountant:       | Lou Ann Monty & Associates           |
| Property Manager: | Hamilton Valley Management        | Supp Services:    | NA                                   |
| Syndicator:       | NA                                | Permanent Lender: | U.S. Department of Agriculture (RHS) |

**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 0 Opposition: 0

A resolution was passed by the local government in support of the development.

|   |                                      |
|---|--------------------------------------|
| Local/State/Federal Officials with Jurisdiction:            | Comment from Other Public Officials: |
| Local Official: Karen Gayle, Mayor, City of Aransas Pass, S |                                      |
| TX Representative: Gene Seaman, District 32, N              |                                      |
| TX Senator: Judith Zaffirini, District 21, N                |                                      |
| US Representative:  |                                      |
| US Senator:   |                                      |
| General Summary of Comment: Some Support                    |                                      |

|                              |   |
|------------------------------|---|
| <b>DEPARTMENT EVALUATION</b> |   |
| Points Awarded: 32           | Site Finding: Acceptable Underwriting Finding: Approved with Conditions |

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance by the TDHCA Board of the inclusion of contingency costs in the \$6,000 per unit minimum rehabilitation costs for this development.

Receipt, review, and acceptance of a flood plain prior to execution of tax credit commitment.

Receipt, review, and acceptance of a third party scope of rehabilitation and scope of work/needs assessment prior to the initial closing on the property.

Receipt, review, and acceptance of an agreement from USDA Rural Development prior to cost certification that reflects support for the Basic Rents as proposed by the applicant.

Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this report should be re-evaluated.

Alternate Recommendation: NA

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

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

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

|   |               |  |               |
|---|---------------|--|---------------|
| _____<br>Robert Onion, Manager of Awards and Allocation | _____<br>Date | _____<br>Brooke Boston, Director of Multifamily Finance Production | _____<br>Date |
|---|---------------|--|---------------|

|   |               |
|---|---------------|
| _____<br>Edwina Carrington, Executive Director            | _____<br>Date |
| Chairman of Executive Award and Review Advisory Committee |               |

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

Approved Credit Amount:  Date of Determination:

|  |               |
|--|---------------|
| _____<br>Michael E. Jones, Chairman of the Board | _____<br>Date |
|--|---------------|

# Developer Evaluation

Project ID # **03249**

Name: **The Palms Apartments**

City: **Aransas Pass**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

Total # of Projects monitored: 48 Projects grouped by score 0-9 46 10-19 1 20-29 1

Total # monitored with a score less than 30: 48 # not yet monitored or pending review: 12

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by R Meyer Date 5/28/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Eddie Fariss Date 5/5/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie Stuntz Date 5/6/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** May 27, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03249

**DEVELOPMENT NAME**

The Palms Apartments

**APPLICANT**

**Name:** HVM Aransas Pass, Ltd. **Type:** For Profit  
**Address:** 209 South West Street **City:** Burnet **State:** Texas  
**Zip:** 78611 **Contact:** Dennis Hoover **Phone:** (512) 756-6809 **Fax:** (512) 756-9885

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|                                      |                        |   |
|--------------------------------------|------------------------|---|
| <b>Name:</b> <u>HVM Housing, LLC</u> | <b>(%):</b> <u>5%</u>  | <b>Title:</b> <u>Managing General Partner</u> |
| <b>Name:</b> <u>Dennis Hoover</u>    | <b>(%):</b> <u>95%</u> | <b>Title:</b> <u>Initial Limited Partner</u>  |
| <b>Name:</b> <u>Dixie Farmer</u>     | <b>(%):</b> <u>n/a</u> | <b>Title:</b> <u>51% Owner of G.P.</u>        |
| <b>Name:</b> <u>Dennis Hoover</u>    | <b>(%):</b> <u>n/a</u> | <b>Title:</b> <u>24.5% Owner of G.P.</u>      |
| <b>Name:</b> <u>Danna Hoover</u>     | <b>(%):</b> <u>n/a</u> | <b>Title:</b> <u>24.5% Owner of G.P.</u>      |

**PROPERTY LOCATION**

**Location:** 200 Avenue A  **QCT**  **DDA**  
**City:** Aransas Pass **County:** San Patricio **Zip:** 78336

**REQUEST**

| <u>Amount</u> | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|---------------|----------------------|---------------------|-------------|
| \$41,192      | n/a                  | n/a                 | n/a         |

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

**Proposed Use of Funds:** Acquisition/ Rehab **Property Type:** Multifamily

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

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$41,006 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance by the TDHCA Board of the inclusion of contingency costs in the \$6,000 per unit minimum rehabilitation costs for this development.
2. Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100-year flood plain prior to execution of tax credit commitment.
3. Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment prior to the initial closing on the property.
4. Receipt, review, and acceptance of an agreement from USDA Rural Development prior to cost certification that reflects support for the Basic Rents as proposed by the Applicant.
5. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this report should be re-evaluated.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

|                         |        |                            |     |                             |     |                       |        |             |        |                |    |    |              |
|-------------------------|--------|----------------------------|-----|-----------------------------|-----|-----------------------|--------|-------------|--------|----------------|----|----|--------------|
| <b>Total Units:</b>     | 24     | <b># Rental Buildings:</b> | 4   | <b># Common Area Bldgs:</b> | -   | <b># of Floors:</b>   | 2      | <b>Age:</b> | 21 yrs | <b>Vacant:</b> | 5% | at | 12/ 01/ 2002 |
| <b>Net Rentable SF:</b> | 18,104 | <b>Av Un SF:</b>           | 754 | <b>Common Area SF:</b>      | n/a | <b>Gross Bldg SF:</b> | 18,104 |             |        |                |    |    |              |

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 75% brick veneer 25% exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A small community building is shared with another phase. It includes the management office, laundry facilities, and an adjacent children's play area.

|                           |    |        |                  |     |        |                 |     |        |
|---------------------------|----|--------|------------------|-----|--------|-----------------|-----|--------|
| <b>Uncovered Parking:</b> | 48 | spaces | <b>Carports:</b> | n/a | spaces | <b>Garages:</b> | n/a | spaces |
|---------------------------|----|--------|------------------|-----|--------|-----------------|-----|--------|

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** The Palms is a proposed acquisition and rehabilitation development of 24 units of affordable income housing located in northern Aransas Pass. The development was built in 1982 and is comprised of four residential buildings as follows:

- € (2) Building Type A with four one-bedroom/ one-bath units; and
- € (2) Building Type B with eight two- bedroom/ one-bath units;

The proposed request is to renovate 24 units in a development comprised of two phases and a total of 48 units. The second phase will not be included in the analysis, however it does include a management office.

**Existing Subsidies:** The development has all 24 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The contract is in effect until June 26, 2006, with the current net rents of \$365 for the one-bedrooms and \$459 for the two bedrooms. The Applicant has also applied to assume an existing USDA-RD loan. The current net rents are for the same rates as the HAP contract rents. The Applicant will also be restricted to income and rent restrictions under that program.

**Development Plan:** On February 19, 2003 the General Contractor outlined the scope of work for the 24-unit project. Following is a summary.

- € The parking area will be repaired and re-stripped to accommodate handicap tenants. The curbs and sidewalks will also be repaired and made handicap accessible.
- € Cracked and broken masonry will be replaced on the buildings. All damaged fascia material will be replaced.
- € Replace damaged screens, replace damaged glass stops and provide storm windows on all windows. Also caulk around existing doors and windows.
- € Replace wooden stairs and railings as required.
- € Repair and paint all existing doors. Replace all weather stripping.
- € Replace roof on Building #3.
- € Replace damaged interior doors, frames and trim as necessary. Repair gypsum board, remove nails, hooks, etc. as needed. Paint all gypsum board and ceilings. Replace selected carpet and flooring.
- € Replace kitchen cabinets as needed and recondition all that remain. Replace damaged counter tops. Replace all ranges, refrigerators and vent hoods. Replace selected sinks. Provide fluorescent lighting in kitchen.
- € Replace selected lavatories and vanities. Replace all seats and caulk around all fixtures. Repair damaged

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

tubs.

€ Replace or repair damaged lights, install GFI outlets in kitchen and bathroom. Clean air ducts. Provide mechanical and plumbing inspections.

€ Make two units handicap accessible.

The rehabilitation will be phased to avoid displacement of current residents. The contractor and owner have indicated that the scope of work can be completed without relocating the tenants. Before repairs on each apartment unit are started, detailed preparations will be discussed with each tenant. All utility services will be available to each tenant every night.

**Architectural Review:** Photos indicate functional buildings with approximately 75% brick. The units are two-story walk-up structures with pitched shingled roofs. The units appear to be of average size. Each unit has exterior storage, however no individual balcony or patio exist.

**Supportive Services:** The Applicant did not indicate any supportive services.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 1.193 acres 51,975 **Zoning/ Permitted Uses:** A-3 Multi-family

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Aransas Pass is located along the gulf coast, approximately 25 miles north of Corpus Christi in San Patricio County. The site is a rectangular-shaped parcel located approximately 0.25 miles from the central business district. The site is situated on the east side of Avenue A.

**Adjacent Land Uses:** The neighborhood is 85% built-up with single family encompassing 35% of the land use and multi-family encompassing 15%, retail utilizes 20%.

**Site Access:** Access to the property is from the north or south from Avenue A, just south of Highway 35. The development has two entries, one from Avenue A and the other from Yoakum Avenue.

**Public Transportation:** According to the appraiser, public transportation is available.

**Shopping & Services:** Aransas Pass has a Super Wal-Mart as well as other retail outlets. The site is also located approximately 20 miles from Corpus Christi, which has major retail, recreation and health facilities.

**Special Adverse Site Characteristics:**

€ **Flood Plain:** The Applicant indicated that the site is located entirely outside the 100 year flood plain. However, no map or documentation was provided to support this claim. Receipt, review and acceptance of documentation indicated that the site is located outside the 100-year flood plain is a condition of the report.

**Site Inspection Findings:** ORCA staff performed a site inspection on April 15, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median income (AMI) set-aside. All units will be restricted to households making 60% or less of the AMI. As a USDA section 515 development, the property will be required to give priority to the lowest income earning tenants.

**MAXIMUM ELIGIBLE INCOMES**

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

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

**MARKET HIGHLIGHTS**

A market feasibility study was not provided as USDA developments are allowed to submit an appraisal in lieu of a Market Analysis. However, an appraisal was provided by Tasador, Inc. in February 2003.

**Population:** The estimated 2000 population for Nueces County was 332,735, an increase of 1.14% over 1999. Corpus Christi is the heart of Nueces County with Aransas Pass being approximately 20 miles from Corpus Christi.

**Market Rent Comparables:** The appraiser surveyed three comparable apartment projects.

| <b>RENT ANALYSIS (net tenant-paid rents)</b> |                 |                    |                     |               |                     |
|--|-----------------|--------------------|---------------------|---------------|---------------------|
| <b>Unit Type (% AMI)</b>                     | <b>Proposed</b> | <b>Program Max</b> | <b>Differential</b> | <b>Market</b> | <b>Differential</b> |
| <b>1-Bedroom (60%)</b>                       | \$290           | \$445              | -\$155              | \$395         | -\$105              |
| <b>2-Bedroom (60%)</b>                       | \$411           | \$518              | -\$107              | \$500         | -\$89               |

(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)

The appraiser identified three properties, two within 2 miles of the site and one 15 miles from the site to determine market rents. The comparables were larger in size with one of the developments being almost 30 years old and two of them approximately the same age as the subject. Minimal information was given as to the population of the area, in fact, the study only provided information on Nueces County while the site is located in nearby San Patricio County.

Although, the appraisal was limited in scope and failed to meet all of the content requirements of the Department's Market Analysis Guidelines, it did provide enough information as to the viability of the development to continue serving low income tenants. Calculations of demand and inclusive capture rate in this instance are of limited relevance given that the development is 95% occupied.

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's net rent projections for the one-bedroom units are \$290 and \$411 for the two-bedroom units. These rents are based on an estimate as to what USDA-RD will approve. However, the property is subsidized by a HAP Contract that runs through June 2006 and has current net rents of \$365 for the one-bedroom and \$459 for the two bedroom units. The Applicant reduced rents in anticipation that any cash flow generated beyond a 1% return would result in an overage that would be returned to HUD. The maximum tax credits rents are \$445 and \$518 and the market analysis indicated that the current contract rents, which are much less than that tax credit rents, are also less than the adjusted market rents for the property. The current rents provide \$16K more in potential gross income than anticipated by the Applicant. While USDA may restrict rents further in the future, their current acceptance of the higher HUD rents suggest that they may not or they may increase the interest rate on the loan to compensate for rents above what the Applicant has indicated they should be based. While the Applicant is assuming secondary income of \$15.29 per unit per month, the Underwriter cannot estimate more than \$15.00 without substantiation. Historical property data only shows secondary income of just over \$13 per unit per month. The Underwriter will assume secondary income of \$15.00 per unit. As a result of these differences the Applicant's effective gross income is \$15K or 13% lower than the Underwriter's.

**Expenses:** The Applicant's total expense estimate of \$3,547 per unit is 10% higher than the Underwriter's database-derived estimate of \$3,214. Compared to historical, when excluding reserves for replacement and compliance fees, the Underwriter's estimate is 10% higher than property's actual 2002 performance. All of the Applicant's line item budget estimates are less than \$4K from the Underwriter's estimate except for water, sewer and trash, which had a difference of \$9K. The Applicant indicated they had no explanation for their estimate, even though it was more than twice last year's actual amount.

**Conclusion:** The Applicant's estimated net operating income is 57% lower than the Underwriter's expectations. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. The Applicant is anticipating a debt payment of \$14,064 annually. Based on that amount and a 1% interest rate, the Underwriter is estimating a DCR of 2.90. However, at that debt payment, the assumable loan balance of \$529,500 would not be paid off by the term expiration of September 2031. The Underwriter is assuming a



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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debt payment of approximately \$21,414, which would pay the loan off at the end of its original 50 year term. The result is a DCR of 1.91. Still above the acceptable TDHCA underwriting guidelines of 1.10 to 1.30. However, as mentioned, USDA-RD will adjust the rents or require higher than 1% interest payments to allow only a minimal return on investment to the owner. The current owner has, in fact been making note payments of approximately \$50,356 per year. Payments at this level do not appear to be tenable for the long run. Without reductions in the rent as proposed by the Applicant, debt service of \$31,265 per year could support a 1.30 DCR and provide an interest rate of 4% on the USDA loan. Receipt review and acceptance of a revised basic rent level consistent with the Applicant's assumptions is a condition of this report.

| <b>ACQUISITION VALUATION INFORMATION</b>  |  |                                    |  |  |                |
|---|--|------------------------------------|--|--|----------------|
| <b>APPRAISED VALUE</b>  |  |                                    |  |  |                |
| <b>Land Only:</b>   | \$17,000   | <b>Date of Valuation:</b>          | 2/                                     | 14/  | 2003           |
| <b>Existing "as is":</b>  | \$410,000  | <b>Date of Valuation:</b>          | 2/                                     | 14/  | 2003           |
| <b>Appraiser:</b>   | Gregory L. Atchley                               | <b>City:</b>                       | Corpus Christi                         | <b>Phone:</b>                              | (361) 852-3246 |
| <b>APPRAISED ANALYSIS/CONCLUSIONS</b>   |  |                                    |  |  |                |
| <p><b>Analysis:</b> The analysis indicated a land value of \$17,000, and a total value of \$575,000 using the cost approach, \$405,000 using the income approach and \$418,000 using the sales approach. The report did not focus a great deal on demand for the market area or provide demographic data for the Aransas Pass market. Most of the focus was on the Corpus Christi market, which is only 20 miles away. The appraisal in this case should have been conducted solely in accordance with the Department's guidelines since USDA is accepting the transfer of the balance of the note with no appraisal. Implicit in the Department's MOU with USDA is an allowance for the use of the USDA appraisal when and only when a USDA appraisal is required. The Applicant has interpreted that as USDA appraisal can be used even when a USDA appraisal is not required. The appraisers conclusions do not include a value of the subsidy of the below market USDA loan which would likely raise the conclusion of value from \$410,000 to more than the current \$529,500 in debt, therefore there would likely be no USDA adjustment to the note balance.</p> |  |                                    |  |  |                |
| <b>ASSESSED VALUE</b>   |  |                                    |  |  |                |
| <b>Land:</b>  | \$5,896  | <b>Assessment for the Year of:</b> | 2002                                   |  |                |
| <b>Building:</b>  | \$348,186  | <b>Valuation by:</b>               | San Patricio County Appraisal District |  |                |
| <b>Total Assessed Value:</b>  | \$354,082  | <b>Tax Rate:</b>                   | 2.996                                  |  |                |
| <b>EVIDENCE of SITE or PROPERTY CONTROL</b>   |  |                                    |  |  |                |
| <b>Type of Site Control:</b>  | Real Estate Sales Contract                       |                                    |  |  |                |
| <b>Contract Expiration Date:</b>  | 11/  | 03/                                | 2003                                   | <b>Anticipated Closing Date:</b>           | 11/ 03/ 2003   |
| <b>Acquisition Cost:</b>  | \$ 529,364                                       | <b>Other Terms/Conditions:</b>     |  |  |                |
| <b>Seller:</b>  | Stephen McClure, Sharon Peck and Michael McClure |                                    |  | <b>Related to Development Team Member:</b> | No             |

| <b>CONSTRUCTION COST ESTIMATE EVALUATION</b>  |
|---|
| <p><b>Acquisition and Land Value:</b> The property is being purchased for \$529,264, and is an arm's length transaction. The Applicant adjusted the \$12,499 of existing reserves from the sales price, but also included them as a source of funds thereby double counting them. An appraisal performed by Tasador, Inc. estimated a land value of \$17,000 which implies a building value of \$393,000 or 96% of the total. The Underwriter used the sales price and utilized the Appraiser's percentage value for the building and land to calculate an eligible basis of \$509,997 for the acquisition or \$10K more than the Applicant therefore the Applicant's value was used. The lower implied building value from the appraisal would reduce eligible bases by \$150K but it is a commonly accepted practice when the appraised value and sales price are not significantly divergent to use the appraised percentage value applied to the actual purchase price. In this case the reduction in acquisition basis using the appraised value instead of the percentage would reduce credits by \$4,378, but is not</p> |

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recommended.

**Sitework Cost:** The Applicant is estimating site costs to be \$1,732 per unit. While this is a low amount for a typical new construction project, this development is an acquisition/rehab project and therefore it will not incur all of the same costs associated with new development.

**Direct Construction Cost:** The Applicant intends to spend \$97,388 on direct construction costs. This totals to \$138,948, or \$5,790 per unit, in site work and direct construction combined. While this is less than the TDHCA minimum of 6K per unit of direct hard costs considered in the QAP, the Applicant has also indicated that \$16K, or \$660 per unit, is set aside for direct construction contingency. If the contingency is used the total direct construction and site work costs will be more than 6K per unit. The potential violation of this established limit is subject to interpretation and should be considered as a potential waiver by the Board. The project architect, who is related to the Applicant, has completed a detailed scope of work that is consistent with the Applicant's cost breakdown. Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment prior to the initial closing on the property.

**Ineligible Costs:** The Applicant assumed more than the 10% limit in direct construction contingency for acquisition/rehabilitation developments by almost 2K. This difference was removed from eligible basis.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of \$241,472 for the rehabilitation and \$574,845 for the building acquisition is used to determine a credit allocation of \$41,006 from this method.

| FINANCING STRUCTURE                          |  |   |                        |
|--|--|---|------------------------|
| <b>INTERIM CONSTRUCTION or GAP FINANCING</b> |  |   |                        |
| <b>Source:</b>                               | First State Bank   | <b>Contact:</b>   | Cary Johnson           |
| <b>Principal Amount:</b>                     | \$237,100  | <b>Interest Rate:</b>                                   | 6.5%                   |
| <b>Additional Information:</b>               | Loan not to exceed 80% of appraised value  |   |                        |
| <b>Amortization:</b>                         | n/a yrs  | <b>Term:</b>  | 1 yr                   |
| <b>Commitment:</b>                           | <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest |   |                        |
| <b>LONG TERM/PERMANENT FINANCING</b>         |  |   |                        |
| <b>Source:</b>                               | USDA-RD  | <b>Contact:</b>   |                        |
| <b>Principal Amount:</b>                     | \$529,500  | <b>Interest Rate:</b>                                   | 1.0%                   |
| <b>Additional Information:</b>               | The 1st lien loan is being assumed for \$529,500   |   |                        |
| <b>Amortization:</b>                         | est. 28.5 yrs  | <b>Term:</b>  | est. 28.5 yrs          |
| <b>Commitment:</b>                           | <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest |   |                        |
| <b>Annual Payment:</b>                       | \$14,064   | <b>Lien Priority:</b>                                   | First                  |
| <b>Commitment Date</b>                       | 2/ 27/ 2003  |   |                        |
| <b>LIHTC SYNDICATION</b>                     |  |   |                        |
| <b>Source:</b>                               | Raymond James  | <b>Contact:</b>   | Terrance Coyne         |
| <b>Address:</b>                              | 880 Carillon Parkway   | <b>City:</b>  | St. Petersburg         |
| <b>State:</b>                                | Florida  | <b>Zip:</b>   | 33716                  |
| <b>Phone:</b>                                | (800) 438-8088   | <b>Fax:</b>   | (727) 567-8455         |
| <b>Net Proceeds:</b>                         | \$313,028  | <b>Net Syndication Rate (per \$1.00 of 10-yr LIHTC)</b> | 76%                    |
| <b>Commitment</b>                            | <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Letter of Interest |   |                        |
| <b>Date:</b>                                 | 3/ 18/ 2003  |   |                        |
| <b>Additional Information:</b>               |  |   |                        |
| <b>APPLICANT EQUITY</b>                      |  |   |                        |
| <b>Amount:</b>                               | \$3,316  | <b>Source:</b>  | Deferred Developer Fee |
| <b>Amount:</b>                               | \$12,499   | <b>Source:</b>  | Reserves               |

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

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The Applicant will be assuming an existing loan through USDA-RD. However, the Underwriter was not provided with the most current pay-off amount and is performing their analysis based upon the information provided. In the event the payoff is exactly \$529,500 at a subsidized interest rate of 1% with 342 payments remaining, the new annual debt service would be \$21,468, which is \$7,404 more than the Applicant's estimate. Based on the Underwriter's annual debt, a debt coverage ratio of 1.91 would result. This is higher than the 1.30 TDHCA maximum allowable, however USDA-RD will be controlling the rent limits and the interest rate on the loan to prevent the Applicant from receiving more than a nominal cash flow profit.

**Financing Conclusions:** Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed \$41,006 annually for ten years, resulting in syndication proceeds of approximately \$311,612. The permanent financing estimate provided by the Applicant of \$529,500 appears to be reasonable provided that USDA will provide rental assistance to support the rents for the one-bedroom units at \$390 and the two-bedroom units at \$411. The result is a deferral of \$4,732 in developer fee, which is repayable out of cash flow in less than 10 years. The Applicant also has \$12,499 in reserves that they anticipate using as a source in the acquisition. These funds appear to be the funds deducted from the Applicant's acquisition costs (as reflected the contract with the seller). If they are being double counted and do not materialize or if these funds are to remain as reserves, there is still enough developer fee that could be deferred and still be repayable in less than 10 years. The USDA-RD documentation suggests that these reserves will be paid to the seller and the property will begin with no funds in reserves at the time of closing. In any case the potential total \$17,231, is still repayable in 10 years from cash flow.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

Hamilton Valley Management is related to the Applicant and has been managing the property since 1997.

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

**Financial Highlights:**

- € The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- € The General Partner submitted an unaudited financial statement as of February 19, 2003 reporting total assets of \$24,158. Liabilities totaled \$24,158, resulting in no net worth.
- € Dixie Farmer, Dennis Hoover and Danna Hoover, submitted unaudited financial statements as of February 19, 2003 and are anticipated to be guarantors of the development.

**Background & Experience:**

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € Dixie Farmer, Dennis Hoover and Danna Hoover have completed numerous multi-family developments throughout Texas.

**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 development could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this market.

**Underwriter:**

*Mark Fugina*

**Date:** May 27, 2003

**Director of Real Estate Analysis:**

*Tom Gouris*

**Date:** May 27, 2003

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis**

**The Palms Apartments, Aransas Pass, LIHTC #03249**

| Type of Unit  | Number    | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Int Pd Unit    | Wtr, Swr, Trsh |
|---------------|-----------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| <TC60%        | 8         | 1        | 1               | 627        | \$514           | \$365             | \$2,920         | \$0.58        | \$69.00        | \$42.00        |
| <TC60%        | 16        | 2        | 1               | 818        | 616             | \$459             | 7,344           | 0.56          | 98.00          | 46.00          |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
|               |           |          |                 |            |                 |                   |                 |               |                |                |
| <b>TOTAL:</b> | <b>24</b> |          | <b>AVERAGE:</b> | <b>754</b> | <b>\$582</b>    | <b>\$428</b>      | <b>\$10,264</b> | <b>\$0.57</b> | <b>\$88.33</b> | <b>\$44.67</b> |

| <b>INCOME</b>                                     |                              | Total Net Rentable Sq Ft: | 18,104 | <b>TDHCA</b> |           | <b>APPLICANT</b> |  | USS Region 1U |  |  |
|---|------------------------------|---------------------------|--------|--------------|-----------|------------------|--|---------------|--|--|
| POTENTIAL GROSS RENT                              |                              |                           |        | \$123,168    | \$106,752 |                  |  |               |  |  |
| Secondary Income                                  | Per Unit Per Month:          | \$15.00                   |        | 4,320        | 4,404     | \$15.29          |  |               |  |  |
| Other Support Income: (describe)                  |                              |                           |        | 0            |           |                  |  |               |  |  |
| POTENTIAL GROSS INCOME                            |                              |                           |        | \$127,488    | \$111,156 |                  |  |               |  |  |
| Vacancy & Collection Loss                         | % of Potential Gross Income: | -7.50%                    |        | (9,562)      | (8,340)   | -7.50%           |  |               |  |  |
| Employee or Other Non-Rental Units or Concessions |                              |                           |        | 0            |           |                  |  |               |  |  |
| EFFECTIVE GROSS INCOME                            |                              |                           |        | \$117,926    | \$102,816 |                  |  |               |  |  |

| <b>EXPENSES</b>            |         | % OF EGI      | PER UNIT       | PER SQ FT     | <b>TDHCA</b>    |                 | <b>APPLICANT</b> |                | PER SQ FT     | PER UNIT | % OF EGI |
|----------------------------|---------|---------------|----------------|---------------|-----------------|-----------------|------------------|----------------|---------------|----------|----------|
| General & Administrative   |         | 4.34%         | \$213          | 0.28          | \$5,122         | \$3,790         | \$0.21           | \$158          | 3.69%         |          |          |
| Management                 |         | 5.89%         | 289            | 0.38          | 6,946           | \$10,530        | 0.58             | 439            | 10.24%        |          |          |
| Payroll & Payroll Tax      |         | 10.36%        | 509            | 0.67          | 12,218          | \$12,400        | 0.68             | 517            | 12.06%        |          |          |
| Repairs & Maintenance      |         | 11.70%        | 575            | 0.76          | 13,800          | \$12,160        | 0.67             | 507            | 11.83%        |          |          |
| Utilities                  |         | 2.61%         | 128            | 0.17          | 3,077           | \$1,690         | 0.09             | 70             | 1.64%         |          |          |
| Water, Sewer, & Trash      |         | 10.91%        | 536            | 0.71          | 12,864          | \$21,380        | 1.18             | 891            | 20.79%        |          |          |
| Property Insurance         |         | 3.84%         | 189            | 0.25          | 4,526           | \$7,330         | 0.40             | 305            | 7.13%         |          |          |
| Property Tax               | 2.99695 | 9.15%         | 450            | 0.60          | 10,789          | \$8,040         | 0.44             | 335            | 7.82%         |          |          |
| Reserve for Replacements   |         | 6.11%         | 300            | 0.40          | 7,200           | \$7,200         | 0.40             | 300            | 7.00%         |          |          |
| Other Expenses: Compliance |         | 0.51%         | 25             | 0.03          | 600             | \$600           | 0.03             | 25             | 0.58%         |          |          |
| <b>TOTAL EXPENSES</b>      |         | <b>65.42%</b> | <b>\$3,214</b> | <b>\$4.26</b> | <b>\$77,142</b> | <b>\$85,120</b> | <b>\$4.70</b>    | <b>\$3,547</b> | <b>82.79%</b> |          |          |
| <b>NET OPERATING INC</b>   |         | <b>34.58%</b> | <b>\$1,699</b> | <b>\$2.25</b> | <b>\$40,784</b> | <b>\$17,696</b> | <b>\$0.98</b>    | <b>\$737</b>   | <b>17.21%</b> |          |          |

| <b>DEBT SERVICE</b>             |  |               |              |               | <b>TDHCA</b>    |                | <b>APPLICANT</b> |              |              |  |  |
|---------------------------------|--|---------------|--------------|---------------|-----------------|----------------|------------------|--------------|--------------|--|--|
| USDA-RD Mortgage                |  | 18.11%        | \$890        | \$1.18        | \$21,360        | \$14,064       | \$0.78           | \$586        | 13.68%       |  |  |
| Existing Reserve                |  | 0.00%         | \$0          | \$0.00        | 0               |                | \$0.00           | \$0          | 0.00%        |  |  |
| Existing Reserve                |  | 0.00%         | \$0          | \$0.00        | 0               |                | \$0.00           | \$0          | 0.00%        |  |  |
| <b>NET CASH FLOW</b>            |  | <b>16.47%</b> | <b>\$809</b> | <b>\$1.07</b> | <b>\$19,424</b> | <b>\$3,632</b> | <b>\$0.20</b>    | <b>\$151</b> | <b>3.53%</b> |  |  |
| AGGREGATE DEBT COVERAGE RATIO   |  |               |              |               | 1.91            | 1.26           |                  |              |              |  |  |
| RECOMMENDED DEBT COVERAGE RATIO |  |               |              |               | 1.30            |                |                  |              |              |  |  |

| <b>CONSTRUCTION COST</b>             |        |                |                 |                | <b>TDHCA</b>     |                  | <b>APPLICANT</b> |                 | PER SQ FT      | PER UNIT | % of TOTAL |
|--------------------------------------|--------|----------------|-----------------|----------------|------------------|------------------|------------------|-----------------|----------------|----------|------------|
| Acquisition Cost (site or bldg)      |        | 59.98%         | \$22,055        | \$29.24        | \$529,331        | \$516,865        | \$28.55          | \$21,536        | 60.22%         |          |            |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           | 0                |                  | 0.00             | 0               | 0.00%          |          |            |
| Sitework                             |        | 4.71%          | 1,732           | 2.30           | 41,560           | 41,560           | 2.30             | 1,732           | 4.84%          |          |            |
| Direct Construction                  |        | 11.04%         | 4,058           | 5.38           | 97,388           | 97,388           | 5.38             | 4,058           | 11.35%         |          |            |
| Contingency                          | 10.00% | 1.57%          | 579             | 0.77           | 13,895           | 15,840           | 0.87             | 660             | 1.85%          |          |            |
| General Req'ts                       | 6.00%  | 0.94%          | 347             | 0.46           | 8,337            | 8,337            | 0.46             | 347             | 0.97%          |          |            |
| Contractor's G & A                   | 2.00%  | 0.31%          | 116             | 0.15           | 2,779            | 2,779            | 0.15             | 116             | 0.32%          |          |            |
| Contractor's Profit                  | 6.00%  | 0.94%          | 347             | 0.46           | 8,337            | 8,337            | 0.46             | 347             | 0.97%          |          |            |
| Indirect Construction                |        | 2.82%          | 1,038           | 1.38           | 24,915           | 24,915           | 1.38             | 1,038           | 2.90%          |          |            |
| Ineligible Costs                     |        | 2.58%          | 950             | 1.26           | 22,789           | 22,789           | 1.26             | 950             | 2.65%          |          |            |
| Developer's G & A                    | 2.00%  | 1.61%          | 592             | 0.78           | 14,197           |                  | 0.00             | 0               | 0.00%          |          |            |
| Developer's Profit                   | 13.00% | 10.46%         | 3,845           | 5.10           | 92,279           | 106,768          | 5.90             | 4,449           | 12.44%         |          |            |
| Interim Financing                    |        | 1.45%          | 532             | 0.71           | 12,765           | 12,765           | 0.71             | 532             | 1.49%          |          |            |
| Reserves                             |        | 1.58%          | 579             | 0.77           | 13,903           | 0                | 0.00             | 0               | 0.00%          |          |            |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$36,770</b> | <b>\$48.74</b> | <b>\$882,475</b> | <b>\$858,343</b> | <b>\$47.41</b>   | <b>\$35,764</b> | <b>100.00%</b> |          |            |
| <b>Recap-Hard Construction Costs</b> |        | <b>19.52%</b>  | <b>\$7,179</b>  | <b>\$9.52</b>  | <b>\$172,296</b> | <b>\$174,241</b> | <b>\$9.62</b>    | <b>\$7,260</b>  | <b>20.30%</b>  |          |            |

| <b>SOURCES OF FUNDS</b>            |  |        |          |         | <b>TDHCA</b>     |                  | <b>APPLICANT</b> |  | <b>RECOMMENDED</b>          |  |  |
|------------------------------------|--|--------|----------|---------|------------------|------------------|------------------|--|-----------------------------|--|--|
| USDA-RD Mortgage                   |  | 60.00% | \$22,063 | \$29.25 | \$529,500        | \$529,500        | \$529,500        |  | Developer fee Available     |  |  |
| Existing Reserve                   |  | 1.42%  | \$521    | \$0.69  | 12,499           | 12,499           |                  |  | \$106,476                   |  |  |
| LIHTC Syndication Proceeds         |  | 35.47% | \$13,043 | \$17.29 | 313,028          | 313,028          | 311,612          |  | % of Dev. Fee Deferred      |  |  |
| Deferred Developer Fees            |  | 0.38%  | \$138    | \$0.18  | 3,316            | 3,316            | 17,231           |  | 16%                         |  |  |
| Additional (excess) Funds Required |  | 2.73%  | \$1,006  | \$1.33  | 24,132           | 0                | 0                |  | Dev Fee Repayable in 15 yrs |  |  |
| <b>TOTAL SOURCES</b>               |  |        |          |         | <b>\$882,475</b> | <b>\$858,343</b> | <b>\$858,343</b> |  | <b>\$187,244.68</b>         |  |  |

**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)**

*The Palms Apartments, Aransas Pass, LIHC #03249*

**PAYMENT COMPUTATION**

|                |           |      |      |
|----------------|-----------|------|------|
| <b>Primary</b> | \$529,500 | Term | 342  |
| Int Rate       | 1.00%     | DCR  | 1.91 |

|                  |          |              |      |
|------------------|----------|--------------|------|
| <b>Secondary</b> | \$12,499 | Term         |      |
| Int Rate         | 0.00%    | Subtotal DCR | 1.91 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$313,028 | Term          |      |
| Int Rate          |           | Aggregate DCR | 1.91 |

**RECOMMENDED FINANCING STRUCTURE:**

|                         |                |
|-------------------------|----------------|
| Primary Debt Service    | \$31,265       |
| Secondary Debt Service  | 0              |
| Additional Debt Service | 0              |
| <b>NET CASH FLOW</b>    | <b>\$9,519</b> |

|                |           |      |      |
|----------------|-----------|------|------|
| <b>Primary</b> | \$529,500 | Term | 340  |
| Int Rate       | 4.00%     | DCR  | 1.30 |

|                  |          |              |      |
|------------------|----------|--------------|------|
| <b>Secondary</b> | \$12,499 | Term         | 0    |
| Int Rate         | 0.00%    | Subtotal DCR | 1.30 |

|                   |           |               |      |
|-------------------|-----------|---------------|------|
| <b>Additional</b> | \$313,028 | Term          | 0    |
| Int Rate          | 0.00%     | Aggregate DCR | 1.30 |

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

| INCOME at 3.00%                | YEAR 1    | YEAR 2    | YEAR 3    | YEAR 4    | YEAR 5    | YEAR 10   | YEAR 15   | YEAR 20   | YEAR 30   |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| POTENTIAL GROSS RENT           | \$123,168 | \$126,863 | \$130,669 | \$134,589 | \$138,627 | \$160,706 | \$186,303 | \$215,976 | \$290,253 |
| Secondary Income               | 4,320     | 4,450     | 4,583     | 4,721     | 4,862     | 5,637     | 6,534     | 7,575     | 10,180    |
| Other Support Income: (describ | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| POTENTIAL GROSS INCOME         | 127,488   | 131,313   | 135,252   | 139,310   | 143,489   | 166,343   | 192,837   | 223,551   | 300,434   |
| Vacancy & Collection Loss      | (9,562)   | (9,848)   | (10,144)  | (10,448)  | (10,762)  | (12,476)  | (14,463)  | (16,766)  | (22,533)  |
| Employee or Other Non-Rental l | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| EFFECTIVE GROSS INCOME         | \$117,926 | \$121,464 | \$125,108 | \$128,861 | \$132,727 | \$153,867 | \$178,374 | \$206,785 | \$277,901 |
| EXPENSES at 4.00%              |           |           |           |           |           |           |           |           |           |
| General & Administrative       | \$5,122   | \$5,327   | \$5,540   | \$5,762   | \$5,992   | \$7,290   | \$8,870   | \$10,791  | \$15,974  |
| Management                     | 6,946     | 7,155     | 7,369     | 7,590     | 7,818     | 9,063     | 10,507    | 12,180    | 16,369    |
| Payroll & Payroll Tax          | 12,218    | 12,707    | 13,215    | 13,744    | 14,294    | 17,390    | 21,158    | 25,742    | 38,104    |
| Repairs & Maintenance          | 13,800    | 14,352    | 14,926    | 15,523    | 16,144    | 19,641    | 23,896    | 29,074    | 43,036    |
| Utilities                      | 3,077     | 3,200     | 3,328     | 3,461     | 3,600     | 4,380     | 5,329     | 6,483     | 9,597     |
| Water, Sewer & Trash           | 12,864    | 13,379    | 13,914    | 14,470    | 15,049    | 18,309    | 22,276    | 27,103    | 40,118    |
| Insurance                      | 4,526     | 4,707     | 4,895     | 5,091     | 5,295     | 6,442     | 7,838     | 9,536     | 14,115    |
| Property Tax                   | 10,789    | 11,221    | 11,669    | 12,136    | 12,622    | 15,356    | 18,683    | 22,731    | 33,647    |
| Reserve for Replacements       | 7,200     | 7,488     | 7,788     | 8,099     | 8,423     | 10,248    | 12,468    | 15,169    | 22,454    |
| Other                          | 600       | 624       | 649       | 675       | 702       | 854       | 1,039     | 1,264     | 1,871     |
| TOTAL EXPENSES                 | \$77,142  | \$80,159  | \$83,293  | \$86,551  | \$89,938  | \$108,974 | \$132,064 | \$160,073 | \$235,286 |
| NET OPERATING INCOME           | \$40,784  | \$41,306  | \$41,815  | \$42,310  | \$42,790  | \$44,893  | \$46,311  | \$46,712  | \$42,615  |
| DEBT SERVICE                   |           |           |           |           |           |           |           |           |           |
| First Lien Financing           | \$31,265  | \$31,265  | \$31,265  | \$31,265  | \$31,265  | \$31,265  | \$31,265  | \$31,265  | \$31,265  |
| 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                  | \$9,519   | \$10,041  | \$10,550  | \$11,045  | \$11,525  | \$13,628  | \$15,046  | \$15,447  | \$11,350  |
| DEBT COVERAGE RATIO            | 1.30      | 1.32      | 1.34      | 1.35      | 1.37      | 1.44      | 1.48      | 1.49      | 1.36      |

**LIHTC Allocation Calculation - The Palms Apartments, Aransas Pass, LIHTC #03249**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>ACQUISITION<br>ELIGIBLE BASIS | TDHCA<br>ACQUISITION<br>ELIGIBLE BASIS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |  |  |                                      |
| Purchase of land and other ineligible                 | \$17,000                        | \$29,466                  |  |  |  |                                      |
| Purchase of buildings                                 | \$499,865                       | \$499,865                 | \$499,865                                    | \$499,865                              |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |  |  |                                      |
| On-site work  | \$41,560                        | \$41,560                  |  |  | \$41,560                                   | \$41,560                             |
| Off-site improvements                                 |                                 |                           |  |  |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |  |  |                                      |
| New structures/rehabilitation hard costs              | \$97,388                        | \$97,388                  |  |  | \$97,388                                   | \$97,388                             |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |  |  |                                      |
| Contractor overhead                                   | \$2,779                         | \$2,779                   |  |  | \$2,779                                    | \$2,779                              |
| Contractor profit                                     | \$8,337                         | \$8,337                   |  |  | \$8,337                                    | \$8,337                              |
| General requirements                                  | \$8,337                         | \$8,337                   |  |  | \$8,337                                    | \$8,337                              |
| <b>(5) Contingencies</b>                              | \$15,840                        | \$13,895                  |  |  | \$13,895                                   | \$13,895                             |
| <b>(6) Eligible Indirect Fees</b>                     | \$24,915                        | \$24,915                  |  |  | \$24,915                                   | \$24,915                             |
| <b>(7) Eligible Financing Fees</b>                    | \$12,765                        | \$12,765                  |  |  | \$12,765                                   | \$12,765                             |
| <b>(8) All Ineligible Costs</b>                       | \$22,789                        | \$22,789                  |  |  |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           | \$74,980                                     | \$74,980                               | \$31,496                                   | \$31,496                             |
| Developer overhead                                    |                                 | \$14,197                  |  |  |  |                                      |
| Developer fee   | \$106,768                       | \$92,279                  |  |  |  |                                      |
| <b>(10) Development Reserves</b>                      |                                 | \$13,903                  |  |  |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | \$858,343                       | \$882,475                 | \$574,845                                    | \$574,845                              | \$241,472                                  | \$241,472                            |

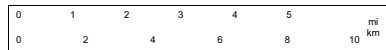
| <b>Deduct from Basis:</b>                                  |  |  |           |           |            |           |
|--|--|--|-----------|-----------|------------|-----------|
| All grant proceeds used to finance costs in eligible basis |  |  |           |           |            |           |
| B.M.R. loans used to finance cost in eligible basis        |  |  |           |           |            |           |
| Non-qualified non-recourse financing                       |  |  |           |           |            |           |
| Non-qualified portion of higher quality units [42(d)(3)]   |  |  |           |           |            |           |
| Historic Credits (on residential portion only)             |  |  |           |           |            |           |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$574,845 | \$574,845 | \$ 241,472 | \$241,472 |
| High Cost Area Adjustment                                  |  |  |           |           | 100%       | 100%      |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$574,845 | \$574,845 | \$241,472  | \$241,472 |
| Applicable Fraction  |  |  | 100%      | 100%      | 100%       | 100%      |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$574,845 | \$574,845 | \$241,472  | \$241,472 |
| Applicable Percentage                                      |  |  | 3.63%     | 3.63%     | 8.34%      | 8.34%     |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$20,867  | \$20,867  | \$20,139   | \$20,139  |

|  |        |           |           |                  |                 |
|--|--------|-----------|-----------|------------------|-----------------|
| Syndication Proceeds                         | 0.7599 | \$158,572 | \$158,572 | \$153,039        | \$153,039       |
| <b>Total Credits (Eligible Basis Method)</b> |        |           |           | <b>\$41,006</b>  | <b>\$41,006</b> |
| Syndication Proceeds                         |        |           |           | \$311,612        | \$311,612       |
| Requested Credits                            |        |           |           | \$41,192         |                 |
| Syndication Proceeds                         |        |           |           | \$313,028        |                 |
| <b>Gap of Syndication Proceeds Needed</b>    |        |           |           | <b>\$328,843</b> |                 |
| Credit Amount                                |        |           |           | \$43,273         |                 |



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 Zoom Level: 9-7 Datum: WGS84

Scale 1 : 225 000  
 1" = 2.55 mi



**TDHCA #**

**03257**

**Region 10**





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

Development Name: **Caney Run Estates**

TDHCA #: **03257**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 Site Address: Ben Jordon @ US Highway 87  
 City: Victoria County: Victoria Zip Code: 77901

TTC  DDA  QCT Purpose / Activity: New Construction

**Targeted Units:** Family: 116 Elderly: 0 Handicapped/Disabled 9 Domestic Abuse: 0 Transitional: 0

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

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Caney Run, Ltd.

| Principal Names | Principal Contact | Percentage Ownership |
|-----------------|-------------------|----------------------|
| Caney Run, LLC  | Don Pace          | .009% of Owner       |
| Con-Cor, Inc.   | Cy Jary           | .001% of Owner       |

**TAX CREDIT ALLOCATION INFORMATION**

|   |                  |                           |             |
|---|------------------|---------------------------|-------------|
| Annual Credit Allocation Recommendation | <b>\$704,038</b> | Allocation over 10 Years: | \$7,040,380 |
| Credits Requested                       | \$704,758        | Eligible Basis Amount:    | \$704,038   |
|   |                  | Equity/Gap Amount         | \$734,283   |

**UNIT INFORMATION**

|       | Eff | 1 BR | 2 BR | 3 BR | Total |
|-------|-----|------|------|------|-------|
| 30%   | 0   | 0    | 11   | 12   | 23    |
| 40%   | 0   | 0    | 5    | 5    | 10    |
| 50%   | 0   | 0    | 11   | 12   | 23    |
| 60%   | 0   | 0    | 29   | 31   | 60    |
| MR    | 0   | 0    | 0    | 0    | 0     |
| Total | 0   | 0    | 56   | 60   |       |

Total LI Units: 116  
 Owner/Employee Units: 0  
 Total Project Units: 116  
 Applicable Fraction: 100.00

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

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

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

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

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

**BUILDING INFORMATION**

|                                      |             |                                   |         |
|--------------------------------------|-------------|-----------------------------------|---------|
| Total Development Cost:              | \$8,801,689 | Average Square Feet/Unit          | 1,054   |
| Gross Building Square Feet           | 125,377     | Cost Per Net Rentable Square Foot | \$72.01 |
| Total Net Rentable Area Square Feet: | 122,224     | Credits per Low Income Uni        | \$6,069 |

**INCOME AND EXPENSE INFORMATION**

|  |           |
|--|-----------|
| Effective Gross Income                 | \$697,348 |
| Total Expenses:                        | \$393,434 |
| Net Operating Income                   | \$303,914 |
| Estimated 1st Year Debt Coverage Ratio | 1.27      |

**FINANCING**

|                             |                        |
|-----------------------------|------------------------|
| Permanent Principal Amount: | \$3,001,589            |
| Applicant Equity:           | \$238,753              |
| Equity Source:              | Deferred Developer Fee |
| Syndication Rate:           | \$0.7899               |

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

|                  |   |                  |                                |
|------------------|---|------------------|--------------------------------|
| Developer:       | Merritt Housing LLC                           | Market Analyst:  | Apartment Market Data Research |
| Housing GC:      | Hunt Building Corporation                     | Originator/UW:   | NA                             |
| Engineer:        | NA  | Appraiser:       | NA                             |
| Cost Estimator:  | NA  | Attorney:        | Broad and Cassel               |
| Architect:       | Baker & Associates, Inc.                      | Accountant:      | Novogradac & Company, LLC      |
| Property Manager | HBC Property Managers LP                      | Supp Services    | Texas Inter-Faith Housing Co.  |
| Syndicator:      | Sun America Affordable Housing Partners, Inc. | Permanent Lender | SunAmerica                     |

**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 0 Opposition: 0

A resolution was passed by the local government in support of the development.

|  |   |
|--|---|
| Local/State/Federal Officials with Jurisdiction:           | Comment from Other Public Officials:                        |
| Local Official: Gary Middleton, Mayor, City of Victoria, S | John K. Kaminski, Director of Planning, City of Victoria, S |
| TX Representative: Geanie W. Morrison, District 30, S      | Phyllis Hunt, Victoria Chamber of Commerce, S               |
| TX Senator: Ken Armbrister, District 18, S                 |   |
| US Representative: Ron Paul, S                             |   |
| US Senator:  |   |
| General Summary of Comment: Broad Support                  |   |

|                              |   |
|------------------------------|---|
| <b>DEPARTMENT EVALUATION</b> |   |
| Points Awarded: 85           | Site Finding: Acceptable Underwriting Finding: Approved with Conditions |

**CONDITIONS TO COMMITMENT**

Receipt, review and acceptance of personal financial statements for Cy Jary (93%) and Lloyd W. Jary Jr. (79%) owner of Con-Cor, Inc., the Co-General Partner.

Receipt, review and acceptance of a revised title commitment or title policy reflecting the release of two liens executed by Victoria Machine Works, Inc. by construction loan closing, and a copy of a current survey of the site prior to execution of the tax credit commitment.

Receipt, review and acceptance of a noise study on the subject site with direct reference to the adjacent railway.

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

Alternate Recommendation: NA

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

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

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

|   |               |  |               |
|---|---------------|--|---------------|
| _____<br>Robert Onion, Manager of Awards and Allocation | _____<br>Date | _____<br>Brooke Boston, Director of Multifamily Finance Production | _____<br>Date |
|---|---------------|--|---------------|

|   |               |
|---|---------------|
| _____<br>Edwina Carrington, Executive Director            | _____<br>Date |
| Chairman of Executive Award and Review Advisory Committee |               |

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

Approved Credit Amount:  Date of Determination:

|  |               |
|--|---------------|
| _____<br>Michael E. Jones, Chairman of the Board | _____<br>Date |
|--|---------------|

# Developer Evaluation

Project ID # **03257**

Name: **Caney Run Estates**

City: **Victoria**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

Total # of Projects monitored: 3 Projects grouped by score 0-9 2 10-19 1 20-29 0

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 9

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date Friday, June 06, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by R Meyer Date 6/5/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by EEF Date 6/5/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie Stuntz Date 6/6/2003

Executive Director: Edwina Carrington

Executed: Friday, June 13, 2003

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

**DATE:** June 9, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03257

**DEVELOPMENT NAME**

Caney Run Estates

**APPLICANT**

|                 |                                    |                 |                                 |
|-----------------|------------------------------------|-----------------|---------------------------------|
| <b>Name:</b>    | Caney Run, Ltd.                    | <b>Type:</b>    | For Profit                      |
| <b>Address:</b> | 585 N Courtenay Parkway, Suite 100 | <b>City:</b>    | Merritt Island <b>State:</b> FL |
| <b>Zip:</b>     | 32953                              | <b>Contact:</b> | Don Pace                        |
|                 |                                    | <b>Phone:</b>   | (321) 453-2932                  |
|                 |                                    | <b>Fax:</b>     | (321) 453-3801                  |

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

|              |                           |             |       |               |   |
|--------------|---------------------------|-------------|-------|---------------|---|
| <b>Name:</b> | Caney Run, LLC            | <b>(%):</b> | 0.009 | <b>Title:</b> | Managing General Partner                |
| <b>Name:</b> | Con-Cor, Inc.             | <b>(%):</b> | 0.001 | <b>Title:</b> | Co-General Partner                      |
| <b>Name:</b> | Merritt Housing           | <b>(%):</b> | N/A   | <b>Title:</b> | Owner of Caney Run/Developer            |
| <b>Name:</b> | TWC Housing, LLC          | <b>(%):</b> | N/A   | <b>Title:</b> | Owner of Merritt Housing                |
| <b>Name:</b> | Hunt Building Corporation | <b>(%):</b> | N/A   | <b>Title:</b> | Owner of TWC Housing/General Contractor |

**PROPERTY LOCATION**

**Location:** West of Ben Jordan Street and north of US Highway 87  **QCT**  **DDA**

**City:** Victoria **County:** Victoria **Zip:** 77901

**REQUEST**

| <u>Amount</u>                 | <u>Interest Rate</u>  | <u>Amortization</u>            | <u>Term</u>  |
|-------------------------------|---|--------------------------------|--|
| 1) \$704,758                  | N/A   | N/A                            | N/A  |
| <b>Other Requested Terms:</b> | 1) Annual ten-year allocation of low-income housing tax credits |                                |  |
| <b>Proposed Use of Funds:</b> | New Construction  | <b>Property Type:</b>          | Multifamily  |
| <b>Set-Aside(s):</b>          | <input checked="" type="checkbox"/> General                     | <input type="checkbox"/> Rural | <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk |

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$704,038 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of a revised title commitment or title policy reflecting the release of two liens executed by Victoria Machine Works, Inc. by construction loan closing, and a copy of a current survey of the site prior to execution of the commitment.
2. Receipt, review and acceptance of a noise study on the subject site with direct reference to the adjacent railway;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 116    **# Rental Buildings:** 15    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /

**Net Rentable SF:** 122,224    **Av Un SF:** 1,054    **Common Area SF:** 3,153    **Gross Bldg SF:** 125,377

**STRUCTURAL MATERIALS**

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

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

A community building with a community room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, central mailroom, picnic area, swimming pool; and equipped children's play area are located at the entrance to the middle of the property. In addition a volleyball court is planned for the site.

**Uncovered Parking:** 242 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Caney Run is a moderately dense seven units per acre new construction development of 116 units of affordable housing located in Victoria. The development is comprised of 15 evenly distributed small to medium garden style residential buildings as follows:

- Seven Building Type A with eight two-bedroom units;
- Seven Building Type B with eight three- bedroom units; and
- One Building Type C with four three-bedroom units.

**Architectural Review:** The unit floor plans offer adequate storage and a utility closet with space for full-size appliances. The residential buildings will be simple with varied rooflines, but little architectural detailing. The community building will offer tenant accessible areas as well as leasing/management offices. The exterior will be inline with the residential buildings.

**Supportive Services:** The Applicant plans to contract with Texas Inter-Faith Management Group to provide optional supportive services at no additional charge to tenants.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 16.7 acres    727,452 square feet    **Zoning/ Permitted Uses:** N/A (Victoria)

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

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** The subject site is located on the west side of Ben Jordan Street just north of US Highway 87 in southeast Victoria.

**Adjacent Land Uses:**

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- **North:** single family residential, vacant land
- **South:** railroad, commercial properties beyond
- **East:** commercial properties, Ben Jordan Street
- **West:** single family residential

**Site Access:** Local arteries include US 87, US 59 and US 77. US 59 connects with Houston located 122 miles northeast of Victoria and with I-37 to the southwest. US 77 connect with I-10 to the north, and US 87 connects with I-35 in San Antonio to the northwest.

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

**Shopping & Services:** The Victoria Independent School District operates a high school, junior high school, magnet school and elementary within 1 mile of the proposed site. A grocery store is within two miles and a regional mall is within 6 miles of the site. Citizens Medical Center is located within 1.5 miles and several parks are within 3 miles.

**Special Adverse Site Characteristics:** A railway runs along the south boundary of the subject site; however, the effect of the railway on noise levels at the site was not discussed in the submitted Phase I Environmental Site Assessment. Therefore, receipt, review and acceptance of a noise study on the subject site with direct reference to the adjacent railway is a condition of this report. During the processing period of this application, the Applicant closed on the acquisition of the site with seller note financing. The title commitment included several prior liens executed by the seller Victoria Machine Works, Inc. as debtor. These liens will need to be released prior to close of the construction loan as condition of this report. The legal description attached to the Deed reflects a 19.44 area tract which is somewhat larger than the site reflected in the ESA and other application documents. The legal description attached to the Deed is as a result of a survey conducted on April 4, 2003 b Urban Surveying. A copy of the entire survey should be provided prior to execution of the commitment to compare to the site plan drawing provided in the Application and the site evaluated in the ESA. Further revisions to the site plan and ESA may be required to incorporate the additional square footage that appears to have been conveyed, or a pro-rata reduction in the acquisition price of property may be required.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 14, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated March 24, 2003 was prepared by AD Environmental Services and contained the following conclusion:

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Twenty-three of the units (20%) will be reserved for households earning 30% or less of AMGI, 10 units (9%) will be reserved for households earning 40% or less of AMGI, 23 of the units (20%) will be reserved for households earning 50% or less of AMGI, and 60 units (52%) will be reserved for households earning 60% or less of AMGI.

| <b>MAXIMUM ELIGIBLE INCOMES</b> |                 |                  |                  |                  |                  |                  |
|---------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|
|                                 | <b>1 Person</b> | <b>2 Persons</b> | <b>3 Persons</b> | <b>4 Persons</b> | <b>5 Persons</b> | <b>6 Persons</b> |
| <b>60% of AMI</b>               | \$21,360        | \$24,420         | \$27,480         | \$30,540         | \$33,000         | \$35,400         |

**MARKET HIGHLIGHTS**

A market feasibility study dated March 26, 2003 was prepared by Apartment Market Data and highlighted the following findings:

**Definition of Primary Market:** “For this analysis we utilized a ‘Primary Trade Area’ comprising an 888

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square mile Trade Area of Victoria County.” (p. 3) While this is a large trade area it is consistent with areas used in mid-sized markets.

**Population:** The estimated 2002 population of primary market area was 85,704 and is expected to increase by 5.1% to approximately 90,050 by 2007. Within the primary market area there were estimated to be 30,788 households in 2002.

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

| ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY |                 |                   |                 |                   |
|---|-----------------|-------------------|-----------------|-------------------|
| Type of Demand                                  | Market Analyst  |                   | Underwriter     |                   |
|   | Units of Demand | % of Total Demand | Units of Demand | % of Total Demand |
| Household Growth                                | 56              | 1.8%              | 19              | 1.6%              |
| Resident Turnover                               | 3,128           | 98.5%             | 1,122           | 98.4%             |
| Other Sources: pent-up demand                   | (9)             | -0.3%             | N/A             |                   |
| <b>TOTAL ANNUAL DEMAND</b>                      | <b>3,175</b>    | <b>100%</b>       | <b>1,141</b>    | <b>100%</b>       |

Ref: p. 8

**Inclusive Capture Rate:** The Market Analyst has calculated a 3.7% capture rate based on the 116 proposed units and 3,175 units of demand. (p. 8) With the information available in the market analysis, the Underwriter calculated an inclusive capture rate of 10% based on the Board’s approval of only the subject units and 23% based on the Board’s approval of the subject 116 units and the proposed 144-unit Pinnacle Pointe (03162).

**Market Rent Comparables:** The Market Analyst surveyed one comparable apartment projects totaling 160 units in the market area. (p. 88)

| RENT ANALYSIS (net tenant-paid rents) |          |             |              |        |              |
|---------------------------------------|----------|-------------|--------------|--------|--------------|
| Unit Type (% AMI)                     | Proposed | Program Max | Differential | Market | Differential |
| <b>2-Bedroom (30%)</b>                | \$266    | \$262       | +\$4         | \$670  | -\$404       |
| <b>2-Bedroom (40%)</b>                | \$381    | \$377       | +\$4         | \$670  | -\$289       |
| <b>2-Bedroom (50%)</b>                | \$495    | \$491       | +\$4         | \$670  | -\$175       |
| <b>2-Bedroom (60%)</b>                | \$610    | \$606       | +\$4         | \$670  | -\$60        |
| <b>3-Bedroom (30%)</b>                | \$311    | \$305       | +\$6         | \$670  | -\$359       |
| <b>3-Bedroom (40%)</b>                | \$443    | \$438       | +\$5         | \$670  | -\$227       |
| <b>3-Bedroom (50%)</b>                | \$575    | \$570       | +\$5         | \$670  | -\$95        |
| <b>3-Bedroom (60%)</b>                | \$670    | \$703       | -\$33        | \$670  | \$0          |

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

Due to the Market Analyst’s use of only one comparable market rate property in determining the market rents for the subject development, the Underwriter has drawn on information from other reports. The conclusion of a single rent level for both the two and three-bedroom units also pointed to a need for further analysis. It was found that the primary market area rents average around \$0.64 per square foot for two and three-bedroom units. Therefore, it is likely that the proposed development will be able to achieve the maximum 60% LIHTC rent limits for the proposed units.

**Primary Market Occupancy Rates:** “Today, the area is 92.1% occupied while projects constructed since 1990 average 94.3%.” (p. 10)

**Absorption Projections:** “We estimate that the project could achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy during construction.” (p. 79)

**Known Planned Development:** The Market Analyst did not identify any known planned developments within the defined primary market area.

The Underwriter found the market study provided sufficient demand information for this underwriting analysis; however, the Underwriter was required to evaluate other market information provided during this application cycle to make an informed recommendation.

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**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant's net rent conclusions are based on the 2003 gross rent limits less understated utility allowances. The utility allowance sheet used by the Applicant is outdated; the underwriting analysis utilizes the most current utility allowances, dated February 1, 2003. Therefore, in general, the Applicant's net rent projections are overstated. However, the Applicant has assumed an understated rental rate for the proposed three-bedrooms units restricted at 60% of AMGI. The Applicant has limited the rental rate to \$670 per month due to the Market Analyst's market rent conclusions. As detailed above in the Market Highlights section of this report, the Underwriter believes the maximum 60% of AMGI net rent of \$703 per month for three-bedroom units can be achieved in the market area. Despite the differences in rental rate estimates for the individual unit types, the Applicant's potential gross rent projection is only 1% lower than the Underwriter's estimate.

The Applicant's secondary income and vacancy/collection loss estimates are in line with the current underwriting guidelines. Overall, the Applicant's effective gross income figure is within 5% of the Underwriter's estimate and is therefore considered to be reasonable as presented.

**Expenses:** The Applicant's total expense estimate of \$3,392 per unit is within 5% of the Underwriter's estimate and their line item operating expenses are within the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines.

**Conclusion:** The Applicant's total estimated operating expense is consistent with the Underwriter's expectations and the Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI will be used to evaluate debt service capacity.

Both the Applicant's and Underwriter's proforma indicate there is sufficient net operating income to service the total proposed debt at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                              |           |                                    |                                    |
|------------------------------|-----------|------------------------------------|------------------------------------|
| <b>Land: 17.347 acres</b>    | \$170,000 | <b>Assessment for the Year of:</b> | 2002                               |
| <b>Building:</b>             | \$9,800   | <b>Valuation by:</b>               | Victoria County Appraisal District |
| <b>Total Assessed Value:</b> | \$163,659 | <b>Tax Rate:</b>                   | 2.7931                             |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                              |                                |  |            |
|------------------------------|--------------------------------|--|------------|
| <b>Type of Site Control:</b> | Vendor's Lien (\$110,000) Deed |  |            |
| <b>Acquisition Cost:</b>     | \$110,000                      | <b>Closing date:</b>                       | 04/17/2003 |
| <b>Seller:</b>               | Victoria Machine Works, Inc.   | <b>Related to Development Team Member:</b> | No         |

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. As discussed above, the amount of land acquired appears to be in question and a pro-ration of the acquisition price or expansion of the site reflected in the site plan may be required.

**Site work Cost:** The Applicant's claimed site work costs of \$7,500 per unit are the maximum sitework costs allowed without further detailed documentation of the nature and eligibility of such site work costs.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$152K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

**Interim Financing Fees:** The Underwriter reduced the Applicant's eligible interim financing fees by \$7.5K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest



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expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

**Fees:** The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$1,126.

**Conclusion:** Despite the slightly overstated developer fees, 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. As a result, an eligible basis of \$8,441,708 is used to determine a credit allocation of \$704,038 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

**Source:** SunAmerica **Contact:** Dana Mayo  
**Principal Amount:** \$3,001,589 **Interest Rate:** 15-year Interpolated Treasury Rate + 235 bps > 7.0%  
**Additional Information:** 24 month interim period  
**Amortization:** 30 yrs **Term:** 18 yrs **Commitment:**  LOI  Firm  Conditional  
**Annual Payment:** \$245,714 **Lien Priority:** 1<sup>st</sup> **Commitment Date:** 02/ 24/ 2003

**LIHTC SYNDICATION**

**Source:** SunAmerica **Contact:** Dana Mayo  
**Address:** 1 SunAmerica Center, Century City **City:** Los Angeles  
**State:** CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6050  
**Net Proceeds:** \$5,717,638 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 79¢  
**Commitment:**  LOI  Firm  Conditional **Date:** 02/ 24/ 2003  
**Additional Information:** Based upon credits of \$723,824 annually

**APPLICANT EQUITY**

**Amount:** \$233,069 **Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The permanent financing commitment is generally consistent with the terms reflected in the sources and uses listed in the application. However, while the Applicant has assumed an interest rate of 7.25%, the Underwriter's analysis assumes an interest rate at the lender's floor of 7.0% as an underwriting rate was not specified in the commitment.

**LIHTC Syndication:** SunAmerica has offered to purchase a 99.99% interest in the Applicant. However, the estimated equity to be contributed is slightly higher than the amount indicated in the Applicant's revised sources and uses of funds form. The majority of the equity funds will be made available for use during the construction period.

**Deferred Developer's Fees:** The Applicant's anticipated deferred fees amount to 21% of total developer fees.

**Financing Conclusions:** As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated developer fees, is used to calculate eligible basis and the recommended annual tax credits of \$704,038, which is supported by the overall gap in need. A slight decrease in anticipated syndication proceeds indicates a need for deferred fees of \$238,753. Deferred developer fees in this amount appear to be repayable from cash flow within four years of stabilized operation.

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**DEVELOPMENT TEAM  
IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- The Applicant and Caney Run, LLC, the Managing General Partner, are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Con-Cor, Inc., Co-general Partner, submitted an unaudited balance sheet as of February 7, 2003 indicating total assets of \$143K comprised of cash, receivables, and real property. Total liabilities equaled \$169K for negative net worth of \$26K.
- Cy Jary owns 93% and Lloyd W Jary, Jr., owns 7% of Con-Cor, Inc, and personal financial statements for each were submitted.
- Merritt Housing GP, sole member of the managing general partner, submitted an unaudited balance sheet as of December 31, 2002 indicating total assets of \$2.4M comprised of cash, miscellaneous receivables, properties under development and investment in unconsolidated subsidiaries. Total liabilities equaled \$2.8M for negative partners' equity of \$400K.
- Michael Hartman and Donald Pace each own 20% of Merritt Housing GP and personal financial statements were submitted.
- TWC Housing, 60% owner of Merritt Housing GP, submitted an unaudited balance sheet as of December 31, 2002 indicating total assets of \$7.3M comprised of notes receivable, investment in Merritt Housing and investment in unconsolidated subsidiaries. Total liabilities equaled \$2.2M for negative partners' equity of \$5.1M.
- Hunt ELP, sole member of TWC Housing, submitted an unaudited balance sheet as of December 31, 2002 indicating total assets of \$318M comprised of cash and equivalents, receivables, rental properties, properties under development, equipment, escrows, restricted deposits, and investment in unconsolidated partnerships. Total liabilities equaled \$265M for stockholder's equity of \$47M.
- Hunt Building Corporation, 99% limited partner in Hunt ELP, submitted an unaudited balance sheet as of December 31, 2002 indicating total assets of \$410M comprised of cash and equivalents, receivables, real estate investments, equipment, escrows, restricted deposits, and investment in unconsolidated partnerships. Total liabilities equaled \$327M for stockholder's equity of \$78M.
- HB GP, 1% general partner in Hunt ELP, did not submit financial statements.
- WL Hunt owns 95.7265% and ML Hunt owns 4.2735% of HB GP and Hunt Building Corporation. Personal financials for each were submitted.

**Background & Experience:**

- The Applicant and Caney Run, LLC, the Managing General Partner, are new entities formed for the purpose of developing the project.
- Merrit Housing, TWC Housing and Hunt Building Corporation have participated in numerous affordable housing developments in Texas. In addition, each has received a Certificate of Experience in accordance with the 2003 QAP.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- Significant environmental/location risks exist regarding the adjacent railroad tracts.

|  |                        |              |                     |
|--|------------------------|--------------|---------------------|
| <b>Underwriter:</b>                      | _____                  | <b>Date:</b> | <u>June 9, 2003</u> |
|  | <i>Lisa Vecchiatti</i> |              |                     |
| <b>Director of Real Estate Analysis:</b> | _____                  | <b>Date:</b> | <u>June 9, 2003</u> |
|  | <i>Tom Gouris</i>      |              |                     |

**MULTIFAMILY COMPARATIVE ANALYSIS**

**Caney Run Estates, Victoria, 9% LIHTC 03257**

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF   | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Int Pd Util    | Trash          |
|---------------|------------|----------|-----------------|--------------|-----------------|-------------------|-----------------|---------------|----------------|----------------|
| TC 30%        | 11         | 2        | 2               | 940          | \$343           | \$262             | \$2,882         | \$0.28        | \$81.00        | \$15.00        |
| TC 40%        | 5          | 2        | 2               | 940          | 458             | 377               | 1,885           | 0.40          | 81.00          | 15.00          |
| TC 50%        | 11         | 2        | 2               | 940          | 572             | 491               | 5,401           | 0.52          | 81.00          | 15.00          |
| TC 60%        | 29         | 2        | 2               | 940          | 687             | 606               | 17,574          | 0.64          | 81.00          | 15.00          |
| TC 30%        | 12         | 3        | 2               | 1,100        | 396             | 305               | 3,660           | 0.28          | 91.00          | 15.00          |
| TC 40%        | 5          | 3        | 2               | 1,100        | 529             | 438               | 2,190           | 0.40          | 91.00          | 15.00          |
| TC 50%        | 12         | 3        | 2               | 1,100        | 661             | 570               | 6,840           | 0.52          | 91.00          | 15.00          |
| TC 60%        | 31         | 3        | 2               | 1,100        | 794             | 703               | 21,793          | 0.64          | 91.00          | 15.00          |
| <b>TOTAL:</b> | <b>116</b> |          | <b>AVERAGE:</b> | <b>1,054</b> | <b>\$623</b>    | <b>\$536</b>      | <b>\$62,225</b> | <b>\$0.51</b> | <b>\$86.17</b> | <b>\$15.00</b> |

**INCOME** Total Net Rentable Sq Ft: 122,224

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.70

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

|   | TDHCA     | APPLICANT |
|---|-----------|-----------|
| POTENTIAL GROSS RENT                              | \$746,700 | \$738,996 |
| Secondary Income                                  | 14,894    | 14,894    |
| Other Support Income                              | 0         | 0         |
| POTENTIAL GROSS INCOME                            | \$761,594 | \$753,890 |
| Vacancy & Collection Loss                         | (57,120)  | (56,542)  |
| Employee or Other Non-Rental Units or Concessions | 0         | 0         |
| EFFECTIVE GROSS INCOME                            | \$704,474 | \$697,348 |

USS Region 10  
IREM Region Victoria

Per Unit Per Month

-7.50% of Potential Gross Rent

**EXPENSES**

|                                 | % OF EGI      | PER UNIT       | PER SQ FT     |
|---------------------------------|---------------|----------------|---------------|
| General & Administrative        | 4.62%         | \$281          | 0.27          |
| Management                      | 5.00%         | 304            | 0.29          |
| Payroll & Payroll Tax           | 12.72%        | 772            | 0.73          |
| Repairs & Maintenance           | 8.47%         | 514            | 0.49          |
| Utilities                       | 2.23%         | 135            | 0.13          |
| Water, Sewer & Trash            | 4.63%         | 281            | 0.27          |
| Property Insurance              | 4.34%         | 263            | 0.25          |
| Property Tax 2.7931             | 11.33%        | 688            | 0.65          |
| Reserve for Replacements        | 3.29%         | 200            | 0.19          |
| Supportive Services, Compliance | 1.89%         | 115            | 0.11          |
| <b>TOTAL EXPENSES</b>           | <b>58.51%</b> | <b>\$3,553</b> | <b>\$3.37</b> |
| <b>NET OPERATING INC</b>        | <b>41.49%</b> | <b>\$2,520</b> | <b>\$2.39</b> |

|                                 | TDHCA            | APPLICANT        |
|---------------------------------|------------------|------------------|
| General & Administrative        | \$32,547         | \$34,180         |
| Management                      | 35,224           | \$34,867         |
| Payroll & Payroll Tax           | 89,575           | \$84,731         |
| Repairs & Maintenance           | 59,674           | \$61,596         |
| Utilities                       | 15,687           | \$11,600         |
| Water, Sewer & Trash            | 32,594           | \$31,320         |
| Property Insurance              | 30,556           | \$29,000         |
| Property Tax 2.7931             | 79,792           | \$69,600         |
| Reserve for Replacements        | 23,200           | \$23,200         |
| Supportive Services, Compliance | 13,340           | \$13,340         |
| <b>TOTAL EXPENSES</b>           | <b>\$412,188</b> | <b>\$393,434</b> |
| <b>NET OPERATING INC</b>        | <b>\$292,286</b> | <b>\$303,914</b> |

|                                 | PER SQ FT     | PER UNIT       | % OF EGI      |
|---------------------------------|---------------|----------------|---------------|
| General & Administrative        | \$0.28        | \$295          | 4.90%         |
| Management                      | 0.29          | 301            | 5.00%         |
| Payroll & Payroll Tax           | 0.69          | 730            | 12.15%        |
| Repairs & Maintenance           | 0.50          | 531            | 8.83%         |
| Utilities                       | 0.09          | 100            | 1.66%         |
| Water, Sewer & Trash            | 0.26          | 270            | 4.49%         |
| Property Insurance              | 0.24          | 250            | 4.16%         |
| Property Tax 2.7931             | 0.57          | 600            | 9.98%         |
| Reserve for Replacements        | 0.19          | 200            | 3.33%         |
| Supportive Services, Compliance | 0.11          | 115            | 1.91%         |
| <b>TOTAL EXPENSES</b>           | <b>\$3.22</b> | <b>\$3,392</b> | <b>56.42%</b> |
| <b>NET OPERATING INC</b>        | <b>\$2.49</b> | <b>\$2,620</b> | <b>43.58%</b> |

**DEBT SERVICE**

|                      |              |              |               |
|----------------------|--------------|--------------|---------------|
| First Lien Mortgage  | 34.02%       | \$2,066      | \$1.96        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| Additional Financing | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b> | <b>7.47%</b> | <b>\$454</b> | <b>\$0.43</b> |

AGGREGATE DEBT COVERAGE RATIO 1.22

RECOMMENDED DEBT COVERAGE RATIO 1.27

|                      | TDHCA           | APPLICANT       |
|----------------------|-----------------|-----------------|
| First Lien Mortgage  | \$239,636       | \$245,714       |
| Additional Financing | 0               | 0               |
| Additional Financing | 0               | 0               |
| <b>NET CASH FLOW</b> | <b>\$52,650</b> | <b>\$58,200</b> |

|                      | PER SQ FT     | PER UNIT     | % OF TOTAL   |
|----------------------|---------------|--------------|--------------|
| First Lien Mortgage  | \$2.01        | \$2,118      | 35.24%       |
| Additional Financing | \$0.00        | \$0          | 0.00%        |
| Additional Financing | \$0.00        | \$0          | 0.00%        |
| <b>NET CASH FLOW</b> | <b>\$0.48</b> | <b>\$502</b> | <b>8.35%</b> |

**CONSTRUCTION COST**

| Description                          | Factor | % of TOTAL     | PER UNIT        | PER SQ FT      |
|--------------------------------------|--------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      |        | 1.28%          | \$948           | \$0.90         |
| Off-Sites                            |        | 0.00%          | 0               | 0.00           |
| Sitework                             |        | 10.12%         | 7,500           | 7.12           |
| Direct Construction                  |        | 52.95%         | 39,252          | 37.25          |
| Contingency                          | 5.00%  | 3.15%          | 2,338           | 2.22           |
| General Req'ts                       | 6.00%  | 3.78%          | 2,805           | 2.66           |
| Contractor's G & A                   | 2.00%  | 1.26%          | 935             | 0.89           |
| Contractor's Profit                  | 6.00%  | 3.78%          | 2,805           | 2.66           |
| Indirect Construction                |        | 4.58%          | 3,397           | 3.22           |
| Ineligible Costs                     |        | 1.27%          | 943             | 0.90           |
| Developer's G & A                    | 3.71%  | 3.09%          | 2,291           | 2.17           |
| Developer's Profit                   | 11.29% | 9.40%          | 6,968           | 6.61           |
| Interim Financing                    |        | 3.63%          | 2,692           | 2.55           |
| Reserves                             |        | 1.69%          | 1,250           | 1.19           |
| <b>TOTAL COST</b>                    |        | <b>100.00%</b> | <b>\$74,124</b> | <b>\$70.35</b> |
| <b>Recap-Hard Construction Costs</b> |        | <b>75.06%</b>  | <b>\$55,635</b> | <b>\$52.80</b> |

|                                      | TDHCA              | APPLICANT          |
|--------------------------------------|--------------------|--------------------|
| Acquisition Cost (site or bldg)      | \$110,000          | \$110,000          |
| Off-Sites                            | 0                  | 0                  |
| Sitework                             | 870,000            | 870,000            |
| Direct Construction                  | 4,553,244          | 4,705,012          |
| Contingency                          | 271,162            | 278,751            |
| General Req'ts                       | 325,395            | 334,501            |
| Contractor's G & A                   | 108,465            | 111,500            |
| Contractor's Profit                  | 325,395            | 334,501            |
| Indirect Construction                | 394,100            | 394,100            |
| Ineligible Costs                     | 109,393            | 109,393            |
| Developer's G & A                    | 265,709            | 293,925            |
| Developer's Profit                   | 808,293            | 808,293            |
| Interim Financing                    | 312,251            | 312,251            |
| Reserves                             | 145,015            | 139,462            |
| <b>TOTAL COST</b>                    | <b>\$8,598,421</b> | <b>\$8,801,689</b> |
| <b>Recap-Hard Construction Costs</b> | <b>\$6,453,660</b> | <b>\$6,634,265</b> |

|                                      | PER SQ FT      | PER UNIT        | % of TOTAL     |
|--------------------------------------|----------------|-----------------|----------------|
| Acquisition Cost (site or bldg)      | \$0.90         | \$948           | 1.25%          |
| Off-Sites                            | 0.00           | 0               | 0.00%          |
| Sitework                             | 7.12           | 7,500           | 9.88%          |
| Direct Construction                  | 38.49          | 40,560          | 53.46%         |
| Contingency                          | 2.28           | 2,403           | 3.17%          |
| General Req'ts                       | 2.74           | 2,884           | 3.80%          |
| Contractor's G & A                   | 0.91           | 961             | 1.27%          |
| Contractor's Profit                  | 2.74           | 2,884           | 3.80%          |
| Indirect Construction                | 3.22           | 3,397           | 4.48%          |
| Ineligible Costs                     | 0.90           | 943             | 1.24%          |
| Developer's G & A                    | 2.40           | 2,534           | 3.34%          |
| Developer's Profit                   | 6.61           | 6,968           | 9.18%          |
| Interim Financing                    | 2.55           | 2,692           | 3.55%          |
| Reserves                             | 1.14           | 1,202           | 1.58%          |
| <b>TOTAL COST</b>                    | <b>\$72.01</b> | <b>\$75,877</b> | <b>100.00%</b> |
| <b>Recap-Hard Construction Costs</b> | <b>\$54.28</b> | <b>\$57,192</b> | <b>75.37%</b>  |

**SOURCES OF FUNDS**

|                                    |        |           |          |
|------------------------------------|--------|-----------|----------|
| First Lien Mortgage                | 34.91% | \$25,876  | \$24.56  |
| Additional Financing               | 0.00%  | \$0       | \$0.00   |
| LIHTC Syndication Proceeds         | 64.74% | \$47,992  | \$45.55  |
| Deferred Developer Fees            | 2.71%  | \$2,009   | \$1.91   |
| Additional (excess) Funds Required | -2.36% | (\$1,752) | (\$1.66) |
| <b>TOTAL SOURCES</b>               |        |           |          |

|                                    | TDHCA              | APPLICANT          |
|------------------------------------|--------------------|--------------------|
| First Lien Mortgage                | \$3,001,589        | \$3,001,589        |
| Additional Financing               | 0                  | 0                  |
| LIHTC Syndication Proceeds         | 5,567,031          | 5,567,031          |
| Deferred Developer Fees            | 233,069            | 233,069            |
| Additional (excess) Funds Required | (203,268)          | 0                  |
| <b>TOTAL SOURCES</b>               | <b>\$8,598,421</b> | <b>\$8,801,689</b> |

RECOMMENDED

|                                    |                    |                            |
|------------------------------------|--------------------|----------------------------|
| First Lien Mortgage                | \$3,001,589        | Developer Fee Available    |
| Additional Financing               | 0                  | \$1,101,092                |
| LIHTC Syndication Proceeds         | 5,561,347          | % of Dev. Fee Deferred     |
| Deferred Developer Fees            | 238,753            | 22%                        |
| Additional (excess) Funds Required | 0                  | 15-Yr Cumulative Cash Flow |
| <b>TOTAL SOURCES</b>               | <b>\$8,801,689</b> | <b>\$2,073,482.07</b>      |

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Caney Run Estates, Victoria, 9% LIHTC 03257*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR   | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|----------|-------------|----------------|--------------------|
| Base Cost                              |          |             | \$41.86        | \$5,116,648        |
| <b>Adjustments</b>                     |          |             |                |                    |
| Exterior Wall Finish                   | 6.25%    |             | \$2.62         | \$319,790          |
| Elderly                                |          |             | 0.00           | 0                  |
| Roofing                                |          |             | 0.00           | 0                  |
| Subfloor                               |          |             | (1.09)         | (133,455)          |
| Floor Cover                            |          |             | 1.92           | 234,670            |
| Porches/Balconies                      | \$29.24  | 5,547       | 1.33           | 162,194            |
| Plumbing                               | \$615    | 348         | 1.75           | 214,020            |
| Built-In Appliances                    | \$1,625  | 116         | 1.54           | 188,500            |
| Stairs/Fireplaces                      |          |             | 0.00           | 0                  |
| Floor Insulation                       |          |             | 0.00           | 0                  |
| Heating/Cooling                        |          |             | 1.47           | 179,669            |
| Garages/Carports                       |          |             | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$59.56  | 3,153       | 1.54           | 187,799            |
| Interior Stairs                        | \$865.00 | 56          | 0.40           | 48,440             |
| <b>SUBTOTAL</b>                        |          |             | <b>53.33</b>   | <b>6,518,275</b>   |
| Current Cost Multiplier                | 1.03     |             | 1.60           | 195,548            |
| Local Multiplier                       | 0.83     |             | (9.07)         | (1,108,107)        |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |          |             | <b>\$45.86</b> | <b>\$5,605,717</b> |
| Plans, specs, survy, bld prm           | 3.90%    |             | (\$1.79)       | (\$218,623)        |
| Interim Construction Interest          | 3.38%    |             | (1.55)         | (189,193)          |
| Contractor's OH & Profit               | 11.50%   |             | (5.27)         | (644,657)          |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |          |             | <b>\$37.25</b> | <b>\$4,553,244</b> |

**PAYMENT COMPUTATION**

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$3,001,589 | Term          | 360  |
| Int Rate          | 7.00%       | DCR           | 1.22 |
| <b>Secondary</b>  | \$0         | Term          |      |
| Int Rate          | 0.00%       | Subtotal DCR  | 1.22 |
| <b>Additional</b> | \$5,567,031 | Term          |      |
| Int Rate          |             | Aggregate DCR | 1.22 |

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

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$239,636       |
| Secondary Debt Service  | 0               |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$64,278</b> |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Primary</b>    | \$3,001,589 | Term          | 360  |
| Int Rate          | 7.00%       | DCR           | 1.27 |
| <b>Secondary</b>  | \$0         | Term          | 0    |
| Int Rate          | 0.00%       | Subtotal DCR  | 1.27 |
| <b>Additional</b> | \$5,567,031 | Term          | 0    |
| Int Rate          | 0.00%       | Aggregate DCR | 1.27 |

**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          | \$738,996        | \$761,166        | \$784,001        | \$807,521        | \$831,747        | \$964,222        | \$1,117,798        | \$1,295,834        | \$1,741,492        |
| Secondary Income              | 14,894           | 15,341           | 15,801           | 16,275           | 16,763           | 19,433           | 22,529             | 26,117             | 35,099             |
| Contractor's Profit           | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  | 0                  |
| POTENTIAL GROSS INCOME        | 753,890          | 776,507          | 799,802          | 823,796          | 848,510          | 983,655          | 1,140,326          | 1,321,951          | 1,776,591          |
| Vacancy & Collection Loss     | (56,542)         | (58,238)         | (59,985)         | (61,785)         | (63,638)         | (73,774)         | (85,524)           | (99,146)           | (133,244)          |
| Developer's G & A             | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$697,348</b> | <b>\$718,269</b> | <b>\$739,817</b> | <b>\$762,011</b> | <b>\$784,872</b> | <b>\$909,881</b> | <b>\$1,054,802</b> | <b>\$1,222,804</b> | <b>\$1,643,347</b> |
| <b>EXPENSES at 4.00%</b>      |                  |                  |                  |                  |                  |                  |                    |                    |                    |
| General & Administrative      | \$34,180         | \$35,547         | \$36,969         | \$38,448         | \$39,986         | \$48,649         | \$59,189           | \$72,012           | \$106,596          |
| Management                    | 34,867           | 35913.023        | 36990.41356      | 38100.12597      | 39243.12975      | 45493.54291      | 52739.48484        | 61139.51747        | 82166.39895        |
| Payroll & Payroll Tax         | 84,731           | 88,120           | 91,645           | 95,311           | 99,123           | 120,599          | 146,727            | 178,515            | 264,246            |
| Repairs & Maintenance         | 61,596           | 64,060           | 66,622           | 69,287           | 72,059           | 87,670           | 106,664            | 129,773            | 192,096            |
| Utilities                     | 11,600           | 12,064           | 12,547           | 13,048           | 13,570           | 16,510           | 20,087             | 24,439             | 36,176             |
| Water, Sewer & Trash          | 31,320           | 32,573           | 80               | 83               | 87               | 105              | 128                | 156                | 231                |
| Insurance                     | 29,000           | 30,160           | 31,366           | 32,621           | 33,926           | 41,276           | 50,219             | 61,099             | 90,441             |
| Property Tax                  | 69,600           | 72,384           | 75,279           | 78,291           | 81,422           | 99,063           | 120,525            | 146,637            | 217,058            |
| Reserve for Replacements      | 23,200           | 24,128           | 25,093           | 26,097           | 27,141           | 33,021           | 40,175             | 48,879             | 72,353             |
| Other                         | 13,340           | 13,874           | 14,429           | 15,006           | 15,606           | 18,987           | 23,101             | 28,105             | 41,603             |
| <b>TOTAL EXPENSES</b>         | <b>\$393,434</b> | <b>\$408,823</b> | <b>\$391,021</b> | <b>\$406,292</b> | <b>\$422,162</b> | <b>\$511,373</b> | <b>\$619,553</b>   | <b>\$750,755</b>   | <b>\$1,102,966</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$303,914</b> | <b>\$309,446</b> | <b>\$348,796</b> | <b>\$355,720</b> | <b>\$362,709</b> | <b>\$398,508</b> | <b>\$435,248</b>   | <b>\$472,049</b>   | <b>\$540,380</b>   |
| <b>DEBT SERVICE</b>           |                  |                  |                  |                  |                  |                  |                    |                    |                    |
| First Lien Financing          | \$239,636        | \$239,636        | \$239,636        | \$239,636        | \$239,636        | \$239,636        | \$239,636          | \$239,636          | \$239,636          |
| Second Lien                   | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  | 0                  |
| Other Financing               | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                  | 0                  |
| <b>NET CASH FLOW</b>          | <b>\$64,278</b>  | <b>\$69,810</b>  | <b>\$109,160</b> | <b>\$116,084</b> | <b>\$123,073</b> | <b>\$158,872</b> | <b>\$195,613</b>   | <b>\$232,413</b>   | <b>\$300,745</b>   |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.27</b>      | <b>1.29</b>      | <b>1.46</b>      | <b>1.48</b>      | <b>1.51</b>      | <b>1.66</b>      | <b>1.82</b>        | <b>1.97</b>        | <b>2.26</b>        |

**LIHTC Allocation Calculation - Caney Run Estates, Victoria, 9% LIHTC 03257**

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$110,000                       | \$110,000                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$870,000                       | \$870,000                 | \$870,000                                  | \$870,000                            |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$4,705,012                     | \$4,553,244               | \$4,705,012                                | \$4,553,244                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$111,500                       | \$108,465                 | \$111,500                                  | \$108,465                            |
| Contractor profit                                     | \$334,501                       | \$325,395                 | \$334,501                                  | \$325,395                            |
| General requirements                                  | \$334,501                       | \$325,395                 | \$334,501                                  | \$325,395                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
|   | \$278,751                       | \$271,162                 | \$278,751                                  | \$271,162                            |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$394,100                       | \$394,100                 | \$394,100                                  | \$394,100                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$312,251                       | \$312,251                 | \$312,251                                  | \$312,251                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$109,393                       | \$109,393                 |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
|   |                                 |                           | \$1,101,092                                |                                      |
| Developer overhead                                    | \$293,925                       | \$265,709                 |  | \$265,709                            |
| Developer fee   | \$808,293                       | \$808,293                 |  | \$808,293                            |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$139,462                       | \$145,015                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$8,801,689</b>              | <b>\$8,598,421</b>        | <b>\$8,441,708</b>                         | <b>\$8,234,013</b>                   |

| <b>Deduct from Basis:</b>                                  |  |  |             |             |
|--|--|--|-------------|-------------|
| All grant proceeds used to finance costs in eligible basis |  |  |             |             |
| B.M.R. loans used to finance cost in eligible basis        |  |  |             |             |
| Non-qualified non-recourse financing                       |  |  |             |             |
| Non-qualified portion of higher quality units [42(d)(3)]   |  |  |             |             |
| Historic Credits (on residential portion only)             |  |  |             |             |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | \$8,441,708 | \$8,234,013 |
| High Cost Area Adjustment                                  |  |  | 100%        | 100%        |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | \$8,441,708 | \$8,234,013 |
| Applicable Fraction  |  |  | 100%        | 100%        |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | \$8,441,708 | \$8,234,013 |
| Applicable Percentage                                      |  |  | 8.34%       | 8.34%       |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | \$704,038   | \$686,717   |

|  |        |                    |                  |
|--|--------|--------------------|------------------|
| Syndication Proceeds                         | 0.7899 | \$5,561,347        | \$5,424,519      |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$704,038</b>   | <b>\$686,717</b> |
| Syndication Proceeds                         |        | \$5,561,347        | \$5,424,519      |
| Requested Credits                            |        | \$704,758          |                  |
| Syndication Proceeds                         |        | \$5,567,031        |                  |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$5,800,100</b> |                  |
| Credit Amount                                |        | \$734,263          |                  |



**TDHCA #**

**03265**

**Region 10**



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

Development Name: **Riversquare Apartments**

TDHCA #: **03265**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

Region: 10 Site Address: McKinzie Rd. @ McKinzie Ln.  
 City: Corpus Christi County: Nueces Zip Code: 78410  
 TTC  DDA  QCT Purpose / Activity: New Construction  
**Targeted Units:** Family: 204 Elderly: 0 Handicapped/Disabled 15 Domestic Abuse: 0 Transitional: 0  
**Set Asides:**  General  At-Risk  Nonprofit  Rural  TX-USDA-RHS  Elderly

**OWNER AND PRINCIPAL INFORMATION** Owner Entity Name: Corpus Riversquare I, Apartments, Ltd.

| Principal Names                  | Principal Contact | Percentage Ownership |
|----------------------------------|-------------------|----------------------|
| C.C. Apartment Venture I, L.L.C. | Manish Verma      | .01% of Owner        |
| Makan Ltd.                       | Arun Verma        | 90% of GP            |
| Merced-Riversquare, LLC          | Susan Sheeran     | 10% of GP            |

**TAX CREDIT ALLOCATION INFORMATION**

Annual Credit Allocation Recommendation **\$1,092,376** Allocation over 10 Years: \$10,923,760  
 Credits Requested \$1,092,376 Eligible Basis Amount: \$1,119,351 Equity/Gap Amount \$1,125,254

**UNIT INFORMATION**

|                       | Eff | 1 BR | 2 BR | 3 BR | Total |
|-----------------------|-----|------|------|------|-------|
| 30%                   | 0   | 0    | 24   | 7    | 31    |
| 40%                   | 0   | 0    | 12   | 4    | 16    |
| 50%                   | 0   | 0    | 24   | 9    | 33    |
| 60%                   | 0   | 0    | 55   | 28   | 83    |
| MR                    | 0   | 0    | 29   | 12   | 41    |
| Total                 | 0   | 0    | 144  | 60   |       |
| Total LI Units:       |     |      |      |      | 163   |
| Owner/Employee Units: |     |      |      |      | 0     |
| Total Project Units:  |     |      |      |      | 204   |
| Applicable Fraction:  |     |      |      |      | 80.00 |

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

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

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

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

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

**BUILDING INFORMATION**

|                                      |              |                                   |         |
|--------------------------------------|--------------|-----------------------------------|---------|
| Total Development Cost:              | \$14,626,263 | Average Square Feet/Unit          | 986     |
| Gross Building Square Feet           | 206,777      | Cost Per Net Rentable Square Foot | \$72.72 |
| Total Net Rentable Area Square Feet: | 201,144      | Credits per Low Income Uni        | \$6,702 |

**INCOME AND EXPENSE INFORMATION**

|  |             |
|--|-------------|
| Effective Gross Income                 | \$1,059,948 |
| Total Expenses:                        | \$695,751   |
| Net Operating Income                   | \$364,197   |
| Estimated 1st Year Debt Coverage Ratio | 1.13        |

**FINANCING**

|                             |                        |
|-----------------------------|------------------------|
| Permanent Principal Amount: | \$5,400,100            |
| Applicant Equity:           | \$269,576              |
| Equity Source:              | Deferred Developer Fee |
| Syndication Rate:           | \$0.8199               |

**DEVELOPMENT TEAM**

Note: "NA" = Not Yet Available

|                  |                              |                  |                                |
|------------------|------------------------------|------------------|--------------------------------|
| Developer:       | CC Apartment Venture I, LLC  | Market Analyst:  | Apartment Market Data Research |
| Housing GC:      | Galaxy Builders, Ltd.        | Originator/UW:   | NA                             |
| Engineer:        | NA                           | Appraiser:       | NA                             |
| Cost Estimator:  | NA                           | Attorney:        | NA                             |
| Architect:       | Chiles Architects, Inc.      | Accountant:      | NA                             |
| Property Manager | Capstone Management Services | Supp Services    | Merced Housing Texas           |
| Syndicator:      | Columbia Housing Partners    | Permanent Lender | Malone Mortgage                |



**PUBLIC COMMENT SUMMARY** Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 1 Opposition: 1

A resolution was passed by the local government in support of the development.

| Local/State/Federal Officials with Jurisdiction:   | Comment from Other Public Officials:   |
|--|--|
| Local Official: NC                                 | Bob Payne, Senior City Planner City of Corpus Christi, S<br>John Longoria, Council Member, S<br>William Kelly, Council Member, O |
| TX Representative: Jaime L. Capelo, District 34, N |  |
| TX Senator: Juan "Chuy" Hinojosa, District 20, S   |  |
| US Representative: Solomon Ortiz, S                |  |
| US Senator:  |  |

General Summary of Comment: One letter of opposition was received from City Council Member William Kelly. While Council Member Kelly supports affordable housing, he is concerned that there is inadequate storm water drainage at the proposed site and would like to ensure that the neighbors living downhill from the property are not negatively impacted. It should be noted that there was also broad support for this development.

| DEPARTMENT EVALUATION |   |
|-----------------------|---|
| Points Awarded: 96    | Site Finding: Acceptable Underwriting Finding: Approved with Conditions |

**CONDITIONS TO COMMITMENT**

Receipt, review, and acceptance of a site plan/survey indicating the location of the pipeline and utility easements listed in the title commitment along with the location of the proposed improvements prior to Carryover.

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

Alternate Recommendation: NA

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

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

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

|   |               |  |               |
|---|---------------|--|---------------|
| _____<br>Robert Onion, Manager of Awards and Allocation | _____<br>Date | _____<br>Brooke Boston, Director of Multifamily Finance Production | _____<br>Date |
|---|---------------|--|---------------|

|   |               |
|---|---------------|
| _____<br>Edwina Carrington, Executive Director            | _____<br>Date |
| Chairman of Executive Award and Review Advisory Committee |               |

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

Approved Credit Amount:  Date of Determination:

|  |               |
|--|---------------|
| _____<br>Michael E. Jones, Chairman of the Board | _____<br>Date |
|--|---------------|

# Developer Evaluation

Project ID # **03265**

Name: **Riversquare Apartments**

City: **Corpus Christi**

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

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

National Previous Participation Certification Received:  N/A  Yes  No

Noncompliance Reported on National Previous Participation Certification:  Yes  No

## Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 0

### Program Monitoring/Draws

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

### Asset Management

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by Sara Carr Newsom Date Friday, June 06, 2003

## Multifamily Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by R Meyer Date 6/5/2003

## Single Family Finance Production

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Community Affairs

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by EEF Date 6/5/2003

## Office of Colonia Initiatives

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

Reviewed by H Cabello Date 6/10/2003

## Real Estate Analysis (Cost Certification and Workout)

Not applicable  Review pending  No unresolved issues  Unresolved issues found

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

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

## Loan Administration

Not applicable  No delinquencies found  Delinquencies found

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

Reviewed by Stephanie Stuntz Date 6/6/2003

Executive Director: Edwina Carrington

Executed: Thursday, June 12, 2003

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

**DATE:** June 11, 2003

**PROGRAM:** 9% LIHTC

**FILE NUMBER:** 03265

**DEVELOPMENT NAME**

Riversquare

**APPLICANT**

**Name:** Corpus Riversquare I Apartments, Ltd.      **Type:** For Profit  
**Address:** 4729 College Park      **City:** San Antonio      **State:** TX  
**Zip:** 78249      **Contact:** Manish Verma      **Phone:** (210) 240-8376      **Fax:** (210) 493-7573

**PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS**

**Name:** CC Apartment Venture I, LLC      **(%):** 0.01      **Title:** Managing General Partner/Developer  
**Name:** Commercial Investment Services      **(%):** N/A      **Title:** Consultant

**PROPERTY LOCATION**

**Location:** McKinzie Road at McKinzie Lane, SE corner       **QCT**       **DDA**  
**City:** Corpus Christi      **County:** Nueces      **Zip:** 78410

**REQUEST**

| <u>Amount</u>  | <u>Interest Rate</u> | <u>Amortization</u> | <u>Term</u> |
|----------------|----------------------|---------------------|-------------|
| 1) \$1,092,376 | N/A                  | N/A                 | N/A         |

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

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

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

**RECOMMENDATION**

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,092,376 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review, and acceptance of a site plan/survey indicating the location of the pipeline and utility easements listed in the title commitment along with the location of the proposed improvements prior to carryover;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

**REVIEW of PREVIOUS UNDERWRITING REPORTS**

No previous reports.

**DEVELOPMENT SPECIFICATIONS**

**IMPROVEMENTS**

**Total Units:** 204    **# Rental Buildings:** 42    **# Common Area Bldgs:** 1    **# of Floors:** 2    **Age:** N/A yrs    **Vacant:** N/A at / /  
**Net Rentable SF:** 201,144    **Av Un SF:** 986    **Common Area SF:** 5,633    **Gross Bldg SF:** 206,777

**STRUCTURAL MATERIALS**

Wood frame on a concrete slab on grade, 25% brick veneer 75% stucco exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

**APPLIANCES AND INTERIOR FEATURES**

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

**ON-SITE AMENITIES**

Amenities include a clubhouse with a community room, management offices, fitness & laundry facilities, two kitchens, restrooms, and a computer/business center. A swimming pool, equipped children's play area are located adjacent to the clubhouse at the entrance to the property. In addition a picnic area, community garden/walk trail, and perimeter fencing with limited access gate(s) is also planned for the site.

**Uncovered Parking:** 505 spaces    **Carports:** N/A spaces    **Garages:** N/A spaces

**PROPOSAL and DEVELOPMENT PLAN DESCRIPTION**

**Description:** Riversquare is a relatively dense 12 units per acre new construction development of 204 units of mixed income housing located in Corpus Christi. The development is comprised of 42 evenly distributed small to medium garden style walk-up residential buildings as follows:

- € Eighteen Building Type I with four two- bedroom/ one-bath units;
- € Nine Building Type II with eight two- bedroom/ one-bath units;
- € Twelve Building Type III with four three- bedroom/ two-bath units; and
- € Three Building Type IV with four three- bedroom/ two-bath units.

**Architectural Review:** The individual units will provide adequate storage and utility closets with room for full-sized appliances. The combination stucco/brick veneer buildings will be simple, but attractive with some architectural detailing. The community building will offer many tenant accessible areas as well as leasing/management offices. The exterior of the building will be in line with the residential buildings.

**Supportive Services:** The 10% owner of the General Partner, Merced Housing Texas will provide optional supportive services at no additional charge to tenants.

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

**SITE ISSUES**

**SITE DESCRIPTION**

**Size:** 17 acres    740,520 square feet    **Zoning/ Permitted Uses:** B-4/multifamily  
**Flood Zone Designation:** Zone C    **Status of Off-Sites:** Fully Improved

**SITE and NEIGHBORHOOD CHARACTERISTICS**

**Location:** Riversquare is located on the southwest corner of the McKinzie Lane and Twin River intersection in northwest Corpus Christi.

**Adjacent Land Uses:**

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

- € **North:** McKinzie Road, gas pipeline and vacant and residential land beyond
- € **South:** River Run Boulevard and vacant land
- € **East:** Vacant land, Twin River Boulevard, USDA cotton grading facility and more vacant land beyond
- € **West:** Vacant land, McKinzie Road and more vacant land beyond

**Site Access:** The subject has access via McKinzie Road to Interstate Highway 37. IH 37 connects Corpus Christi to highways throughout the state. US Highway 77 and State Highway 358 are also located within a 7-mile radius.

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

**Shopping & Services:** The subject site will be served by the Tuloso-Midway Independent School District which operates an elementary, middle and high school within 5 miles. Del Mar College and Texas A&M University of Corpus Christi are located within 20 miles. A grocery is within 2 miles, a large discount store is within 9 miles, and a regional mall is within 18 miles of the site. It is 12 miles to the Christus Spohn Hospital South. The City of Corpus Christi offers many cultural and entertainment options.

**Special Adverse Site Characteristics:** The title commitment lists numerous utility and pipeline easements. The Applicant was asked to provide a site plan/survey indicating the location of the pipeline and utility easements listed in the title commitment. Receipt, review and acceptance of such is a condition of this report.

**Site Inspection Findings:** TDHCA staff performed a site inspection on May 14, 2003 and found the location to be acceptable for the proposed development.

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

A Phase I Environmental Site Assessment report dated February 19, 2003 was prepared by Commercial Investment Services and contained the following findings and recommendations:

**Findings:**

- € “The only regulatory listed concern regarding this site is the proximity to the old landfill. The Carbon Plant Landfill was used by the City for many years as the only West Side Landfill. This landfill received all the industrial area trash for over 10 years and then 90% of the industrial waste once the newer Greenwood Landfill was opened for the Southside of Town...The Carbon Plant Road Landfill never had any Monitor Wells installed or samples taken based on data available. Due to the potential groundwater contamination a single bore was completed in 1999 just southwest (40 to 50 ft. set back from) the Twin River/McKinzie Lane corner property lines...The sample was analyzed for pesticides, herbicides, heavy metals, TPH, volatiles – 32 compounds. The results show very little petroleum in the groundwater, but none of the manufactured compounds. The contamination is probably from the past oil field activities in the area.” (p. 13)
- € “The oil and gas map provided shows former production throughout the area, but the site are does not show past production which might include pits or waste oil areas. The 8x11 enlarged map furnished by the McKinzie family shows a well on the site...Old wells and tanks are rarely an environmental concern, but old pits are. No old pits are shown on the aerial photographs. The pits are not mapped by the Texas Railroad Commission.” (p. 14)
- € “Pipeline markers are visible on the site along McKinzie Road at the west portion of McKinzie Lane. The pipeline runs along the streets.” (p. 14) The Applicant was asked to provide a site plan/survey indicating the location of the pipeline and utility easements listed in the title commitment. Receipt, review and acceptance of such is a condition of this report.
- € “The high voltage lines are all along McKinzie Lane. The magnetic field strength will be low or nil at the edge of the site. Texas has no regulations pertaining to magnetic fields.” (p. 15)

**Recommendations:** “Based on the historical data, visual observations and regulatory data, the site and nearby sites in the surrounding area have not been subjected to undesirable environmental conditions. There appears to be no reason to complete additional studies or any testing at the site.” (p. 31)

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

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred and sixty-three of the units (80% of the total) will be reserved for low-income tenants. Thirty-one of the units (15%) will be reserved for households earning 30% or less of AMGI, 16 units (8%) will be reserved for households earning 40% or less of AMGI, 33 of the units (16%) will be reserved for households earning 50% or less of AMGI, 83 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 41 units (20%) will be offered at market rents.

**MAXIMUM ELIGIBLE INCOMES**

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

**MARKET HIGHLIGHTS**

A market feasibility study dated March 22, 2003 was prepared by Apartment Market Data and highlighted the following findings:

**Definition of Primary Market:** “For this analysis we utilized a ‘primary market area’ comprising as 150 square mile Trade Area around the city of Corpus Christi.” (p. 3) A more detailed definition of the boundaries of the Primary Market Area was not provided. However, a map indicates the boundaries encompass portion of the City of Corpus Christi located along the gulf coast, but northwest of University Heights and the Corpus Christi Naval Air Station. (See attached map) While this is a rather large trade area designation it fits within the Department’s current guidelines.

**Population:** The estimated 2002 population of the Primary Market Area was 241,067 and is expected to increase by 1.9% to approximately 245,644 by 2007. Within the primary market area there were estimated to be 85,366 households in 2002.

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

| <b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b> |                        |                          |                        |                          |
|--|------------------------|--------------------------|------------------------|--------------------------|
| <b>Type of Demand</b>                                  | <b>Market Analyst</b>  |                          | <b>Underwriter</b>     |                          |
|  | <b>Units of Demand</b> | <b>% of Total Demand</b> | <b>Units of Demand</b> | <b>% of Total Demand</b> |
| Household Growth                                       | 26                     | 0.4%                     | 51                     | 1%                       |
| Resident Turnover                                      | 6,347                  | 99.1%                    | 6,329                  | 99%                      |
| Other Sources: pent-up demand                          | 30                     | 0.5%                     | N/A                    | N/A                      |
| <b>TOTAL ANNUAL DEMAND</b>                             | <b>6,403</b>           | <b>100%</b>              | <b>6,380</b>           | <b>100%</b>              |

Ref: p. 8

**Inclusive Capture Rate:** The Market Analyst calculated a 5.2% capture rate, which considers the subject 163 affordable units and a 172-unit development allocated tax credits in 2002. (p. 9)

**Market Rent Comparables:** The Market Analyst surveyed 1,280+ conventional (market rate) units in the market area. (p. 87)

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

| Unit Type (% AMI)  | Proposed | Program Max | Differential | Market | Differential |
|--------------------|----------|-------------|--------------|--------|--------------|
| 2- BR 900 SF (30%) | \$166    | \$166       | \$0          | \$755  | -\$589       |
| 2- BR 900 SF (40%) | \$269    | \$269       | \$0          | \$755  | -\$486       |
| 2- BR 900 SF (50%) | \$372    | \$371       | +\$1         | \$755  | -\$383       |
| 2- BR 900 SF (60%) | \$475    | \$474       | +\$1         | \$755  | -\$280       |
| 2- BR 900 SF (MR)  | \$657    | N/A         |              | \$755  | -\$98        |
| 2- BR 975 SF (30%) | \$166    | \$166       | \$0          | \$755  | -\$589       |
| 2- BR 975 SF (40%) | \$269    | \$269       | \$0          | \$755  | -\$486       |
| 2- BR 975 SF (50%) | \$372    | \$371       | +\$1         | \$755  | -\$383       |
| 2- BR 975 SF (60%) | \$475    | \$474       | +\$1         | \$755  | -\$280       |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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|                     |       |       |      |       |        |
|---------------------|-------|-------|------|-------|--------|
| 2- BR 975 SF (MR)   | \$712 | N/A   |      | \$755 | -\$43  |
| 3- BR 1,082SF (30%) | \$180 | \$179 | +\$1 | \$808 | -\$628 |
| 3- BR 1,082SF (40%) | \$299 | \$298 | +\$1 | \$808 | -\$509 |
| 3- BR 1,082SF (50%) | \$417 | \$417 | \$0  | \$808 | -\$391 |
| 3- BR 1,082SF (60%) | \$536 | \$536 | \$0  | \$808 | -\$272 |
| 3- BR 1,082SF (MR)  | \$750 | N/A   |      | \$808 | -\$58  |
| 3- BR 1,184SF (30%) | \$180 | \$179 | +\$1 | \$980 | -\$800 |
| 3- BR 1,184SF (40%) | \$299 | \$298 | +\$1 | \$980 | -\$681 |
| 3- BR 1,184SF (50%) | \$417 | \$417 | \$0  | \$980 | -\$563 |
| 3- BR 1,184SF (60%) | \$536 | \$536 | \$0  | \$980 | -\$444 |
| 3- BR 1,184SF (MR)  | \$781 | N/A   |      | \$980 | -\$199 |

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

**Primary Market Occupancy Rates:** “The current occupancy of the market area is 94.9%...” (p. 10)

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

**Known Planned Development:** The Market Analyst accurately identified Holly Park, a 2002 LIHTC development of 172 affordable units. (p. 80)

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

**OPERATING PROFORMA ANALYSIS**

**Income:** The Applicant’s secondary income and vacancy loss assumptions are in line with underwriting guidelines. However, at the time of application, the Applicant’s rent schedule reflected net rents based upon outdated utility allowances. In response to an underwriting request, a revised rent schedule was submitted utilizing current utility allowances. As a result of the change in net rents, the Applicant’s effective gross income projection is within 1% of the Underwriter’s estimate.

**Expenses:** The Applicant also submitted a revised estimate of total operating expenses that is within 5% of the Underwriter’s estimate. In addition, each of the Applicant’s specific expense line items compare favorably to the Underwriter’s estimates after adjustments were made to consider Applicant provided information and local project specific issues.

**Conclusion:** The Applicant’s current 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 Underwriter’s estimated debt coverage ratio (DCR) of 1.07 is slightly less than the program minimum standard of 1.10. As the Applicant’s income and expense estimates are acceptable and the Underwriter’s proforma indicates a DCR of 1.11 by the second year of operation, the Applicant’s DCR estimate of 1.11 indicates that the proposed debt service is acceptable.

**ACQUISITION VALUATION INFORMATION**

**ASSESSED VALUE**

|                               |          |                             |                                  |
|-------------------------------|----------|-----------------------------|----------------------------------|
| Land: 27.361 acres            | \$44,118 | Assessment for the Year of: | 2002                             |
| 1 acre:                       | \$1,612  | Valuation by:               | Nueces County Appraisal District |
| Total Value: 17acres prorated | \$27,411 | Tax Rate:                   | 3.238303                         |

**EVIDENCE of SITE or PROPERTY CONTROL**

|                           |                             |     |      |                           |     |          |
|---------------------------|-----------------------------|-----|------|---------------------------|-----|----------|
| Type of Site Control:     | Purchase And Sale Agreement |     |      |                           |     |          |
| Contract Expiration Date: | 06/                         | 15/ | 2004 | Anticipated Closing Date: | 09/ | 20/ 2003 |
| Acquisition Cost:         | \$410,000                   |     |      | Other Terms/Conditions:   |     |          |

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS  
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Seller: DHS Enterprises, LP

Related to Development Team Member: No

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Acquisition Value:** Despite being nearly 15 times the prorata assessed value, the acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction and the assessed value is based upon an agricultural value.

**Sitework Cost:** The Applicant's claimed sitework costs of \$7,081 per unit are within the Department's sitework guidelines and do not require additional documentation.

**Direct Construction Cost:** The Applicant's direct construction cost estimate is \$417K or 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Fees:** The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines based on the Applicant's own cost.

**Conclusion:** The Applicant's total development cost estimate, revised as of June 5, 2003, is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the eligible tax credits. As a result, an eligible basis of \$12,928,260 is used to determine a credit allocation of \$1,119,351 from this method. The Applicant originally requested less credits of \$1,092,376 based on a lower applicable percentage but did not exclude the below market federal subsidy proposed HOME loan. The Applicant subsequently revised this statement to account for the HOME loan by increasing the applicable percentage to the current underwriting rate. The original requested credit rate was not increased and as it is less than the eligible amount it will be used to derive the syndication proceeds. The resulting syndication proceeds will be used to compare to the gap in need using the Applicant's costs, and the Applicant's request, to determine the recommended credit amount.

**FINANCING STRUCTURE**

**INTERIM to PERMANENT FINANCING**

Source: Malone Mortgage

Contact: Jeff Rogers

Principal Amount: \$4,900,100

Interest Rate: 6.0%

Additional Information: HUD-insured; unsepcified length for construction period

Amortization: 40 yrs Term: 40 yrs Commitment:  Applied  Firm  Conditional

Annual Payment: \$383,074 Lien Priority: 1<sup>st</sup> Commitment Date 06/ 03/ 2003

**GRANT**

Source: HOME-Corpus Christi

Contact: Mary Dominguez

Amount: \$500,000

Commitment:  None  Firm  Conditional

Additional Information: Application received by Corpus Christi 2/27/2003

**LIHTC SYNDICATION**

Source: Columbia Housing

Contact: Lisa Dias

Address: 111 SW Fifth Avenue, Suite 3200

City: Portland

State: OR

Zip: 97204

Phone: (503) 808-1300

Fax: (503) 808-1301

Net Proceeds: \$8,956,590

Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 82¢

Commitment  LOI  Firm  Conditional Date: 06/ 04/ 2003

Additional Information: \_\_\_\_\_

**APPLICANT EQUITY**



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

**Amount:** \$531,630

**Source:** Deferred Developer Fee

**FINANCING STRUCTURE ANALYSIS**

**Permanent Financing:** The Application included a commitment from Malone Mortgage to sponsor an application for a HUD commitment for insurance of a mortgage loan in the amount of \$4,949,100 at an interest rate of 6.75%. Subsequently, the Applicant provided an updated commitment from Malone Mortgage, based on 2003 rent levels and current utility allowances, for a \$49K lower loan amount and at a lower interest rate of 6%. The initial terms would have resulted in a DCR below 1.10, while the revised terms allow for a DCR above 1.10 by both the Underwriter's and Applicant's proformas.

An application for HOME funding was received by the City of Corpus Christi on February 27, 2003. Development costs equal to the grant of \$500,000 was excluded from the Applicant's eligible basis calculation. Debt service is not anticipated for these funds but should debt service be required, a reduction in the permanent loan would likely be required.

**LIHTC Syndication:** A revised letter of intent for purchase of tax credits from Columbia Housing includes an increase in the proposed syndication rate from 80% to 82%, resulting in higher projected syndication proceeds. Eighty percent of the funds will be available during the construction period in monthly installments based upon documented expenditures.

**Deferred Developer's Fees:** The proposed deferred fees amount to 15% of total developer fees.

**Financing Conclusions:** As stated above, the Applicant's total cost breakdown is used to calculate eligible basis and determine the eligible tax credits of \$1,119,351, which is supported by the gap in need. However, the lesser of the tax credits based on eligible basis, the gap in need and the Applicant's request must be recommended. In this case, the Applicant's request of \$1,092,376 annually in tax credits is recommended.

It should be noted that the HOME funds of \$500,000 from the City of Corpus Christi have yet to be committed to the development. Should the HOME funds be unavailable for the subject development, the resulting increase in deferred developer fees will result in repayment extending beyond 10 years increasing the risk of the development. However, the resulting deferred fees appear to be repayable within 15 years of stabilized operation indicating that the development is feasible under current Department guidelines even without the HOME award.

**DEVELOPMENT TEAM**

**IDENTITIES of INTEREST**

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

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

**Financial Highlights:**

- € The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € Merced-Riversquare, LLC, 10% owner of the general partner, is also a "to be formed" entity. However, financial statements were provided for the nonprofit owner of Merced-Riversquare, Merced Housing Texas. As of June 30, 2002, Merced Housing Texas reported total assets of \$17.5M comprised of cash, receivables, single family housing inventory, land, improvements, furniture and equipment, construction in progress, reserves, prepaid expenses/costs, security deposits, and bond issue. Total liabilities equaled \$17.1M for net assets of \$435K.
- € Makan, Ltd, 90% owner of the general partner, reported total assets as of February 18, 2003 of \$1.5M comprised of cash, investments and real property. Total liabilities equaled \$272K for a net worth of \$1.2M.
- € Upon request, the key principals of Makan, Ltd., Arun Verma (owns 2% general and 35.4871% limited share), Karuna Verma (owns 35.4871% limited share), Manish Verma Trust (owns 12.527% limited share), and Neilesh Verma Trust (owns 12.527% limited share), submitted financial statements.

**Background & Experience:**

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.

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- € Members of the General Partner have indicated no previous participation in affordable housing development.
- € Arun Verma, owner of the General Contractor and principal of a member of the General Partner, has received a certificate of experience from TDHCA.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- € The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- € Significant environmental/locational risk exists regarding the potential location of the pipelines on or near the site.
- € The recommended amount of deferred developer fee without the award of HOME funds may not be repayable within ten years, and any amount unpaid past ten years would be removed from eligible basis.

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

**MULTIFAMILY COMPARATIVE ANALYSIS**

*Riversquare, Corpus Christi, 9% LIHTC 03265*

| Type of Unit  | Number     | Bedrooms | No. of Baths    | Size in SF | Gross Rent Lmt. | Net Rent per Unit | Rent per Month  | Rent per SF   | Int Pd Util     | Wtr. Swr. Trsh |
|---------------|------------|----------|-----------------|------------|-----------------|-------------------|-----------------|---------------|-----------------|----------------|
| TC 30%        | 13         | 2        | 2               | 900        | \$308           | \$166             | \$2,158         | \$0.18        | \$142.00        | \$59.00        |
| TC 40%        | 6          | 2        | 2               | 900        | 411             | 269               | 1,614           | 0.30          | 142.00          | 59.00          |
| TC 50%        | 12         | 2        | 2               | 900        | 513             | 371               | 4,452           | 0.41          | 142.00          | 59.00          |
| TC 60%        | 27         | 2        | 2               | 900        | 616             | 474               | 12,798          | 0.53          | 142.00          | 59.00          |
| MR            | 14         | 2        | 2               | 900        |                 | 657               | 9,198           | 0.73          | 142.00          | 59.00          |
| TC 30%        | 11         | 2        | 2               | 975        | 308             | 166               | 1,826           | 0.17          | 142.00          | 59.00          |
| TC 40%        | 6          | 2        | 2               | 975        | 411             | 269               | 1,614           | 0.28          | 142.00          | 59.00          |
| TC 50%        | 12         | 2        | 2               | 975        | 513             | 371               | 4,452           | 0.38          | 142.00          | 59.00          |
| TC 60%        | 28         | 2        | 2               | 975        | 616             | 474               | 13,272          | 0.49          | 142.00          | 59.00          |
| MR            | 15         | 2        | 2               | 975        |                 | 712               | 10,680          | 0.73          | 142.00          | 59.00          |
| TC 30%        | 6          | 3        | 2               | 1,082      | 356             | 179               | 1,074           | 0.17          | 177.00          | 69.00          |
| TC 40%        | 3          | 3        | 2               | 1,082      | 475             | 298               | 894             | 0.28          | 177.00          | 69.00          |
| TC 50%        | 7          | 3        | 2               | 1,082      | 594             | 417               | 2,919           | 0.39          | 177.00          | 69.00          |
| TC 60%        | 23         | 3        | 2               | 1,082      | 713             | 536               | 12,328          | 0.50          | 177.00          | 69.00          |
| MR            | 9          | 3        | 2               | 1,082      |                 | 750               | 6,750           | 0.69          | 177.00          | 69.00          |
| TC 30%        | 1          | 3        | 2               | 1,184      | 356             | 179               | 179             | 0.15          | 177.00          | 69.00          |
| TC 40%        | 1          | 3        | 2               | 1,184      | 475             | 298               | 298             | 0.25          | 177.00          | 69.00          |
| TC 50%        | 2          | 3        | 2               | 1,184      | 594             | 417               | 834             | 0.35          | 177.00          | 69.00          |
| TC 60%        | 5          | 3        | 2               | 1,184      | 713             | 536               | 2,680           | 0.45          | 177.00          | 69.00          |
| MR            | 3          | 3        | 2               | 1,184      |                 | 781               | 2,343           | 0.66          | 177.00          | 69.00          |
| <b>TOTAL:</b> | <b>204</b> |          | <b>AVERAGE:</b> | <b>986</b> | <b>\$432</b>    | <b>\$453</b>      | <b>\$92,363</b> | <b>\$0.46</b> | <b>\$152.29</b> | <b>\$61.94</b> |

**INCOME**

Total Net Rentable Sq Ft: **201,144**

**POTENTIAL GROSS RENT**

Secondary Income Per Unit Per Month: \$15.00  
Other Support Income: Cable/Telephone

**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 | 3.77%         | \$196          | 0.20          |
| Management               | 4.00%         | 208            | 0.21          |
| Payroll & Payroll Tax    | 14.35%        | 745            | 0.76          |
| Repairs & Maintenance    | 8.94%         | 464            | 0.47          |
| Utilities                | 4.39%         | 228            | 0.23          |
| Water, Sewer, & Trash    | 6.98%         | 363            | 0.37          |
| Property Insurance       | 4.75%         | 247            | 0.25          |
| Property Tax 3.238303    | 13.41%        | 696            | 0.71          |
| Reserve for Replacements | 4.14%         | 215            | 0.22          |
| Other Expenses:          | 2.46%         | 128            | 0.13          |
| <b>TOTAL EXPENSES</b>    | <b>67.20%</b> | <b>\$3,489</b> | <b>\$3.54</b> |
| <b>NET OPERATING INC</b> | <b>32.80%</b> | <b>\$1,703</b> | <b>\$1.73</b> |

**DEBT SERVICE**

|                           |              |              |               |
|---------------------------|--------------|--------------|---------------|
| First Lien Mortgage       | 30.55%       | \$1,586      | \$1.61        |
| HOME Grant-Corpus Christi | 0.00%        | \$0          | \$0.00        |
| HOME Grant-Corpus Christi | 0.00%        | \$0          | \$0.00        |
| <b>NET CASH FLOW</b>      | <b>2.26%</b> | <b>\$117</b> | <b>\$0.12</b> |

**AGGREGATE DEBT COVERAGE RATIO**

**RECOMMENDED DEBT COVERAGE RATIO**

**CONSTRUCTION COST**

| Description                     | Factor         | % of TOTAL      | PER UNIT       | PER SQ FT |
|---------------------------------|----------------|-----------------|----------------|-----------|
| Acquisition Cost (site or bldg) |                | 2.90%           | \$2,010        | \$2.04    |
| Off-Sites                       |                | 0.00%           | 0              | 0.00      |
| Sitework                        |                | 10.21%          | 7,081          | 7.18      |
| Direct Construction             |                | 53.07%          | 36,805         | 37.33     |
| Contingency                     | 0.00%          | 0.00%           | 0              | 0.00      |
| General Req'ts                  | 5.99%          | 3.79%           | 2,627          | 2.66      |
| Contractor's G & A              | 2.00%          | 1.27%           | 878            | 0.89      |
| Contractor's Profit             | 6.00%          | 3.80%           | 2,633          | 2.67      |
| Indirect Construction           |                | 6.05%           | 4,194          | 4.25      |
| Ineligible Costs                |                | 4.16%           | 2,888          | 2.93      |
| Developer's G & A               | 3.57%          | 2.83%           | 1,964          | 1.99      |
| Developer's Profit              | 11.43%         | 9.08%           | 6,296          | 6.39      |
| Interim Financing               |                | 1.22%           | 849            | 0.86      |
| Reserves                        |                | 1.63%           | 1,131          | 1.15      |
| <b>TOTAL COST</b>               | <b>100.00%</b> | <b>\$69,355</b> | <b>\$70.34</b> |           |

**Recap-Hard Construction Costs**

|  |               |                 |                |
|--|---------------|-----------------|----------------|
|  | <b>72.13%</b> | <b>\$50,024</b> | <b>\$50.73</b> |
|--|---------------|-----------------|----------------|

**SOURCES OF FUNDS**

|                                    |        |           |          |
|------------------------------------|--------|-----------|----------|
| First Lien Mortgage                | 34.63% | \$24,020  | \$24.36  |
| HOME Grant-Corpus Christi          | 3.53%  | \$2,451   | \$2.49   |
| LIHTC Syndication Proceeds         | 63.31% | \$43,909  | \$44.53  |
| Deferred Developer Fees            | 1.90%  | \$1,317   | \$1.34   |
| Additional (excess) Funds Required | -3.38% | (\$2,342) | (\$2.38) |
| <b>TOTAL SOURCES</b>               |        |           |          |

**TDHCA**

|             |
|-------------|
| \$1,108,356 |
| 36,720      |
| 0           |
| \$1,145,076 |
| (85,881)    |
| 0           |
| \$1,059,195 |
| \$39,956    |
| 42,368      |
| 152,020     |
| 94,715      |
| 46,490      |
| 73,952      |
| 50,286      |
| 142,032     |
| 43,860      |
| 26,100      |
| \$711,778   |
| \$347,417   |

**APPLICANT**

|             |
|-------------|
| \$1,109,172 |
| 29,376      |
| 7,344       |
| \$1,145,892 |
| (85,944)    |
| 0           |
| \$1,059,948 |
| \$46,672    |
| \$42,398    |
| \$145,017   |
| \$96,768    |
| \$42,000    |
| \$70,848    |
| \$52,548    |
| \$132,600   |
| \$40,800    |
| \$26,100    |
| \$695,751   |
| \$364,197   |
| \$327,780   |
| 0           |
| 0           |
| \$36,417    |
| 1.11        |
| 1.13        |

**TDHCA**

|              |
|--------------|
| \$410,000    |
| 0            |
| 1,444,523    |
| 7,508,170    |
| 0            |
| 535,891      |
| 179,054      |
| 537,162      |
| 855,540      |
| 589,095      |
| 400,592      |
| 1,284,442    |
| 173,219      |
| 230,746      |
| \$14,148,433 |
| \$10,204,799 |

**APPLICANT**

|              |
|--------------|
| \$410,000    |
| 0            |
| 1,444,523    |
| 7,925,526    |
| 0            |
| 535,891      |
| 185,512      |
| 556,537      |
| 855,540      |
| 589,095      |
| 467,070      |
| 1,284,442    |
| 173,219      |
| 198,908      |
| \$14,626,263 |
| \$10,647,989 |

USS Region 1U

IREM Region Corpus Christ

Per Unit Per Month

Per Unit Per Month

\$12.00

\$3.00

-7.50%

of Potential Gross Rent

PER SQ FT

PER UNIT

% OF EGI

\$0.23

\$229

4.40%

0.21

208

4.00%

0.72

711

13.68%

0.48

474

9.13%

0.21

206

3.96%

0.35

347

6.68%

0.26

258

4.96%

0.66

650

12.51%

0.20

200

3.85%

0.13

128

2.46%

\$3.46

\$3,411

65.64%

\$1.81

\$1,785

34.36%

\$1.63

\$1,607

30.92%

\$0.00

\$0

0.00%

\$0.00

\$0

0.00%

\$0.18

\$179

3.44%

RECOMMENDED

\$4,900,100

500,000

8,957,483

268,682

(477,832)

\$14,148,433

\$4,900,100

500,000

8,957,483

268,682

(2)

\$14,626,263

Developer Fee Available

\$1,751,512

% of Dev. Fee Deferred

15%

15-Yr Cumulative Cash Flow

\$971,005.04

**MULTIFAMILY COMPARATIVE ANALYSIS (continued)**

*Riversquare, Corpus Christi, 9% LIHTC 03265*

**DIRECT CONSTRUCTION COST ESTIMATE**

Residential Cost Handbook  
Average Quality Multiple Residence Basis

| CATEGORY                               | FACTOR  | UNITS/SQ FT | PER SF         | AMOUNT             |
|--|---------|-------------|----------------|--------------------|
| Base Cost                              |         |             | \$42.55        | \$8,557,782        |
| <b>Adjustments</b>                     |         |             |                |                    |
| Exterior Wall Finish                   | 2.24%   |             | \$0.95         | \$191,694          |
| 9' Ceilings                            | 3.00%   |             | 1.28           | 256,733            |
| Roofing                                |         |             | 0.00           | 0                  |
| Subfloor                               |         |             | (1.62)         | (325,049)          |
| Floor Cover                            |         |             | 1.92           | 386,196            |
| Porches/Balconies                      | \$29.24 | 15,765      | 2.29           | 460,969            |
| Plumbing                               | \$615   | 612         | 1.87           | 376,380            |
| Built-in Appliances                    | \$1,625 | 204         | 1.65           | 331,500            |
| Exterior Stairs                        | \$1,625 | 18          | 0.15           | 29,250             |
| Floor Insulation                       |         |             | 0.00           | 0                  |
| Heating/Cooling                        |         |             | 1.47           | 295,682            |
| Garages/Carports                       |         |             | 0.00           | 0                  |
| Comm &/or Aux Bldgs                    | \$55.70 | 5,633       | 1.56           | 313,767            |
| Other:                                 |         |             | 0.00           | 0                  |
| <b>SUBTOTAL</b>                        |         |             | <b>54.07</b>   | <b>10,874,904</b>  |
| Current Cost Multiplier                | 1.03    |             | 1.62           | 326,247            |
| Local Multiplier                       | 0.82    |             | (9.73)         | (1,957,483)        |
| <b>TOTAL DIRECT CONSTRUCTION COSTS</b> |         |             | <b>\$45.96</b> | <b>\$9,243,669</b> |
| Plans, specs, survy, bid prn           | 3.90%   |             | (\$1.79)       | (\$360,503)        |
| Interim Construction Interest          | 3.38%   |             | (1.55)         | (311,974)          |
| Contractor's OH & Profit               | 11.50%  |             | (5.28)         | (1,063,022)        |
| <b>NET DIRECT CONSTRUCTION COSTS</b>   |         |             | <b>\$37.33</b> | <b>\$7,508,170</b> |

**PAYMENT COMPUTATION**

|                |             |      |      |
|----------------|-------------|------|------|
| <b>Primary</b> | \$4,900,100 | Term | 480  |
| Int Rate       | 6.00%       | DCR  | 1.07 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$500,000 | Term         |      |
| Int Rate         | 0.00%     | Subtotal DCR | 1.07 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$8,957,483 | Term          |      |
| Int Rate          |             | Aggregate DCR | 1.07 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI**

|                         |                 |
|-------------------------|-----------------|
| Primary Debt Service    | \$323,532       |
| Secondary Debt Service  | 0               |
| Additional Debt Service | 0               |
| <b>NET CASH FLOW</b>    | <b>\$40,665</b> |

|                |             |      |      |
|----------------|-------------|------|------|
| <b>Primary</b> | \$4,900,100 | Term | 480  |
| Int Rate       | 6.00%       | DCR  | 1.13 |

|                  |           |              |      |
|------------------|-----------|--------------|------|
| <b>Secondary</b> | \$500,000 | Term         | 0    |
| Int Rate         | 0.00%     | Subtotal DCR | 1.13 |

|                   |             |               |      |
|-------------------|-------------|---------------|------|
| <b>Additional</b> | \$8,957,483 | Term          | 0    |
| Int Rate          | 0.00%       | Aggregate DCR | 1.13 |

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

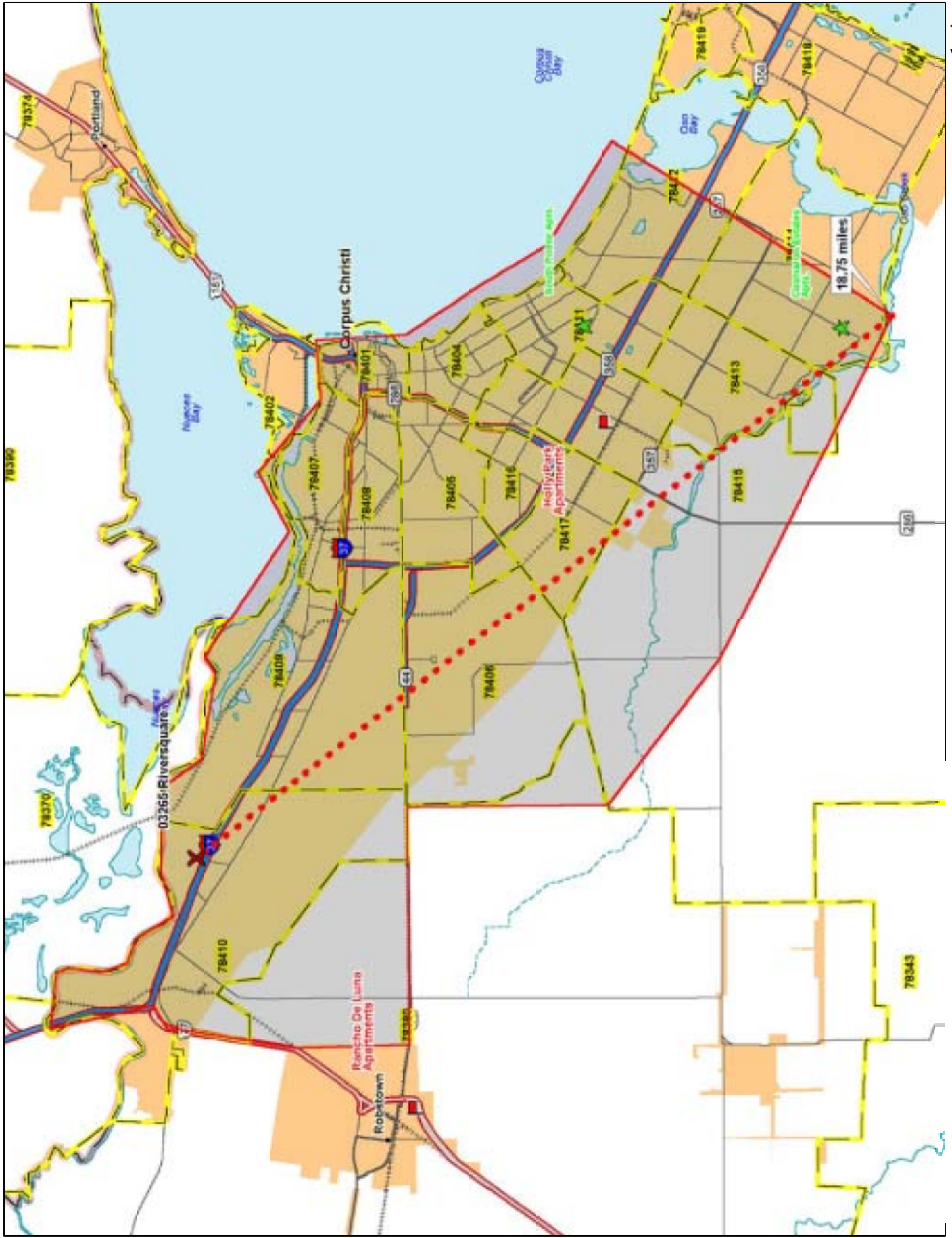
| INCOME at 3.00%               | YEAR 1             | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 10            | YEAR 15            | YEAR 20            | YEAR 30            |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT          | \$1,109,172        | \$1,142,447        | \$1,176,721        | \$1,212,022        | \$1,248,383        | \$1,447,218        | \$1,677,722        | \$1,944,940        | \$2,613,836        |
| Secondary Income              | 29,376             | 30,257             | 31,165             | 32,100             | 33,063             | 38,329             | 44,434             | 51,511             | 69,226             |
| Contractor's Profit           | 7,344              | 7,564              | 7,791              | 8,025              | 8,266              | 9,582              | 11,108             | 12,878             | 17,307             |
| POTENTIAL GROSS INCOME        | 1,145,892          | 1,180,269          | 1,215,677          | 1,252,147          | 1,289,712          | 1,495,129          | 1,733,264          | 2,009,329          | 2,700,370          |
| Vacancy & Collection Loss     | (85,944)           | (88,520)           | (91,176)           | (93,911)           | (96,728)           | (112,135)          | (129,995)          | (150,700)          | (202,528)          |
| Developer's G & A             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>EFFECTIVE GROSS INCOME</b> | <b>\$1,059,948</b> | <b>\$1,091,749</b> | <b>\$1,124,501</b> | <b>\$1,158,236</b> | <b>\$1,192,983</b> | <b>\$1,382,994</b> | <b>\$1,603,270</b> | <b>\$1,858,629</b> | <b>\$2,497,842</b> |
| <b>EXPENSES at 4.00%</b>      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| General & Administrative      | \$46,672           | \$48,539           | \$50,480           | \$52,500           | \$54,600           | \$66,429           | \$80,821           | \$98,331           | \$145,554          |
| Management                    | 42,398             | 43,670             | 44,980             | 46,330             | 47,720             | 55,320             | 64,131             | 74,346             | 99,914             |
| Payroll & Payroll Tax         | 145,017            | 150,817            | 156,850            | 163,124            | 169,649            | 206,404            | 251,122            | 305,529            | 452,257            |
| Repairs & Maintenance         | 96,768             | 100,639            | 104,664            | 108,851            | 113,205            | 137,731            | 167,571            | 203,876            | 301,786            |
| Utilities                     | 42,000             | 43,680             | 45,427             | 47,244             | 49,134             | 59,779             | 72,730             | 88,488             | 130,983            |
| Water, Sewer & Trash          | 70,848             | 73,682             | 76,629             | 79,694             | 82,882             | 100,839            | 122,686            | 149,266            | 220,950            |
| Insurance                     | 52,548             | 54,650             | 56,836             | 59,109             | 61,474             | 74,792             | 90,996             | 110,711            | 163,879            |
| Property Tax                  | 132,600            | 137,904            | 143,420            | 149,157            | 155,123            | 188,731            | 229,620            | 279,368            | 413,533            |
| Reserve for Replacements      | 40,800             | 42,432             | 44,129             | 45,894             | 47,730             | 58,071             | 70,652             | 85,959             | 127,241            |
| Other                         | 26,100             | 27,144             | 28,230             | 29,359             | 30,533             | 37,148             | 45,197             | 54,989             | 81,397             |
| <b>TOTAL EXPENSES</b>         | <b>\$695,751</b>   | <b>\$723,157</b>   | <b>\$751,647</b>   | <b>\$781,263</b>   | <b>\$812,050</b>   | <b>\$985,245</b>   | <b>\$1,195,527</b> | <b>\$1,450,861</b> | <b>\$2,137,494</b> |
| <b>NET OPERATING INCOME</b>   | <b>\$364,197</b>   | <b>\$368,592</b>   | <b>\$372,854</b>   | <b>\$376,973</b>   | <b>\$380,933</b>   | <b>\$397,750</b>   | <b>\$407,743</b>   | <b>\$407,768</b>   | <b>\$360,348</b>   |
| <b>DEBT SERVICE</b>           |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| First Lien Financing          | \$323,532          | \$323,532          | \$323,532          | \$323,532          | \$323,532          | \$323,532          | \$323,532          | \$323,532          | \$323,532          |
| Second Lien                   | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Other Financing               | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>NET CASH FLOW</b>          | <b>\$40,665</b>    | <b>\$45,059</b>    | <b>\$49,322</b>    | <b>\$53,441</b>    | <b>\$57,401</b>    | <b>\$74,217</b>    | <b>\$84,211</b>    | <b>\$84,235</b>    | <b>\$36,816</b>    |
| <b>DEBT COVERAGE RATIO</b>    | <b>1.13</b>        | <b>1.14</b>        | <b>1.15</b>        | <b>1.17</b>        | <b>1.18</b>        | <b>1.23</b>        | <b>1.26</b>        | <b>1.26</b>        | <b>1.11</b>        |

LIHTC Allocation Calculation - Riversquare, Corpus Christi, 9% LIHTC 03265

| CATEGORY  | APPLICANT'S<br>TOTAL<br>AMOUNTS | TDHCA<br>TOTAL<br>AMOUNTS | APPLICANT'S<br>REHAB/NEW<br>ELIGIBLE BASIS | TDHCA<br>REHAB/NEW<br>ELIGIBLE BASIS |
|---|---------------------------------|---------------------------|--|--------------------------------------|
| <b>(1) Acquisition Cost</b>                           |                                 |                           |  |                                      |
| Purchase of land                                      | \$410,000                       | \$410,000                 |  |                                      |
| Purchase of buildings                                 |                                 |                           |  |                                      |
| <b>(2) Rehabilitation/New Construction Cost</b>       |                                 |                           |  |                                      |
| On-site work  | \$1,444,523                     | \$1,444,523               | \$1,444,523                                | \$1,444,523                          |
| Off-site improvements                                 |                                 |                           |  |                                      |
| <b>(3) Construction Hard Costs</b>                    |                                 |                           |  |                                      |
| New structures/rehabilitation hard costs              | \$7,925,526                     | \$7,508,170               | \$7,925,526                                | \$7,508,170                          |
| <b>(4) Contractor Fees &amp; General Requirements</b> |                                 |                           |  |                                      |
| Contractor overhead                                   | \$185,512                       | \$179,054                 | \$185,512                                  | \$179,054                            |
| Contractor profit                                     | \$556,537                       | \$537,162                 | \$556,537                                  | \$537,162                            |
| General requirements                                  | \$535,891                       | \$535,891                 | \$535,891                                  | \$535,891                            |
| <b>(5) Contingencies</b>                              |                                 |                           |  |                                      |
| <b>(6) Eligible Indirect Fees</b>                     |                                 |                           |  |                                      |
|   | \$855,540                       | \$855,540                 | \$855,540                                  | \$855,540                            |
| <b>(7) Eligible Financing Fees</b>                    |                                 |                           |  |                                      |
|   | \$173,219                       | \$173,219                 | \$173,219                                  | \$173,219                            |
| <b>(8) All Ineligible Costs</b>                       |                                 |                           |  |                                      |
|   | \$589,095                       | \$589,095                 |  |                                      |
| <b>(9) Developer Fees</b>                             |                                 |                           |  |                                      |
| Developer overhead                                    | \$467,070                       | \$400,592                 | \$467,070                                  | \$400,592                            |
| Developer fee   | \$1,284,442                     | \$1,284,442               | \$1,284,442                                | \$1,284,442                          |
| <b>(10) Development Reserves</b>                      |                                 |                           |  |                                      |
|   | \$198,908                       | \$230,746                 |  |                                      |
| <b>TOTAL DEVELOPMENT COSTS</b>                        | <b>\$14,626,263</b>             | <b>\$14,148,433</b>       | <b>\$13,428,260</b>                        | <b>\$12,918,592</b>                  |

| <b>Deduct from Basis:</b>                                  |  |  |                     |                     |
|--|--|--|---------------------|---------------------|
| All grant proceeds used to finance costs in eligible basis |  |  | \$500,000           | \$500,000           |
| B.M.R. loans used to finance cost in eligible basis        |  |  |                     |                     |
| Non-qualified non-recourse financing                       |  |  |                     |                     |
| Non-qualified portion of higher quality units [42(d)(3)]   |  |  |                     |                     |
| Historic Credits (on residential portion only)             |  |  |                     |                     |
| <b>TOTAL ELIGIBLE BASIS</b>                                |  |  | <b>\$12,928,260</b> | <b>\$12,418,592</b> |
| High Cost Area Adjustment                                  |  |  | 130%                | 130%                |
| <b>TOTAL ADJUSTED BASIS</b>                                |  |  | <b>\$16,806,738</b> | <b>\$16,144,170</b> |
| Applicable Fraction  |  |  | 79.86%              | 79.86%              |
| <b>TOTAL QUALIFIED BASIS</b>                               |  |  | <b>\$13,421,477</b> | <b>\$12,892,365</b> |
| Applicable Percentage                                      |  |  | 8.34%               | 8.34%               |
| <b>TOTAL AMOUNT OF TAX CREDITS</b>                         |  |  | <b>\$1,119,351</b>  | <b>\$1,075,223</b>  |

|  |        |                    |                    |
|--|--------|--------------------|--------------------|
| Syndication Proceeds                         | 0.8199 | \$9,177,762        | \$8,815,949        |
| <b>Total Credits (Eligible Basis Method)</b> |        | <b>\$1,119,351</b> | <b>\$1,075,223</b> |
| Syndication Proceeds                         |        | \$9,177,762        | \$8,815,949        |
| <b>Requested Credits</b>                     |        | <b>\$1,092,376</b> |                    |
| Syndication Proceeds                         |        | \$8,956,587        |                    |
| <b>Gap of Syndication Proceeds Needed</b>    |        | <b>\$9,226,163</b> |                    |
| <b>Credit Amount</b>                         |        | <b>\$1,125,254</b> |                    |



1 mi

Scale: 1 : 175,000 Zoom Level: 10-2 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 5.7°E