TDHCA

03069

Region 5

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

Development Name: **Cole Creek Apartments** TDHCA #: **03069**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5
City: Crocket
Site Address: Near 1400 Block of East Loop 304
County: Houston Zip Code: 75835

☐ TTC ☐ DDA ☑ QCT
Purpose / Activity: New Construction

Targeted Units: Family: 64 Elderly: 0 Handicapped/Disabled 5 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Crockett Cole Creek Apartment, L.P.

Principal Names	Principal Contact	Percentage Ownership
Lankford Interests, LLC	Michael G. Lankford	49% of MGP
Columbia Housing Partners	Brad Bullock	99.99 of Owner
Crockett Cole Creek Apartments I, LLC	Michael G. Lankford	0.1 of Owner (MGP)
Hill Country Community Housing Corporation	Tama Shaw	51% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$437,327** Allocation over 10 Years: $4,373,270

Credits Requested $477,317 Eligible Basis Amount: $468,116 Equity/Gap Amount $437,327

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	2	6	3	11
40%	0	1	2	2	5
50%	0	4	3	6	13
60%	0	1	18	12	31
MR	0	0	3	1	4
Total	0	8	32	24	

Total LI Units: 60
Owner/Employee Units: 0
Total Project Units: 64
Applicable Fraction: 94.00

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:	$5,115,803
Gross Building Square Feet	65,081
Total Net Rentable Area Square Feet:	61,792
Average Square Feet/Unit	966
Cost Per Net Rentable Square Foot	$82.79
Credits per Low Income Uni	$7,289

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$354,157
Total Expenses:	$226,909
Net Operating Income	$127,248
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$1,573,805
Applicant Equity:	$0
Equity Source:	NA
Syndication Rate:	$0.8099

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Lankford Interests, LLC	Market Analyst:	Allen and Associates Consulting
Housing GC:	JDP Group	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	JDP Group	Attorney:	J. Michael Pruitt Law Office
Architect:	Hill & Frank Architects	Accountant:	Reznick, Fedder & Silverman
Property Manager	Greater Coastal Management, LLC	Supp Services	Texas Inter-Faith Housing Co.
Syndicator:	Columbia Housing Partners	Permanent Lender	PNC Bank

Project Name: Cole Creek Apartments Project Number: 03069

PUBLIC COMMENT SUMMARY

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

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **1** Opposition: **0**

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	NC	Billy W. Horn, City Administrator Crockett, S
TX Representative:	Chuck Hopson, District 11, S	
TX Senator:	Steve Ogden, District 5, S	
US Representative:	Jim Turner, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 96 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment by close of construction loan that reflects an annual debt service payment of not more than $115,657 less than the HTF loan payment of $1,667 if awarded.

Should the terms or rates of the proposed debt or syndication change or the HTF/SECO funds not be allocated to this development, 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 the Rural Set-Aside.**

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

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

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

Approved Credit Amount: ______ Date of Determination: ______

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03069/03809** Name: **Cole Creek Apartments** City: **Crockett**

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: ________ **Executed:** ________

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 11, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03069

DEVELOPMENT NAME

Crockett Cole Creek Apartments

APPLICANT

Name:	Crockett Cole Creek Apartments, LP			**Type:**	For Profit		
Address:	4900 Woodway, Suite 970			**City:**	Houston	**State:**	TX
Zip:	77056	**Contact:**	Michael Lankford	**Phone:**	(713) 626-9655	**Fax:**	(713) 621-4947

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Crockett Cole Creek Apartments I, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	Hill Country Community Housing Corporation	**(%):**	.51 of MGP	**Title:**	Co-owner of GP
Name:	Lankford Interests, LLC	**(%):**	.49 of MGP	**Title:**	Co-owner of GP & Dev.
Name:	Michael G. Lankford	**(%):**	N/A	**Title:**	Owner of Lankford Interests
Name:	Hill Country Community Action Assoc., Inc.	**(%):**	N/A	**Title:**	100% owner of HCCHC
Name:	Tama Shaw	**(%):**	N/A	**Title:**	Exec. Director of HCCHC

PROPERTY LOCATION

Location:	Near 1400 Block of East Loop 304	☒ **QCT**		☐ **DDA**	
City:	Crockett	**County:**	Houston	**Zip:**	75835

REQUEST

Amount	Interest Rate	Amortization	Term
1) $477,317	N/A	N/A	N/A
2) $50,000	0%	30yrs	30 yrs
2) $96,000	N/A	N/A	N/A

Other Requested Terms:
1) Annual ten-year allocation of low-income housing tax credits
2) HTF
3) HTF/SECO Grant

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $437,327 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED $50,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 0% INTEREST, AND SECO GRANT NOT TO EXCEED $96,000 SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
2. Receipt, review, and acceptance of a revised permanent loan commitment by close of construction loan that reflects an annual debt service payment of not more than $115,657 less than the HTF loan payment of $1,667 if awarded.
3. Should the terms or rates of the proposed debt or syndication change or the HTF/SECO funds not be allocated to this development, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	64	**# Rental Buildings**	8	**# Common Area Bldgs**	3	**# of Floors**	2	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 61,792 **Av Un SF:** 966 **Common Area SF:** 3,289 **Gross Bldg SF:** 65,081

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

Carpeting and tile 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 cable.

ON-SITE AMENITIES

Amenities include a 2,016-SF community building with club and lounge room, management offices, fitness facilities, kitchen, restrooms, computer/business center, and central mailroom; swimming pool and equipped children's play area located at the entrance to the property. A 700-SF daycare facility and 573-SF laundry and maintenance building are also planned for the site. In addition perimeter fencing with limited access gate is also planned.

Uncovered Parking: 40 spaces **Carports:** 64 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Crockett Cole Creek Apartments is a moderately dense nine units per acre new construction development of 64 units of mixed income housing located in southeast Crockett. The development is comprised of eight evenly distributed medium garden style walk-up residential buildings as follows:

∉ (1) Building Type A with eight one-bedroom/one-bath units;

∉ (4) Building Type B with eight two-bedroom/two-bath units; and

∉ (3) Building Type C with eight three-bedroom/two-bath units;

Architectural Review: The exterior elevations are functional with gabled roofs. All units are of average size for LIHTC units. Each unit has a semi-private exterior entry area that is shared with another unit.

Supportive Services: The Applicant has indicated that Texas Inter-Faith Management Corporation (TIMC) will provide supportive services to the tenants. A contract between the Applicant and TIMC was not provided; however, the Applicant budgeted $7,680 for supportive services annually.

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

SITE ISSUES

SITE DESCRIPTION

Size: 7.17 acres 312,325 square feet **Zoning/ Permitted Uses:** R-3

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Crockett is located in southeast Texas, approximately 42 miles west of Lufkin in Houston County. The site is an irregularly-shaped parcel located in the southeast area of Crockett, approximately 2 miles from the central business district. The site is situated on the west side of Loop 304.

Adjacent Land Uses:

∉ **North:** commercial and vacant land

∉ **South:** commercial

∉ **East:** commercial and vacant land

∉ **West:** commercial and single family homes

Site Access: Access to the property is from the northeast or southeast from Loop 304. The development is to have one main entry from Loop 304. The subject is located on the west side of Loop 304, which provides is the major beltway around Crockett.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within one mile of one major grocery store, one shopping center, a movie theatre, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

∉ **Zoning:** A memorandum dated February 25, 2003 from the City of Crockett indicates that on February 24, 2003 the Crockett City Council considered and approved a zoning change request for the subject property to be changed from R2 and C2 to R3. Therefore the proposed development meets the Department's zoning requirement.

Site Inspection Findings: TDHCA staff performed inspection on May 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 dated March, 2003 was prepared by Carroll & Associates Consulting and contained the following findings and recommendations:

"This assessment has revealed no recognized environmental conditions in connection with the subject property." (p. 25)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 60 of the units (94% of the total) will be reserved for low-income tenants. 11 of the units (17%) will be reserved for households earning 30% or less of AMGI, 5 units (8%) will be reserved for households earning 40% or less of AMGI, 13 of the units (20%) will be reserved for households earning 50% or less of AMGI, 31 of the units (48%) will be reserved for households earning 60% or less of AMGI and the remaining 4 units (6%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$18,480	$21,120	$23,760	$26,400	$28,500	$30,600

MARKET HIGHLIGHTS

A market feasibility study dated February 19, 2003 was prepared by Allen & Associates Consulting and highlighted the following findings:

Definition of Market/Submarket: "Based on our review of the local market area, we define the Primary Market Area for the subject property as parts of Houston County…The Primary Market Area consists of the following census tracts: 9501.00, 9502.00, 9503.00, 9504.00, 9505.00, 9506.00, and 9507.00,…The site is located in Houston County Census Tract 9504.00." (p. 30) This is a very large market area encompassing over 1,200 square miles, including all of Houston County and half of Davy Crockett National Forest. This is a reasonable market designation for a rural development however due to the limited population in the area.

Population: The estimated 2002 population of the primary market area was 23,745 and is expected to increase by 5% to approximately 24,921 by 2007. Within the primary market area there were estimated to be 8,519 households in 2002.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	15	1%	3	3%
Movership (turnover 30.4%)	376	32%	91	97%
Overburdened HH	637	54%	N/A	N/A
Substandard HH	152	13%	N/A	N/A
TOTAL ANNUAL DEMAND	**1,180**	**100%**	**94**	**100%**

Ref: p. 94

Inclusive Capture Rate: The Market Analyst used household growth, overburdened households and substandard households in estimating demand for the market area. Additionally, the Market Analyst indicated a percentage of renter movership, which the Underwriter interpreted to be the turnover percentage, for the calculation. The Market Analyst concluded an inclusive capture rate of 14.4% for the rent restricted units. This is based on a demand of 417 divided by 60 unstabilized comparable units. However, the Underwriter's interpretation of the data presented in the market study concludes total demand of 1,180 which would result in a much lower capture rate. The Underwriter's recalculated demand based on the broader demographic data in the study and determined an inclusive capture rate for the subject of 64%. All of the methods used to calculate the demand and capture rate result in a capture rate of less than the 100% maximum for rural developments.

Market Rent Comparables: The Market Analyst surveyed 6 comparable apartment projects totaling 245 units in the market area. (p. 58)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$218	$218	$0	$500	-$282
1-Bedroom (40%)	$301	$301	$0	$500	-$199
1-Bedroom (50%)	$383	$383	$0	$500	-$117
1-Bedroom (60%)	$466	$466	$0	$500	-$34
2-Bedroom (30%)	$259	$259	$0	$580	-$321
2-Bedroom (40%)	$358	$358	$0	$580	-$222
2-Bedroom (50%)	$457	$457	$0	$580	-$123
2-Bedroom (60%)	$556	$556	$0	$580	-$24
2-Bedroom (MR)	$550	N/A	N/A	$580	-$30
3-Bedroom (30%)	$296	$296	$0	$620	-$324
3-Bedroom (40%)	$410	$410	$0	$620	-$210
3-Bedroom (50%)	$524	$524	$0	$620	-$96
3-Bedroom (60%)	$573	$638	$-65	$620	-$47
3-Bedroom (MR)	$620	N/A	N/A	$620	$0

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

Submarket Vacancy Rates: "Overall market occupancies currently stand at 99.2% (245 units in sample)."

(p. 83)

Absorption Projections: "We estimate an overall lease up period of 19 months for the subject property." (p. 102)

Known Planned Development: "There are no other known proposed competing affordable multifamily developments in the market area." (p. 83)

Effect on Existing Housing Stock: "Based on our assessment of market rental rates, in our opinion the proposed development will compete directly with only restricted multifamily properties…Because of the current undersupply of and pent-up demand for multifamily units in the region, we believe the impact of the proposed development on other projects will be minimal." (p. 84)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines due to the Applicant's use of utility allowances which were derived from a study performed by Oliver Associates. These allowances are somewhat lower than those used by the Crockett Housing Authority. The Oliver study used electric rates from TXU Energy Services, however the electric service provider identified in the application was Oncor Electric. The Applicant indicated that natural gas fueled heating, and water heating would be provided by the owner, therefore the Underwriter accepted the Oliver Study allowances and added the difference between them and the housing authority allowances as a part of the utility operating expense for the heating and water heating expense for the entire development. The Applicant artificially reduced the rent on the 60% three bedroom unit by $47 below the market rate rent indicated by the Market Analyst which resulted $6,768 less in potential gross rent that calculated by the Underwriter. If the maximum 60% tax credit rents could be achieved for the three bedroom units an additional $2,964 in gross potential income could be projected. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,301 is more than 5% lower than the TDHCA database-derived estimate of $3,545 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($10K lower), repairs and maintenance ($7K lower), utilities ($10K lower), insurance ($17K higher) and property tax ($6K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's operating expenses and net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.06 is slightly lower than the minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $115,657 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 29.786 acres	$205,920	**Assessment for the Year of:**	2002
Land- prorated:	$6,913/acre	**Valuation by:**	Houston County Appraisal District
Total Assessed Value (7.17 acres):	$49,568	**Tax Rate:**	2.32

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Property Contract

Contract Expiration Date:	09/ 01/ 2003	**Anticipated Closing Date:**	09/ 01/ 2003
Acquisition Cost:	$165,000	**Other Terms/Conditions:**	
Seller:	Grady Grounds and wife, Carol	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

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

Sitework Cost: The Applicant's claimed sitework costs of $6,710 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are less than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. Therefore, the Applicant's direct construction costs are acceptable as submitted.

Ineligible Costs: The Applicant included $52,500 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $55,219 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest 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 contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by $11,808.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $4,605,454 is used to determine a credit allocation of $468,116 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: Key Bank **Contact:** Craig Hackett

Principal Amount: $1,487,168 **Interest Rate:** 7%

Additional Information:

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

Annual Payment: $118,730 **Lien Priority:** 1st **Commitment Date** 06/ 10/ 2003

LIHTC SYNDICATION

Source: Columbia Housing Partners **Contact:** Bradley Bullock

Address: 111 SW Fifth Avenue, Suite 3200 **City:** Portland

State: OR **Zip:** 97204 **Phone:** (503) 808-1300 **Fax:** (503) 808-1301

Net Proceeds: $3,865,881 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 01/ 31/ 2003

Additional Information: The letter anticipated credits to be $477,317; the Applicant submitted a revised sources and uses indicating a lower amount of $3,482,635.

APPLICANT EQUITY			
Amount:	$0	**Source:**	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the revised sources and uses. In particular, the commitment letter indicates that the term of the construction is two years. The permanent loan term is 18 years and will have a 30 year amortization period. Based on a conversation with Mr. Craig Hackett from Key Bank, the interest rate on the permanent loan will be 7.00%. The Underwriter's proforma reflects a maximum debt service of $115,657 which results in a reduction in primary debt to $1,427,805 with the HTF loan and $1,448,681 without the HTF loan.

HTF Request: The Applicant has also requested funding through the Housing Trust Fund Program in the form of a SECO grant of $96,000 and a loan in the amount of $50,000 structured as a 30 year term loan, fully amortizing over 30 years with 0% interest. These amounts, rates and terms are justifiable but will provide an excess of funds for the development and reduce the need for tax credits.

LIHTC Syndication: Columbia Housing has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,865,881 based on a syndication factor of 81%. The Applicant submitted a revised sources and uses wherein the total syndication proceeds is anticipated to be $3,482,635 but the Applicant did not provide a revised credit request or syndication rate to explain this reduction. The amount is consistent with the gap the Applicant anticipates. The Underwriter anticipates a larger gap of $3,541,998 as a result of lower debt and therefore recommends credits based on the 81 cent syndication, of $437,327. Should the HTF/SECO funds not be awarded to this development the $125,124 difference could be absorbed by deferral of developer fee or more appropriately should be filled with additional tax credits of $15,449 (as the total $452,776 in tax credits needed to fill the gap without HTF/SECO is less than the requested amount or eligible basis amount.)

Deferred Developer's Fees: The Applicant is not anticipating the need to defer any fees and neither is the Underwriter.

Financing Conclusions: Based on the Underwriter's proforma, the proposed debt cannot be adequately serviced at a 1.10 DCR. Therefore, the debt service for this development should be limited to no more than $115,657, which will result in a reduction of the total permanent loan amount to $1,427,805. An eligible basis of $4,605,454 is used to determine a credit allocation of $468,116. However, this is $249,360 more than is required based on the gap of need. Therefore, the development is limited to an annual tax credit allocation of $437,327 resulting in total syndication proceeds of $3,541,998.

The recommended allocation is based on the Applicant receiving the requested Housing Trust Fund award. Should the Applicant's requested funding through the HTF not be awarded, the Applicant's debt service capacity would still be limited to $115,657 in order to meet the minimum 1.10 DCR based on the Underwriter's proforma. This would still result in a reduction of the permanent loan amount to $1,448,641 and, consequently, a small reduction in the recommended tax credit allocation to $452,776 based on the gap of need.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms 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.
- The principal of the General Partner, Michael G. Lankford, submitted an unaudited financial statement as of January 30, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Michael G. Lankford, the principal of the General Partner has completed 2 LIHTC housing

developments totaling 156 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Raquel Morales*	**Date:**	June 11, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 11, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Cole Creek Apartments, Crockett, LIHTC #03069

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC30%	2	1	1	706	$247	$218	$436	$0.31	$29.00	$12.36
TC40%	1	1	1	706	330	$301	301	0.43	29.00	12.36
TC50%	4	1	1	706	412	$383	1,532	0.54	29.00	12.36
TC60%	1	1	1	706	495	$466	466	0.66	29.00	12.36
TC30%	6	2	2	904	297	$259	1,554	0.29	38.00	12.36
TC40%	2	2	2	904	396	$358	716	0.40	38.00	12.36
TC50%	3	2	2	904	495	$457	1,371	0.51	38.00	12.36
TC60%	18	2	2	904	594	$556	10,008	0.62	38.00	12.36
MR	3	2	2	904		$550	1,650	0.61	38.00	12.36
TC30%	3	3	2	1,134	343	$296	888	0.26	47.00	12.36
TC40%	2	3	2	1,134	457	$410	820	0.36	47.00	12.36
TC50%	6	3	2	1,134	571	$524	3,144	0.46	47.00	12.36
TC60%	12	3	2	1,134	686	$620	7,440	0.55	47.00	12.36
MR	1	3	2	1,134		$620	620	0.55	47.00	12.36
TOTAL:	64		AVERAGE:	966	$489	$484	$30,946	$0.50	$40.25	$12.36

INCOME	Total Net Rentable Sq Ft: 61,792		TDHCA	APPLICANT		
					USS Region	5
POTENTIAL GROSS RENT			$371,352	$364,584	IREM Region	6
Secondary Income	Per Unit Per Month:	$15.00	11,520	11,520	$15.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$382,872	$376,104		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(28,715)	(28,212)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$354,157	$347,892		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.75%	$263	0.27	$16,816	$7,090	$0.11	$111	2.04%
Management		6.42%	355	0.37	22,731	$17,395	0.28	272	5.00%
Payroll & Payroll Tax		15.65%	866	0.90	55,424	$51,432	0.83	804	14.78%
Repairs & Maintenance		6.71%	371	0.38	23,771	$16,554	0.27	259	4.76%
Utilities		7.65%	423	0.44	27,080	$17,275	0.28	270	4.97%
Water, Sewer, & Trash		4.72%	261	0.27	16,725	$14,304	0.23	224	4.11%
Property Insurance		4.19%	232	0.24	14,830	$31,514	0.51	492	9.06%
Property Tax	2.32	8.09%	448	0.46	28,648	$34,800	0.56	544	10.00%
Reserve for Replacements		3.61%	200	0.21	12,800	$12,800	0.21	200	3.68%
Other Expenses: Supp Svcs & Security		2.28%	126	0.13	8,084	$8,084	0.13	126	2.32%
TOTAL EXPENSES		64.07%	$3,545	$3.67	$226,909	$211,248	$3.42	$3,301	60.72%
NET OPERATING INC		35.93%	$1,988	$2.06	$127,248	$136,644	$2.21	$2,135	39.28%
DEBT SERVICE									
First Lien Mortgage		33.52%	$1,855	$1.92	$118,730	$118,825	$1.92	$1,857	34.16%
HTF/SECO Grant		0.47%	$26	$0.03	1,667		$0.00	$0	0.00%
HTF/SECO Grant		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		1.93%	$107	$0.11	$6,851	$17,819	$0.29	$278	5.12%
AGGREGATE DEBT COVERAGE RATIO					1.06	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.30%	$2,655	$2.75	$169,950	$169,950	$2.75	$2,655	3.32%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.34%	6,710	6.95	429,454	429,454	6.95	6,710	8.39%
Direct Construction		51.56%	41,461	42.94	2,653,511	2,596,499	42.02	40,570	50.75%
Contingency	2.94%	1.76%	1,418	1.47	90,779	90,779	1.47	1,418	1.77%
General Req'ts	5.89%	3.53%	2,837	2.94	181,557	181,557	2.94	2,837	3.55%
Contractor's G & A	1.96%	1.18%	946	0.98	60,519	60,519	0.98	946	1.18%
Contractor's Profit	5.89%	3.53%	2,837	2.94	181,557	181,557	2.94	2,837	3.55%
Indirect Construction		2.89%	2,327	2.41	148,900	148,900	2.41	2,327	2.91%
Ineligible Costs		2.98%	2,400	2.49	153,591	153,591	2.49	2,400	3.00%
Developer's G & A	2.00%	1.58%	1,269	1.31	81,235	0	0.00	0	0.00%
Developer's Profit	13.00%	10.26%	8,250	8.55	528,028	612,519	9.91	9,571	11.97%
Interim Financing		6.13%	4,929	5.11	315,478	315,478	5.11	4,929	6.17%
Reserves		2.95%	2,373	2.46	151,845	175,000	2.83	2,734	3.42%
TOTAL COST		100.00%	$80,413	$83.29	$5,146,404	$5,115,803	$82.79	$79,934	100.00%
Recap-Hard Construction Costs		*69.90%*	*$56,209*	*$58.22*	*$3,597,377*	*$3,540,365*	*$57.29*	*$55,318*	*69.20%*

SOURCES OF FUNDS						WIYH HTF	WITHOUT HTF
First Lien Mortgage	28.90%	$23,237	$24.07	$1,487,168	$1,487,168	$1,427,805	$1,448,681
HTF/SECO Grant					$50,000	$50,000	$0
HTF/SECO Grant	1.87%	$1,500	$1.55	96,000	96,000	96,000	0
LIHTC Syndication Proceeds	67.67%	$54,416	$56.36	3,482,635	3,482,635	3,541,998	3,667,122
Deferred Developer Fees	0.00%	$0	$0.00	0		0	0
Additional (excess) Funds Required	1.57%	$1,259	$1.30	80,601	0	0	0
TOTAL SOURCES				$5,146,404	$5,115,803	$5,115,803	$5,115,803

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cole Creek Apartments, Crockett, LIHTC #03069

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.46	$2,623,695
Adjustments				
Exterior Wall Finish	2.75%		$1.17	$72,152
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.01)	(62,410)
Floor Cover			1.92	118,641
Porches/Balconies	$18.19	17,362	5.11	315,736
Plumbing	$615	168	1.67	103,320
Built-In Appliances	$1,625	64	1.68	104,000
Stairs	$1,400	24	0.54	33,600
Floor Insulation			0.00	0
Heating/Cooling			1.47	90,834
Garages/Carports	$7.83	9,600	1.22	75,168
Comm &/or Aux Bldgs	$59.56	3,289	3.17	195,899
Other:			0.00	0
SUBTOTAL			59.40	3,670,634
Current Cost Multiplier	1.03		1.78	110,119
Local Multiplier	0.86		(8.32)	(513,889)
TOTAL DIRECT CONSTRUCTION COSTS			$52.87	$3,266,864
Plans, specs, survy, bld prm	3.90%		($2.06)	($127,408)
Interim Construction Interest	3.38%		(1.78)	(110,257)
Contractor's OH & Profit	11.50%		(6.08)	(375,689)
NET DIRECT CONSTRUCTION COSTS			$42.94	$2,653,511

PAYMENT COMPUTATION

Primary	$1,487,168	Term	360
Int Rate	7.00%	DCR	1.07

Secondary	$50,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.06

Additional		Term	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$113,991
Secondary Debt Service	1,667
Additional Debt Service	0
NET CASH FLOW	$11,590

Primary	$1,427,805	Term	360
Int Rate	7.00%	DCR	1.12

Secondary	$50,000	Term	360
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

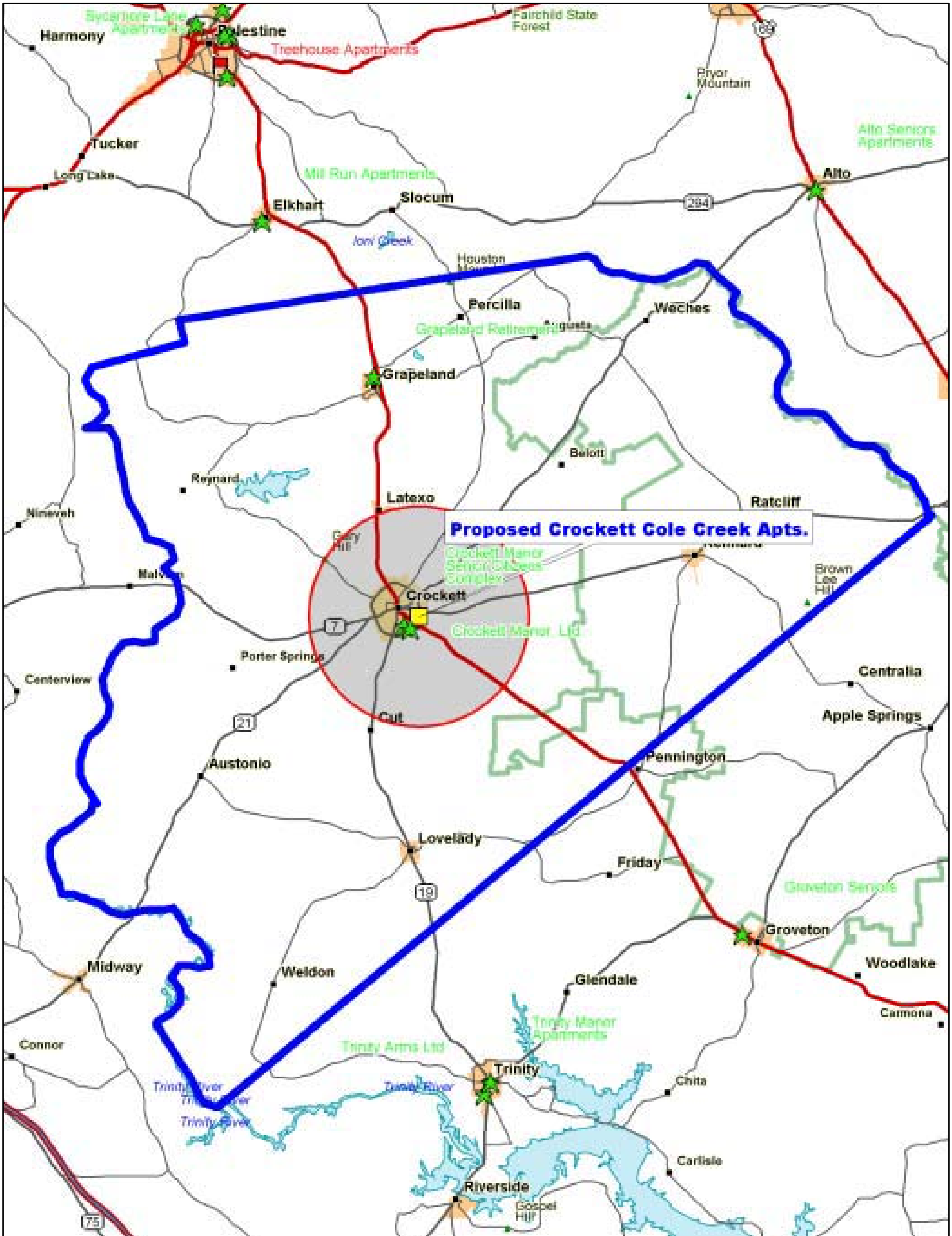
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$371,352	$382,493	$393,967	$405,786	$417,960	$484,530	$561,703	$651,168	$875,115
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	382,872	394,358	406,189	418,375	430,926	499,561	579,128	671,368	902,263
Vacancy & Collection Loss	(28,715)	(29,577)	(30,464)	(31,378)	(32,319)	(37,467)	(43,435)	(50,353)	(67,670)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$354,157	$364,781	$375,725	$386,996	$398,606	$462,094	$535,694	$621,016	$834,593
EXPENSES at 4.00%									
General & Administrative	$16,816	$17,488	$18,188	$18,915	$19,672	$23,934	$29,119	$35,428	$52,442
Management	22,731	23,413	24,115	24,838	25,584	29,658	34,382	39,858	53,566
Payroll & Payroll Tax	55,424	57,641	59,947	62,344	64,838	78,886	95,976	116,770	172,848
Repairs & Maintenance	23,771	24,722	25,711	26,740	27,809	33,834	41,164	50,083	74,135
Utilities	27,080	28,163	29,290	30,461	31,680	38,543	46,894	57,053	84,453
Water, Sewer & Trash	16,725	17,394	18,090	18,814	19,566	23,805	28,963	35,238	52,160
Insurance	14,830	15,423	16,040	16,682	17,349	21,108	25,681	31,245	46,250
Property Tax	28,648	29,794	30,985	32,225	33,514	40,775	49,609	60,356	89,342
Reserve for Replacements	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Other	8,084	8,407	8,744	9,093	9,457	11,506	13,999	17,032	25,211
TOTAL EXPENSES	$226,909	$235,758	$244,954	$254,511	$264,443	$320,268	$387,953	$470,031	$690,327
NET OPERATING INCOME	$127,248	$129,023	$130,771	$132,485	$134,163	$141,826	$147,741	$150,985	$144,266
DEBT SERVICE									
First Lien Financing	$113,991	$113,991	$113,991	$113,991	$113,991	$113,991	$113,991	$113,991	$113,991
Second Lien	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$11,590	$13,366	$15,113	$16,828	$18,506	$26,169	$32,084	$35,327	$28,609
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.16	1.23	1.28	1.31	1.25

LIHTC Allocation Calculation - Cole Creek Apartments, Crockett, LIHTC #03069

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$169,950	$169,950		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$429,454	$429,454	$429,454	$429,454
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,596,499	$2,653,511	$2,596,499	$2,653,511
(4) Contractor Fees & General Requirements				
Contractor overhead	$60,519	$60,519	$60,519	$60,519
Contractor profit	$181,557	$181,557	$181,557	$181,557
General requirements	$181,557	$181,557	$181,557	$181,557
(5) Contingencies	$90,779	$90,779	$90,779	$90,779
(6) Eligible Indirect Fees	$148,900	$148,900	$148,900	$148,900
(7) Eligible Financing Fees	$315,478	$315,478	$315,478	$315,478
(8) All Ineligible Costs	$153,591	$153,591		
(9) Developer Fees			$600,711	
Developer overhead		$81,235		$81,235
Developer fee	$612,519	$528,028		$528,028
(10) Development Reserves	$175,000	$151,845		
TOTAL DEVELOPMENT COSTS	$5,115,803	$5,146,404	$4,605,454	$4,671,018

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$4,605,454	$4,671,018
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$5,987,090	$6,072,323
Applicable Fraction		93.75%	93.75%
TOTAL QUALIFIED BASIS		$5,612,897	$5,692,803
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$468,116	$474,780
Syndication Proceeds	**0.8099**	**$3,791,357**	**$3,845,331**

Total Credits (Eligible Basis Method)	**$468,116**	**$474,780**
Syndication Proceeds	**$3,791,357**	**$3,845,331**
Requested Credits	**$477,317**	
Syndication Proceeds	**$3,865,881**	
Gap of Syndication Proceeds Needed With HTF & SECO	**$3,541,998**	
Credit Amount	**$437,327**	
Gap of Syndication Proceeds Needed Without HTF & SECO	**$3,667,122**	
Credit Amount	**$452,776**	



Zoom Level: 8-7 Datum: WGS84

Scale 1 : 450 000

1" = 7.10 mi

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03196

Region 5

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

Development Name: **Arcadia Village** TDHCA #: **03196**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5 Site Address: 673 Arcadia Road
City: Center County: Shelby Zip Code: 75935

☐ TTC ☐ DDA ☐ QCT Purpose / Activity: New Construction

Targeted Units: Family: 26 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: Pineywoods Arcadia Home Team, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Pineywoods Home Team Affordable Housing, Inc.	Doug Dowler	90% of GP
Trout and Trout Development, LLC	Doug Dowler	10% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$227,836** Allocation over 10 Years: $2,278,360
Credits Requested $268,802 Eligible Basis Amount: $227,836 Equity/Gap Amount $246,519

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	2	3
40%	0	0	0	1	2
50%	0	0	0	1	1
60%	0	0	0	9	20
MR	0	0	0	0	0
Total	0	0	0	13	

Total LI Units: 26
Owner/Employee Units: 0
Total Project Units: 26
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:	$2,860,181	Average Square Feet/Unit	1,293
Gross Building Square Feet	33,618	Cost Per Net Rentable Square Foot	$85.08
Total Net Rentable Area Square Feet:	33,618	Credits per Low Income Uni	$8,763

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$160,692
Total Expenses:	$80,814
Net Operating Income	$79,878
Estimated 1st Year Debt Coverage Ratio	1.14

FINANCING

Permanent Principal Amount:	$890,000
Applicant Equity:	$149,320
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7992

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Pineywoods Home Team Affordable Housing, Inc.,	Market Analyst:	Mark C. Temple
Housing GC:	Moore Building Associates, LLP	Originator/UW:	NA
Engineer:	Pax-Sun, Inc.	Appraiser:	NA
Cost Estimator:	Moore Building Associates, LLP	Attorney:	John D. Stover
Architect:	Harold Kaemmerling	Accountant:	Novogradac & Company, LLC
Property Manager	Quest Asset Management, Inc.	Supp Services	Pineywoods Home Team Housing, Inc.

Project Name: Arcadia Village Project Number: 03196

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: **4** 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:	John D. Windham, Mayor City of Center, S	Floyd A. "Dock" Watson, Shelby County Judge, S
TX Representative:	Wayne Christian, District 9 ,S	
TX Senator:	Todd Staples, District 3 , N	
US Representative:	Mark Sandlin, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 98 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of firm documentation from the local taxing authorities indicating full tax exemption for the subject site and proposed improvements by close of construction loan.

Receipt, review and acceptance of an executed construction contract with the general contractor for all construction costs including site work, contractor fees and profit not to exceed $2,282,280 or $67.89 per foot.

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

Alternate Recommendation: NA

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

☑ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

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

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03196** Name: **Arcadia Village** City: **Center**

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 0 10-19 2 20-29 0

Total # monitored with a score less than 30: 2 # 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 iday, June 06, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

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

Reviewed by R Meyer Date 6 /5 /2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by Date

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by EEF Date 6 /5 /2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

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

Reviewed by Date

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

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

Reviewed by Stephanie Stuntz Date 6 /6 /2003

Executive Director: Edwina Carrington **Executed:** Thursday, June 12, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	June 15, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03196 2003-032

DEVELOPMENT NAME

Arcadia Village

APPLICANT

Name:	Pineywoods Arcadia Home Team, Ltd.			**Type:**	For Profit		
Address:	300 E Shepherd			**City:**	Lufkin	**State:**	TX
Zip:	75901	**Contact:**	Doug Dowler	**Phone:**	(936) 559-0883	**Fax:**	(936) 559-0334

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Pineywoods Home Team Affordable Housing, Inc.	**(%):**	0.09	**Title:**	Managing General Partner
Name:	Trout and Trout Development, LLC	**(%):**	0.01	**Title:**	Co-General Partner

PROPERTY LOCATION

Location:	673 Arcadia Road		☐ **QCT**		☐ **DDA**
City:	Center	**County:**	Shelby	**Zip:**	75935

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
1) $268,802	N/A	N/A	N/A
2) $10,000	AFR%	30 yrs	30 yrs

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

Proposed Use of Funds: New Construction **Property Type:** Single Family Rental

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $227,836 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $10,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT AN INTEREST RATE EQUAL TO AFR, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of firm documentation from the local taxing authorities indicating full tax exemption for the subject site and proposed improvements by close of construction loan;
2. Receipt, review and acceptance of financial statements for the Co-General Partner, Trout and Trout, LLC by execution of commitment;
3. Receipt, review and acceptance of an executed construction contract with the general contractor for all construction costs including site work, contractor fees and profit not to exceed $2,282,280 or $67.89 per foot;

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 26 **# Rental Buildings** 26 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 33,618 **Av Un SF:** 1,293 **Common Area SF:** N/A **Gross Bldg SF:** 33618

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Perimeter fencing

Uncovered Parking: N/A spaces **Carports:** N/A spaces **Garages:** 52 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Arcadia Village is a single family new construction development of 26 units of affordable housing located in Center, Shelby County. The development is comprised of 13 three-bedroom and 13 four-bedroom rental homes located on lots cut from a contiguous 4.7 acres. The development acreage is listed as 3.13 acres due to the use of portions of the site for street improvements.

Architectural Review: All of the floorplans for the homes indicate adequate storage space, a utility room with space for full-size appliances, and a two-car garage. The exteriors are simple with brick veneer and siding.

Supportive Services: The Managing General Partner will provide optional supportive services including homebuyer counseling, credit counseling and financial planning at no additional cost to tenants.

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

SITE ISSUES

SITE DESCRIPTION

Size: 3.13 acres 136,343 square feet **Zoning/ Permitted Uses:** N/A (Center)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located in the west area of Center, Shelby County at 673 Arcadia Road. Center is located near the Texas-Louisiana State Line about 170 miles southeast of Dallas.

Adjacent Land Uses:

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

Site Access: The site is located within the major thoroughfares FM Highways 138 and 2974 to the north, Texas State Highway 7 to the south, US Highway 96 to the east, and FM Highway 138 to the west.

Public Transportation: Public transportation is not available in Center.

Shopping & Services: A large discount store, two groceries and a pharmacy are located within 2 miles of the site. The development will be served by the Center Independent School District which operates an elementary, intermediate, middle and high school within a 2 mile radius. Memorial Hospital is 0.5 miles northeast of the subject. Local amenities include several parks.

Site Inspection Findings: TDHCA staff performed a site inspection on April 22, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 20, 2003 was prepared by AquaTerra Assessments and contained the following conclusion: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. AquaTerra Assessments recommends no further investigations be conducted to determine the presence of hazardous substances or petroleum products on the subject property." (p. 2)

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. Three of the units (12%) will be reserved for households earning 30% or less of AMGI, two units (8%) will be reserved for households earning 40% or less of AMGI, one of the units (4%) will be reserved for households earning 50% or less of AMGI and restricted at the low HOME rent, and 20 units (77%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$17,280	$19,800	$22,260	$24,720	$26,700	$28,680

MARKET HIGHLIGHTS

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

Definition of Primary Market: "The primary or defined market area for the Arcadia Village Single family Development is considered Shelby County, which includes the City of Center and is described by the farthest boundaries: North – Panola County, South – Sabine and San Augustine Counties, East – State of Louisiana, and West – Rusk and Nacogdoches Counties." (p. I-1) The market area contains 778 square miles but is acceptable for a rural market.

Population: The estimated 2002 population of the primary market area was 25,877 and is expected to increase by 6% to approximately 27,503 by 2007. Within the primary market area there were estimated to be 12,242 households in 2002.

Total Local/Submarket Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	15	3%	10	2%
Resident Turnover	429	97%	534	98%
TOTAL ANNUAL DEMAND	444	**100%**	544	**100%**

Ref: p. IV-4

Inclusive Capture Rate: The Market Analyst calculated a capture rate of 5.9%. (p. IV-4)

Market Rent Comparables: "There are no market rate apartment projects located in the Center, Shelby

County market area. According to the Shelby County Chamber of Commerce, the average monthly rental rate for a two bedroom single family residence is approximately $350, $500 for a three bedroom residence, and approximately $700 for a four-bedroom residence." (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
3-Bedroom (30%)	$248	$253	-$5	$500	-$252
3-Bedroom (40%)	$355	$360	-$5	$500	-$145
3-Bedroom (50%)	$461	$467	-$6	$500	-$39
3-Bedroom (60%)	$568	$587	-$19	$500	-$68
4-Bedroom (30%)	$280	$284	-$4	$700	-$420
4-Bedroom (40%)	$398	$404	-$6	$700	-$302
4-Bedroom (60%)	$635	$643	-$8	$700	-$65

(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)

<u>Primary Market Occupancy Rates</u>: The Market Analyst has identified four multifamily developments in the primary market area. All are subsidized and/or affordable housing developments with 100% occupancy. (p. III-4)

<u>Absorption Projections</u>: "Based upon current positive multifamily indicators and present absorption levels of 4 to 7 units per month, it is estimated that a 95+ percent occupancy level can be achieved in a 3 to 6 month time frame." (p. IV-6) Because no new multifamily units have been developed in Shelby County since 1987 the absorption rate for Longview, Gregg County was used. (p. VI-2)

<u>Known Planned Development</u>: This was not discussed in the market analysis; however, the Underwriter has identified no proposed affordable rental units in Shelby County.

The Underwriter found the market study provides adequate information for this underwriting analysis. However, it should be noted that the Market Analyst did not include rent comparable information nor a market rent analysis for the subject units. Instead, the market rents are based on information provided by the Shelby County Chamber of Commerce. Although no market rate multifamily units are available in the primary market area, there are market rate single family rentals available. Since the subject will offer single family rentals, the Underwriter believes that the market analyst should have performed an analysis of the rents charged for comparable single family homes.

OPERATING PROFORMA ANALYSIS

<u>Income</u>: The Applicant's potential gross income appears to have been calculated using understated gross rents and overstated utility allowances. The City of Center Housing Authority (HA) maintains a utility allowance sheet; however, the Applicant indicates the Center HA is not responsible for Section 8 Program in the area. Instead, the Applicant provided a utility allowance sheet prepared for Angelina, Houston, Polk, San Jacinto and Trinity Counties by the Deep East Texas Council of Government. The Underwriter verified through telephone conversations that the submitted utility allowance sheet is the most appropriate for the proposed development. The Applicant's inclusion of $4 for range and refrigerator allowance resulted in the overstated utility allowances. The application indicates that a range and refrigerator will be included in the appliance package for the units. Therefore, the $4 allowance should not be included in utility allowances for the subject units.

In addition, the Applicant has assumed the maximum 60% net rent limit for a three-bedroom unit is achievable in the market area. Based on the information available in the submitted market study, the average market rent for a three-bedroom single family home is $500. The underwriting analysis further limits the rent for the three-bedroom units set-aside at 60% of AMGI to the market rent of $500. Despite these differences, the Applicant's use of secondary income and vacancy loss assumptions that are in line with Department guidelines contributed to an effective gross income that is $5K higher than the Underwriter's estimate, but within 5%.

<u>Expenses</u>: The Applicant's estimate of total operating expense is 4% higher than the Underwriter's estimate, an acceptable deviation. In general, each of the Applicant's specific expense line items compare well to the

Underwriter's estimates. However, the Applicant chose not to include an annual expense for water, sewer and trash due to the lack of any community areas/buildings and the tenants' responsibility for payment of these expenses for each individual unit. The Underwriter included a minimal annual expense for water to maintain landscaping for vacant units.

The Applicant has claimed a property tax exemption based on the Managing General Partner's current status as a CHDO and 2002 tax laws. According to the 2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines, "Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For Community Housing Development Organization ('CHDO') owned or controlled properties, this documentation includes, at a minimum, a letter from the local appraisal district recognizing that the Applicant is or will be considered eligible for the ad valorem tax exemption." Upon request, a letter was submitted from the Shelby County Appraisal District indicating, "Based on the information supplied…and assuming the corporation adheres to all the requirements set forth by Section 11.181 of the Property Tax Code, it is my opinion that the property would be exempt from taxation by all entities. This assumption is based on current information and current property tax laws."

The Applicant has met the requirements of the Department's guidelines and the current underwriting analysis assumes that a full tax exemption will be granted, but the development is considered to be at higher risk for long term infeasibility due to recent changes adopted by the state legislature. There is a possibility that the development may not receive a full tax exemption or even a partial exemption. The effects of this possibility will be discussed in the conclusion, below, and further in the conclusion of the Financing Structure Analysis section of this report. Receipt, review, and acceptance of firm documentation from the local taxing authorities indicating approval of full tax exemption for the subject site and proposed improvements is a condition of this report.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. Based on the assumption that the development will qualify for full tax exemption, both the Underwriter's and the Applicant's proformas indicate the proposed loans can be supported with an initial debt coverage ratio at or above the Department's minimum guideline of 1.10.

If the development does not qualify for a tax exemption, the Applicant's annual expense projection and overall proforma would no longer be within 5% of the Underwriter's estimates and the Underwriter's proforma would be used to determine the development's debt service capacity. Based on a minimal assessed value of $15K per unit resulting in an estimated annual property tax expense of $11K, the Underwriter's proforma indicates that the development's annual debt service must be reduced from $70,160 to $66,679.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 4.7 acres	$20,210	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Shelby County Appraisal District
Total Assessed Value:	$20,210	**Tax Rate:**	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract (4.2 acres)		
Contract Expiration Date:	08/ 31/ 2003	**Anticipated Closing Date:**	08/ 15/ 2003
Acquisition Cost:	$40,000	**Other Terms/Conditions:**	
Seller:	Murco Farming & Leasing, LLC	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction. It should be noted, although the site control documents indicate an overall acreage of 4.2 acres, the application indicates development acreage of 3.13 acres. The difference can be attributed to road improvements to be made to provide access to the single family units.

Off-Site Costs: The Applicant claimed off-site costs of $3K for extension of a wastewater sewer lines and provided sufficient third party certification through an engineer to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $6,667 per unit are considered reasonable.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated. Upon request and as justification for the higher costs, the Applicant cited underwriting estimates for similar homes proposed in 2000 for funding through the Department's HOME and HTF programs, per square foot costs for similar homes constructed by the Managing General Partner, and the Applicant's estimate based on Marshall & Swift Costing. No documentation was provided to support the per square foot cost of other homes constructed by the Managing General Partner and the Underwriter is comfortable with the costing performed for this analysis using the Marshall & Swift *Residential Cost Handbook* as it is consistent with the Department's costing methodology.

The Underwriter was able to reference the underwriting analysis and the Applicant's estimates for direct construction costs for The Pineywoods Home Team Universal Design Rental Project in Nacogdoches and Lufkin. Contrary to the Applicant's claim that the Department's underwriting analysis resulted in $58.22 per square foot for direct construction costs, the report shows a direct construction estimate of $48.77, which is comparable to the Applicant's estimate of $49.49 per square foot as of March 2000. Because the Applicant did not provide evidence of the actual direct construction cost for the units developed in Nacogdoches and Lufkin, the Underwriter was unable to justify an adjustment to the current Marshall & Swift *Residential Cost Handbook*-derived estimate of $48.79 per square foot.

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. However, their contingency cost exceeds the Department's maximum guideline of 5% of sitework and direct construction costs for new construction. Therefore, the Applicant's eligible basis calculation was lowered $388 by the Underwriter.

Conclusion: Due to the Applicant's higher direct construction cost estimate and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits. As a result, an eligible basis of $2,731,841 is used to determine eligible tax credits of $227,836. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended annual tax credit allocation.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Bank of America **Contact:** Angela Kelcher

Principal Amount: $880,000 **Interest Rate:** Fannie Mae rate; 6.90% underwriting rate

Additional Information: Forward Funded Fannie Mae structure; 18 month interim period; Bridge loan of $95,000 based on 6.9% interest rate

Amortization: 30 yrs **Term:** 18-30 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $69,548 **Lien Priority:** 1st **Date:** 02/ 24/ 2003

CASH INCENTIVE

Source: Deep East Texas Council of Governments (DETCOG) **Contact:** Tenika Brooks

Principal Amount: $10,800 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: HUD – Desegregative Housing Opportunities (DHO) Program

LIHTC SYNDICATION

Source: Enterprise Foundation **Contact:** Diane Morales

Address: 11824 28th Street **City:** Santa Fe

State: TX **Zip:** 77510 **Phone:** (409) 925-6767 **Fax:** (409) 925-2384

Net Proceeds: $2,142,111 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $296,174 **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 has requested HOME funds of $10,000 to be structured as a loan with an interest rate at AFR and a 30-year term. Because a HOME loan structured in this manner would not be considered below-market federal funds, the Applicant is not required to subtract the requested $10,000 from the development's eligible basis.

In addition, $10,800 is listed as a source of funds through HUD's Desegregative Housing Opportunities (DHO) Program. A letter addressed to the executive director of the Housing Authority of the City of Nacogdoches from HUD and dated March 21, 2002 details the program rules. The DHO program authorizes the housing authority to adopt exception payment standard amounts to the 148% of HUD's published Fair Market Rents for class member families that lease housing in the non-racially impacted census blocks in Nacogdoches County. Class members are defined as "an African American applicant for or resident of public housing in the litigation area." Racially non-impacted census blocks include those that are 80% inhabited by white individuals.

The DHO program also provides a cash incentive to landlords who for the first time lease a property located in a non-racially impacted neighborhood to a class member. A letter from HUD indicates that the proposed site is located in a non-impacted census block and the development would qualify for the DHO program. The incentive schedule includes $800 for three-bedroom single family rentals, $900 for +four-bedroom single family rentals, and $1,000 for any unit modified to qualify as handicapped accessible. Based on this information, the Applicant has assumed receipt of the incentive for 11 three-bedroom units at $800 and two handicapped accessible units at $1,000 for a total of $10,800 in incentives. The number of households that meet the definition of "class members" and are eligible for the HOME/LIHTC units is unknown. Therefore, the Underwriter has not included the $10,800 as a definite source of funds for purposes of this underwriting analysis. Any amount ultimately received will serve to reduce the anticipated deferred developer fee.

LIHTC Syndication: The syndication commitment is consistent with the terms reflected in the sources and uses listed in the application. The majority of the funds will be distributed for use during the construction period.

Deferred Developer's Fees: The Applicant's estimate of deferred fees amounts to 71% of total developer fees.

Financing Conclusions: As stated above, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits. The eligible tax credits of $227,836 are recommended as they are supported by the development's gap in need for permanent funds. The recommended annual tax credit allocation is $40,966 less than requested due to the Applicant's overstated direct construction costs. The resulting decrease in anticipated syndication proceeds results in a need to defer $149,320 in fees based on the Underwriter's total development cost estimate. Deferred developer fees in this amount appear to be repayable from cashflow within ten years of stabilized operation. The anticipated deferred fees are also based on Board approval of a HOME loan at the requested amount of $10,000 with a percentage rate at AFR and fully amortized over a repayment term of 30 years. If the Applicant cannot build the property for less than the budget included in the application there would be insufficient funds to defer to make up the gap of uses. In fact the Applicant must provide documentation in the form of a AIA contract or general contractors written agreement that direct construction costs including sitework and contractor fees and profit does not exceed $2,282,280 or $67.89 per square foot or the development will not be financially feasible.

As detailed in the Operating Proforma Analysis section of this report, the development's tax exempt status is not definite. If the development does not qualify for a tax exemption, the Underwriter's proforma would be used to determine the development's debt service capacity indicating a need for a reduction in annual debt service and resulting in a reduced permanent loan amount. The gap in permanent funds caused by a reduced permanent loan amount would be filled with additional deferred fees, which the current analysis indicated cannot be repaid within 10 years of stabilized operation. Therefore the development would be at higher risk for long term infeasibility. However, because the anticipated deferred fees under this scenario appear to be repayable within 15 years of stabilized operation, the development would still be recommended for funding.

Return on Equity: Since the Applicant is projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required

DEVELOPMENT TEAM

IDENTITIES of INTEREST

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

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The Managing General Partner, Pineywoods Home Team Affordable Housing, submitted a balance sheet dated December 2002 indicating total assets of $2.4M comprised of cash, receivables, rental housing investments, escrows, work in progress, and equipment. Total liabilities equaled $2.5M for a fund balance of $94K.
- The Co-General Partner, Trout and Trout, LLC, provided an unaudited financial statement indicating total asset of $1K and no liabilities.
- Principals of the Co-General Partner, Trout and Trout Development, LLC, submitted unaudited financial statements dated as of February 27, 2003.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The Managing General Partner indicates participation in 326 units of affordable housing since 1996.
- Howard Trout, Jr. indicates participation in one affordable housing project with 72 units in 1997. Mr. Trout has also received a certificate of experience from the Department.

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%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	June 15, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 15, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC 30%	2	3	2	1,134	$321	$253	$507	$0.22	$55.24	$12.36
TC 40%	1	3	2	1,134	428	360	360	0.32	55.24	12.36
TC 50%/LH	1	3	2	1,134	535	467	467	0.41	55.24	12.36
TC 60%	9	3	2	1,251	642	500	4,500	0.40	55.24	12.36
TC 30%	1	4	2	1,371	358	284	284	0.21	61.33	12.36
TC 40%	1	4	2	1,371	478	404	404	0.29	61.33	12.36
TC 60%	11	4	2	1,371	717	643	7,076	0.47	61.33	12.36
TOTAL:	26		**AVERAGE:**	1,293	$619	$523	$13,600	$0.40	$58.29	$12.36

INCOME	Total Net Rentable Sq Ft: 33,618		**TDHCA**	**APPLICANT**		USS Region	5
POTENTIAL GROSS RENT			$163,196	$169,044		IREM Region	6
Secondary Income	Per Unit Per Month:	$15.00	4,680	4,680	$15.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$167,876	$173,724			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(12,591)	(13,032)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$155,285	$160,692			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.21%	$311	0.24	$8,094	$8,410	$0.25	$323	5.23%
Management		5.00%	299	0.23	7,764	$8,039	0.24	309	5.00%
Payroll & Payroll Tax		10.19%	609	0.47	15,823	$15,655	0.47	602	9.74%
Repairs & Maintenance		17.32%	1,034	0.80	26,892	$31,460	0.94	1,210	19.58%
Utilities		0.20%	12	0.01	309	$300	0.01	12	0.19%
Water, Sewer, & Trash		0.19%	11	0.01	289	$0	0.00	0	0.00%
Property Insurance		5.41%	323	0.25	8,405	$9,100	0.27	350	5.66%
Property Tax	2.7985	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		5.02%	300	0.23	7,800	$5,200	0.15	200	3.24%
Supportive Services, Compliance		1.71%	102	0.08	2,650	$2,650	0.08	102	1.65%
TOTAL EXPENSES		50.25%	$3,001	$2.32	$78,026	$80,814	$2.40	$3,108	50.29%
NET OPERATING INC		49.75%	$2,971	$2.30	$77,259	$79,878	$2.38	$3,072	49.71%
DEBT SERVICE									
First Lien Mortgage		44.79%	$2,675	$2.07	$69,548	$69,548	$2.07	$2,675	43.28%
HOME		0.39%	$24	$0.02	612	0	$0.00	$0	0.00%
HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.57%	$273	$0.21	$7,098	$10,330	$0.31	$397	6.43%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.14			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.45%	$1,596	$1.23	$41,500	$41,500	$1.23	$1,596	1.24%
Off-Sites		0.10%	115	0.09	3,000	3,000	0.09	115	0.09%
Sitework		6.06%	6,667	5.16	173,340	173,340	5.16	6,667	5.19%
Direct Construction		57.34%	63,081	48.79	1,640,115	2,002,565	59.57	77,022	59.97%
Contingency	5.00%	3.17%	3,487	2.70	90,673	109,183	3.25	4,199	3.27%
General Req'ts	6.00%	3.80%	4,185	3.24	108,807	130,554	3.88	5,021	3.91%
Contractor's G & A	2.00%	1.27%	1,395	1.08	36,269	43,518	1.29	1,674	1.30%
Contractor's Profit	6.00%	3.80%	4,185	3.24	108,807	130,554	3.88	5,021	3.91%
Indirect Construction		3.86%	4,250	3.29	110,500	110,500	3.29	4,250	3.31%
Ineligible Costs		1.80%	1,975	1.53	51,347	51,347	1.53	1,975	1.54%
Developer's G & A	2.00%	1.66%	1,827	1.41	47,510	83,939	2.50	3,228	2.51%
Developer's Profit	13.00%	10.80%	11,878	9.19	308,817	335,757	9.99	12,914	10.06%
Interim Financing		3.74%	4,116	3.18	107,003	107,003	3.18	4,116	3.20%
Reserves		1.14%	1,250	0.97	32,493	16,325	0.49	628	0.49%
TOTAL COST		100.00%	$110,007	$85.08	$2,860,181	$3,339,085	$99.32	$128,426	100.00%
Recap-Hard Construction Costs		*75.45%*	***$83,000***	***$64.19***	***$2,158,011***	***$2,589,714***	***$77.03***	***$99,604***	*77.56%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	30.77%	$33,846	$26.18	$880,000	$880,000	$880,000	Developer Fee Available
HOME	0.35%	$385	$0.30	10,000	10,000	10,000	$419,696
HUD	0.38%	$415	$0.32	10,800	10,800	0	
LIHTC Syndication Proceeds	74.89%	$82,389	$63.72	2,142,111	2,142,111	1,820,862	% of Dev. Fee Deferred
Deferred Developer Fees	10.36%	$11,391	$8.81	296,174	296,174	149,320	36%
Additional (excess) Funds Required	-16.74%	($18,419)	($14.25)	(478,904)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$2,860,181	$3,339,085	$2,860,181	$320,786.34

Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

PAYMENT COMPUTATION

Primary	$880,000	Term	360
Int Rate	6.90%	DCR	1.11

Secondary	$10,000	Term	360
Int Rate	4.56%	Subtotal DCR	1.10

Additional	$2,142,111	Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	$69,548
Secondary Debt Service	612
Additional Debt Service	0
NET CASH FLOW	$9,718

Primary	$880,000	Term	360
Int Rate	6.90%	DCR	1.15

Secondary	$10,000	Term	360
Int Rate	4.56%	Subtotal DCR	1.14

Additional	$2,142,111	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

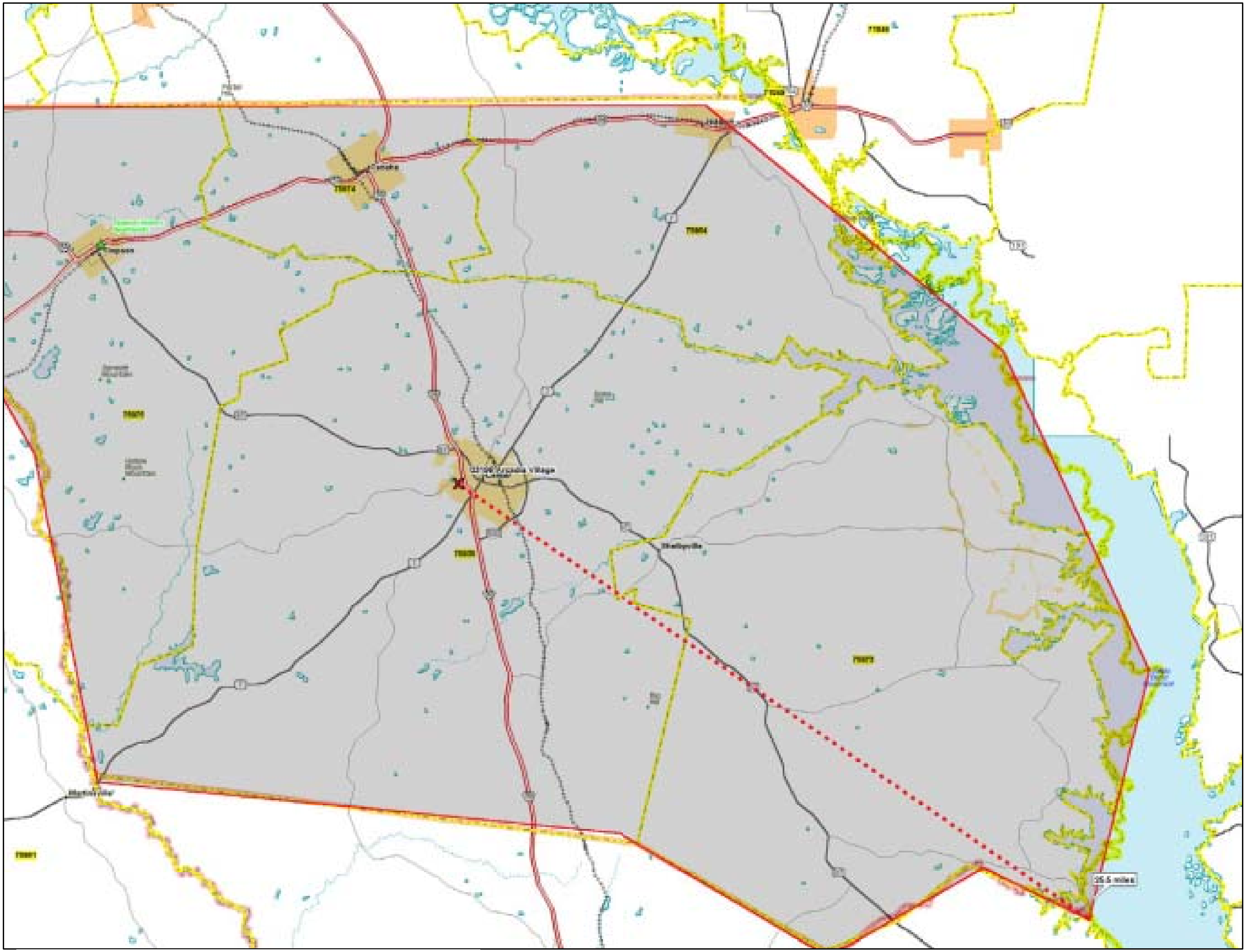
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$169,044	$174,115	$179,339	$184,719	$190,261	$220,564	$255,694	$296,420	$398,363
Secondary Income	4,680	4,820	4,965	5,114	5,267	6,106	7,079	8,206	11,029
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	173,724	178,936	184,304	189,833	195,528	226,670	262,773	304,626	409,392
Vacancy & Collection Loss	(13,032)	(13,420)	(13,823)	(14,237)	(14,665)	(17,000)	(19,708)	(22,847)	(30,704)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$160,692	$165,516	$170,481	$175,595	$180,863	$209,670	$243,065	$281,779	$378,688
EXPENSES at 4.00%									
General & Administrative	$8,410	$8,746	$9,096	$9,460	$9,839	$11,970	$14,563	$17,719	$26,228
Management	8,039	8280.30913	8528.7184	8784.579952	9048.11735	10489.24787	12159.91311	14096.67201	18944.74841
Payroll & Payroll Tax	15,655	16,281	16,932	17,610	18,314	22,282	27,109	32,983	48,822
Repairs & Maintenance	31,460	32,718	34,027	35,388	36,804	44,777	54,479	66,281	98,113
Utilities	300	312	324	337	351	427	520	632	936
Water, Sewer & Trash	0	0	0	0	0	0	0	0	0
Insurance	9,100	9,464	9,843	10,236	10,646	12,952	15,758	19,172	28,380
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
Other	2,650	2,756	2,866	2,981	3,100	3,772	4,589	5,583	8,264
TOTAL EXPENSES	$80,814	$83,966	$87,242	$90,647	$94,185	$114,071	$138,183	$167,423	$245,905
NET OPERATING INCOME	$79,878	$81,549	$83,239	$84,949	$86,679	$95,599	$104,882	$114,357	$132,783
DEBT SERVICE									
First Lien Financing	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548
Second Lien	612	612	612	612	612	612	612	612	612
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$9,718	$11,389	$13,078	$14,788	$16,518	$25,439	$34,722	$44,196	$62,622
DEBT COVERAGE RATIO	1.14	1.16	1.19	1.21	1.24	1.36	1.49	1.63	1.89

LIHTC Allocation Calculation - Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$41,500	$41,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$173,340	$173,340	$173,340	$173,340
Off-site improvements	$3,000	$3,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,002,565	$1,640,115	$2,002,565	$1,640,115
(4) Contractor Fees & General Requirements				
Contractor overhead	$43,518	$36,269	$43,518	$36,269
Contractor profit	$130,554	$108,807	$130,554	$108,807
General requirements	$130,554	$108,807	$130,554	$108,807
(5) Contingencies	$109,183	$90,673	$108,795	$90,673
(6) Eligible Indirect Fees	$110,500	$110,500	$110,500	$110,500
(7) Eligible Financing Fees	$107,003	$107,003	$107,003	$107,003
(8) All Ineligible Costs	$51,347	$51,347		
(9) Developer Fees				
Developer overhead	$83,939	$47,510	$83,939	$47,510
Developer fee	$335,757	$308,817	$335,757	$308,817
(10) Development Reserves	$16,325	$35,222		
TOTAL DEVELOPMENT COSTS	$3,339,085	$2,862,910	$3,226,525	$2,731,841

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$3,226,525	$2,731,841
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$3,226,525	$2,731,841
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$3,226,525	$2,731,841
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$269,092	$227,836
Syndication Proceeds	**0.7992**	**$2,150,585**	**$1,820,862**
Total Credits (Eligible Basis Method)		**$269,092**	**$227,836**
Syndication Proceeds		**$2,150,585**	**$1,820,862**
Requested Credits		**$268,802**	
Syndication Proceeds		**$2,148,266**	
Gap of Syndication Proceeds Needed			**$1,970,181**
Credit Amount			**$246,519**



Scale: 1 : 275,000 Zoom Level: 9-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 3.6°E

TDHCA #

03213

Region 5

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

Development Name: **Fox Run Apartments** TDHCA #: **03213**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5
City: Orange
Site Address: 2600 Allie Payne Road
County: Orange Zip Code: 77632

☐ TTC ☐ DDA ☐ QCT

Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 70 Elderly: 0 Handicapped/Disabled 5 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: FR Affordable Housing, L.P.

Principal Names	Principal Contact	Percentage Ownership
Delphi Housing of Orange, Inc.	Daniel F. O'Dea	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$213,473** Allocation over 10 Years: $2,134,730

Credits Requested $216,440 Eligible Basis Amount: $213,473 Equity/Gap Amount $276,176

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	1	0	0	1
40%	0	15	0	0	15
50%	0	0	14	10	24
60%	0	6	12	10	28
MR	0	0	0	0	0
Total	0	22	26	20	

Total LI Units: 68
Owner/Employee Units: 2
Total Project Units: 70
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:	$4,170,398	Average Square Feet/Unit	779
Gross Building Square Feet	57,348	Cost Per Net Rentable Square Foot	$76.47
Total Net Rentable Area Square Feet:	54,538	Credits per Low Income Uni	$3,139

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$359,030
Total Expenses:	$300,066
Net Operating Income	$58,964
Estimated 1st Year Debt Coverage Ratio	5.62

FINANCING

Permanent Principal Amount:	$1,971,209
Applicant Equity:	$491,472
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7999

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Delphi Community Housing III, Inc.	Market Analyst:	Vogt, Williams and Bowen
Housing GC:	NA	Originator/UW:	NA
Engineer:	NA	Appraiser:	Crown Appraisal Group
Cost Estimator:	NA	Attorney:	Nixon Peabody
Architect:	NA	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	NA	Supp Services	Texas Inter-Faith Management Co.
Syndicator:	Paramount Financial Group	Permanent Lender	Davis-Penn Mortgage Co.

Project Name: Fox Run Apartments   Project Number: 03213

PUBLIC COMMENT SUMMARY

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

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **1** Opposition: **0**

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	NC	Carl K. Thibodeaux, R. PH, County Judge, City of Orange, S
TX Representative:	Mike "Tuffy" Hamilton, District 19, S	
TX Senator:	Tommy Williams, District 4, N	
US Representative:		
US Senator:	John Cornyn, NC	

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 77 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of the final mark to market rents by construction loan closing as approved by the DAE and or HUD OHMAR.

Receipt, review, and acceptance of the final financing structure by construction loan closing as approved by the PAE or HUD OHMAR.

Should the terms or rates of the debt or syndication financing change, a re-evaluation of this transaction should be conducted.

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 At-Risk Set-Aside.

Robert Onion, Manager of Awards and Allocation   Date

Brooke Boston, Director of Multifamily Finance Production   Date

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

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

Approved Credit Amount: ____   Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Project ID # **03213** Name: **Fox Run Apartments** City: **Orange**

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: 6

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: June 15, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03213

DEVELOPMENT NAME

Fox Run Apartments

APPLICANT

Name:	FR Affordable Housing, LP			**Type:**	For Profit		
Address:	204 East 8th Street			**City:**	Georgetown	**State:**	TX
Zip:	78626	**Contact:**	Daniel F. O'Dea	**Phone:**	(512) 863-7666	**Fax:**	(512) 863-8656

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Delphi Housing of Orange, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Daniel F. O'Dea			**Title:**	75% Owner of MGP
Name:	Michelle Grandt			**Title:**	25% Owner of MGP

PROPERTY LOCATION

Location:	2600 Allie Payne Road		☐ **QCT**		☐ **DDA**
City:	Orange	**County:**	Orange	**Zip:**	77632

REQUEST

Amount	Interest Rate	Amortization	Term
1) $216,440	N/A	N/A	N/A

Other Requested Terms: 1) 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 $213,473 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of the final mark to market rents by construction loan closing as approved by the DAE and or HUD OHMAR;
2. Receipt, review, and acceptance of the final financing structure by construction loan closing as approved by the PAE or HUD OHMAR; and
3. Should the terms or rates of the debt or syndication financing change a reevaluation of this transaction should be conducted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 70 **# Rental Buildings** 6 **# Common Area Bldgs** 1 **# of Floors** 2 **Age:** 20 yrs

Net Rentable SF: 54,538 **Av Un SF:** 779 **Common Area SF:** 2,810 **Gross Bldg SF:** 57,348

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 90% masonry brick veneer 10% Hardiplank siding 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, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

Amenities include a 2,810 square foot community building with activity room, management offices, laundry facilities, kitchen, restrooms, computer/business center, central mailroom, equipped children's play area, and perimeter fencing.

Uncovered Parking: 140 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Fox Run Apartments is a proposed acquisition and rehabilitation development of 70 units of affordable housing located in the northern part of Orange city. The development was built in 1983 and is comprised of six residential buildings as follows:

∉ (1) Building Style A with 12 three-bedroom/ one-bath units;

∉ (1) Building Style B with 4 three-bedroom/ one-bath units, 4 three- bedroom/ two-bath units;

∉ (1) Building Style C with 12 two-bedroom/ one-bath units;

∉ (1) Building Style D with 6 one-bedroom/ one-bath units;

∉ (1) Building Style E with 16 two-bedroom/ one-bath units;

∉ (1) Building Style F with 16 one-bedroom/ one-bath units;

Existing Subsidies: The project is currently receiving Section 8 rents greatly in excess of market. In addition to the project is in need of significant rehab. The plan is to enter the mark to market restructuring program through HUD OHMAR. In this program HUD will mark down the rents and restructure the loan. The Participating Administrative Entity (PAE) on the project will determine the market rents. Then they will write down the first mortgage to a 1.20 DCR based upon these new rents and estimated expenses. The remaining mortgage and an amount necessary to cover the transaction expenses will be structured into soft second and third loans, which HUD OHMAR will hold. Seventy five percent of cash flow will be used to pay these notes. The exact structure will be worked out and finalized pending an allocation of tax credits. The existing loan is in place with Davis Penn Mortgage. The Section 8 contracts will be continued at the new rents.

Supportive Services: Texas Inter-Faith Housing Corporation will provide supportive services that will consist of: education programs, personal growth and family skill development. The services will be optional and the cost of the services will be free to the tenants.

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

SITE ISSUES

SITE DESCRIPTION

Size:	5.89	acres	256,568	square feet	**Zoning/ Permitted Uses:**	R-3
Flood Zone Designation:	Zone X				**Status of Off-Sites:**	Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The City of Orange is located in the southeastern region of the state, approximately 20 miles east of Beaumont in Orange County. The site is an irregularly-shaped parcel located in the northern area of the city of Orange. The site is situated on the north side of Allie Payne Street.

Adjacent Land Uses:

- **North:** vacant land
- **South:** vacant land
- **East:** multi-family housing
- **West:** drainage basin

Site Access: Access to the property is from the east or west along Allie Payne Street. The development has one main entry off of Allie Payne Street. Access to Interstate Highway I-10 is two miles south, which provides connections to all other major roads serving the Orange area.

Public Transportation: Southeast Texas Transit provides a shuttle service with 24-hour notice.

Shopping & Services: The area is served by numerous shopping opportunities. Northway Shopping Center, which includes nearly 20 retailers, is 1.5 miles southeast of the site. A variety of shops are located along 16th Street. Two major grocery stores are located within 1.5 miles of the site.

Site Inspection Findings: The site was inspected by a TDHCA staff member on April 18, 2003 and found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 31, 2003 was prepared by Astex Environmantal Services, Inc. and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** An investigation and laboratory analyses of suspect building materials for the presence of asbestos containing material identified the black adhesive underneath the original 12" floor tile and newer floor tiles a SACM. These materials can be managed in place through implementation of an Operations and Maintenance Plan (O&M).

Recommendations: Implement the Operations and Maintenance Plan as proposed.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. While all of the units will be considered tax credit units, 68 of the units (97% of the total) will be reserved for low-income tenants. One of the units (1%) will be reserved for households earning 30% or less of AMGI, Fifteen of the units (22%) will be reserved for households earning 40% or less of AMGI, 24 of the units (34%) will be reserved for households earning 50% or less of AMGI, twenty-eight units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining two units (3%) will be employee occupied.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$19,680	$22,440	$25,260	$28,080	$30,300	$32,580

MARKET HIGHLIGHTS

A market feasibility study dated February 18, 2003 was prepared by Vogt, Williams & Bowen, LLC and highlighted the following findings:

Definition of Market/Submarket: "The Primary Market Area (PMA) is the Orange PMA which includes the majority of the cities of Orange and Pinehurst." (p. IV-5)

Population: The estimated 2002 population of the PMA was 16,048 and is expected to decrease by 2% to approximately 15,682 by 2007. Within the primary market area there were estimated to be 6,475 households in 2002.

Total Local/Submarket Demand for Rental Units: "Due to the lack of growth in the area, the support for the proposed development will come from existing renters. Given the fact that much of the existing product is older, is of low quality, and offers few amenities, we anticipate that many existing renters in the market will consider moving to the subject development." (p. VII-5)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		**Underwriter**	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	-4	-1%	-4	-1%
Resident Turnover	516	10%	512	10%
TOTAL ANNUAL DEMAND	512	**100%**	508	**100%**

Ref: p. Summary Sheet

Inclusive Capture Rate: While the property is currently stabilized and capture is not an issue the Market Analyst concluded a capture rate of 13.7% which is nearly identical to the Underwriting 13.8% calculation.

Waiting List Information: "The project has a waiting list of 31 people on its waiting list." (p. II-1)

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 548 units in the market area. (p. VI-2)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$355	$219	+$136	$470	-$115
1-Bedroom (40%)	$355	$307	+$48	$470	-$115
1-Bedroom (60%)	$355	$482	-$127	$470	-$115
2-Bedroom (50%)	$455	$469	-$14	$575	-$120
2-Bedroom (60%)	$455	$574	-$119	$575	-$120
2-Bedroom (EO)	$455	N/A	N/A	$575	-$120
3-Bedroom (50%)	$555	$538	+$17	$704	-$149
3-Bedroom (60%)	$555	$659	-$104	$704	-$149
3+1-Bedroom (60%)	$580	$640	-$60	$757	-$177

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

Submarket Vacancy Rates: "There are 21 (8.1%) vacancies among the 259 federally subsidized units in the market." (p. II-2)

Known Planned Development: "Based on our interviews with local building and planning representatives, it was determined that two multifamily projects are being considered for development in the area. Since information of either of these projects is preliminary and limited at this time, we are unable to fully assess the competitive impact this project may have on the subject site or the overall market impact this project may have on the subject site or the overall market." (p. V-6)

The Underwriter found the market study to provide sufficient information.

OPERATING PROFORMA ANALYSIS

Income: The PAE's preliminary rent limits were used by the Applicant in setting the rents However the Applicant reduced the rents for the 30% and 40% units for the Lower LIHTC rent. Since the HUD assistance is project based the actual rents collected can exceed the 30% and 40% rent limits as long as the tenants in those units are not paying more than 30% of their income in rent. Thus the Underwriter used the full HUD rents for all units. The Applicant also listed two units as employee occupied but still included rent for those units. Rent from these two units is needed to provide enough cash flow to project an ability to repeat the deferred developer fee, thus the Applicant should consider eliminating the employee occupied units. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. There is the potential for additional income if the Applicant chooses to increase rents to the maximum LIHTC limits. The development will retain its HUD Section 8 subsidy even after renovations.

Expenses: The Applicant's total expense estimate of $4,557 per unit is not within 5% of the Underwriter's estimate of $4,287 per unit based on historical performance and the Department's database. The Applicant's budget also shows several line item estimates, that deviate significantly when compared to the Underwriter's estimate, particularly repairs and maintenance ($12.9K higher), utilities ($10K lower), and water, sewer, and trash ($17.4K higher).

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Even though the Underwriter's DCR exceeds the program maximums standard of 1.30 we have elected to leave it at 5.62 due to the fact that the soft second lien has no debt service that is being accounted for in the calculations it is not payable until there is a positive cash flow from the development. In this instance the DCR translates to a modest cash flow of $48K which will first be used to repay the deferred developer fee. In fact it is so modest it does not appear to be sustained through the 30 year minimum affordability period as evidenced by the proforma. In this case however rents are based on budgeted performance and this more HUD oversight of rents maintaining pace with expenses is provided and the typical infeasible characterization is mitigated.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 5.89 acres	$60,000	**Date of Valuation:**	1/ 23/ 2003
Existing Building(s): "as is"	$940,000	**Date of Valuation:**	1/ 23/ 2003
Total Development: "as is"	$1,000,000	**Date of Valuation:**	1/ 23/ 2003

Appraiser: Crown Appraisal Group **City:** Columbus, OH **Phone:** (614) 431-3332

APPRAISED ANALYSIS/CONCLUSIONS

The Appraiser was able to estimate value based upon two of the three approaches to value, sales and income and they were somewhat consistent. The Appraiser indicated more weight was placed on the income approach but then concluded with the sales approach value the income approach appears to have been calculated based upon the less of LIHTC rents and market rents which would not provide a current "as is" value since the LIHTC rents currently do not apply. Thus it was more appropriate to rely on the sales comparison approach.

ASSESSED VALUE

Land: 5.89 acres	$20,370	**Assessment for the Year of:**	2002
Building:	$1,636,370	**Valuation by:**	Orange County Appraisal District
Total Assessed Value:	$1,656,740	**Tax Rate:**	3.13174

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase And Sale Agreement		
Contract Expiration Date:	12/ 31/ 2003	**Anticipated Closing Date:**	10/ 01/ 2003
Acquisition Cost:	$2,291,210	**Other Terms/Conditions:**	
Seller:	Fox Run Apartments, Ltd	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant ascribed a land cost of $137,473 and a building cost of $2,153,737 totaling $ 2,291,210 (which is the Applicant's estimate of total acquisition cost. The acquisition cost is made up of $310,000 cash plus the amount of all outstanding debt. According to the PAE, the existing outstanding debt consists of $1,885,581 in FHA insured first lien and a $105,407 HUD second lien. Thus the total purchase price based on the PAE estimates for currently outstanding debts is $2,300,988 or slightly more than what was included by the Applicant. The Applicant's estimate of the balance as of the anticipated closing is $1,971,909 which should result in a purchase price of $2,281,209 though the Applicant projected $10,000 more than that as a use of funds). The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $1,090 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate is $11,353 per unit.

Ineligible Costs: The Applicant exceeded the 10% eligible contingency guidelines by $17,421 and; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: 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 $2,613.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate, however the Underwriter's costs are based totally on the Applicant's information, thus the Underwriter's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $3,952,295 is used to determine a credit allocation of $213,473 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: Davis-Penn Mortgage Co. **Contact:** Ray Landry

Principal Amount: $118,000 **Interest Rate:** 8.1%

Additional Information:

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $10,489 **Lien Priority:** 1st **Commitment Date** 2/ 27/ 2003

ASSUMPTION/OF EXISTING/PERMANENT FINANCING

Source: Davis-Penn Mortgage Co. **Contact:** Ray Landry

Principal Amount: $1,853,209 **Interest Rate:** 3.0%

Additional Information: 75% of cash flow after 1st lien

Amortization: 0 yrs **Term:** 30 yrs **Commitment:**

Annual Payment: $TBD **Lien Priority:** 2nd **Commitment Date:** 2/ 27 2003

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook

Address: 150 East Main Street **City:** Fredericksburg

State: TX **Zip:** 78624 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939

Net Proceeds: $1,729,792 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 27/ 2003

APPLICANT EQUITY

Amount: $479,339 **Source:** Defered Developer Fee

Amount: $100 **Source:** Cash Equity

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is inconsistent with the terms reflected in the funding request listed in the application. In particular, the interest rate shown in the commitment reflects rates of 7.5% were as the debt service amount reflects an interest rate of 8.1% as shown in Exhibit 4 of the application. Clarification of these terms will occur when the structure is more affirmatively known after the PAE has completed their analysis thus receipt review and acceptance of the final financing structure as approved by the PAE and or HUD OHMAR is a condition of this report.

LIHTC Syndication: Paramount Financial Group has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,729,792 based on a syndication factor of 80%. The funds would be disbursed in a 6-phased pay-in schedule:

1. 50% upon the closing of the construction loan;
2. 25% upon the construction completion and conversion to permanent loan;
3. 25% upon receipt of 8609's;

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $479,339 amounts to 92% of the total fees.

Financing Conclusions: Based on TDHCA's estimate of eligible basis, the LIHTC allocation should not exceed $213,473 annually for ten years, resulting in syndication proceeds of approximately $1,707,617. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $491,477 which should be repayable from cash flow in more than 10 years but within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns. Moreover any slight change in the final rents or terms of the debt could dramatically affect the feasibility of this development.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, developer, and general contractor are related entities. These are common identities of interest for LIHTC developments.

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.
- Mr. Dan O'Dea and Ms. Michelle Grandt provided personal financial statements.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed six LIHTC/affordable housing developments totaling 735 units.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental risks exist regarding asbestos containing building materials.
- The significant financing structure changes being proposed have not been finalized by the PAE, lenders, and syndicators.

Underwriter:	*Carl Hoover*	**Date:**	April 25, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	April 25, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Fox Run Apartments, Orange, LIHTC #03213

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>LIHTC (30%)	1	1	1	599	$263	$355	$355	$0.59	$44.27	$55.32
>LIHTC (40%)	15	1	1	599	351	355	5,325	0.59	44.27	55.32
<LIHTC (60%)	6	1	1	599	526	355	2,130	0.59	44.27	55.32
<LIHTC (50%)	14	2	1	789	526	455	6,370	0.58	56.93	69.22
<LIHTC (60%)	12	2	1	789	631	455	5,460	0.58	56.93	69.22
EO	2	2	1	789	0	455	910	0.58	56.93	69.22
>LIHTC (50%)	10	3	1	925	608	555	5,550	0.60	69.58	76.17
<LIHTC (60%)	6	3	1	925	729	555	3,330	0.60	69.58	76.17
<LIHTC (60%)	4	3 + 1	2	1,117	729	580	2,320	0.52	88.56	90.07
TOTAL:	70		**AVERAGE:**	779	$528	$454	$31,750	$0.58	$57.65	$67.63

INCOME	otal Net Rentable Sq Ft 54,538				**TDHCA**	**APPLICANT**		USS Region	5
POTENTIAL GROSS RENT					$381,000	$371,076		IREM Region	
Secondary Income	Per Unit Per Month:			$8.50	7,140	7,140	$8.50	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$388,140	$378,216			
Vacancy & Collection Loss	% of Potential Gross Income:			-7.50%	(29,111)	(28,368)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$359,030	$349,848			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.77%	$347	0.45	$24,313	$23,450	$0.43	$335	6.70%
Management		6.19%	318	0.41	22,240	$21,331	0.39	305	6.10%
Payroll & Payroll Tax		16.57%	850	1.09	59,488	$60,000	1.10	857	17.15%
Repairs & Maintenance		8.14%	418	0.54	29,228	$42,130	0.77	602	12.04%
Utilities		6.71%	344	0.44	24,075	$14,000	0.26	200	4.00%
Water, Sewer, & Trash		10.69%	548	0.70	38,393	$55,830	1.02	798	15.96%
Property Insurance		4.90%	251	0.32	17,596	$21,000	0.39	300	6.00%
Property Tax	3.13174	14.45%	741	0.95	51,885	$51,885	0.95	741	14.83%
Reserve for Replacements		5.85%	300	0.39	21,000	$17,500	0.32	250	5.00%
Other Expenses: Supp.Serv,		3.30%	169	0.22	11,849	$11,849	0.22	169	3.39%
TOTAL EXPENSES		83.58%	$4,287	$5.50	$300,066	$318,975	$5.85	$4,557	91.18%
NET OPERATING INC		16.42%	$842	$1.08	$58,963	$30,873	$0.57	$441	8.82%
DEBT SERVICE									
Davis-Penn Mortgage		2.92%	$150	$0.19	$10,489	$10,489	$0.19	$150	3.00%
Davis-Penn/OHMAR		0.00%	$0	$0.00	0		$0.00	$0	0.00%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		13.50%	$692	$0.89	$48,474	$20,384	$0.37	$291	5.83%
AGGREGATE DEBT COVERAGE RATIO					5.62	2.94			
RECOMMENDED DEBT COVERAGE RATIO					5.62				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bld		54.70%	$32,589	$41.83	$2,281,209	$2,291,210	$42.01	$32,732	54.81%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.83%	1,090	1.40	76,300	76,300	1.40	1,090	1.83%
Direct Construction		19.06%	11,353	14.57	794,733	794,733	14.57	11,353	19.01%
Contingency	10.00%	2.09%	1,244	1.60	87,103	104,524	1.92	1,493	2.50%
General Req'ts	6.00%	1.25%	747	0.96	52,262	52,262	0.96	747	1.25%
Contractor's G & A	2.00%	0.42%	249	0.32	17,421	17,421	0.32	249	0.42%
Contractor's Profi	6.00%	1.25%	747	0.96	52,262	52,262	0.96	747	1.25%
Indirect Construction		3.76%	2,243	2.88	157,000	157,000	2.88	2,243	3.76%
Ineligible Costs		0.69%	410	0.53	28,730	7,286	0.13	104	0.17%
Developer's G & A	2.00%	1.65%	982	1.26	68,736	0	0.00	0	0.00%
Developer's Profit	13.00%	10.71%	6,383	8.19	446,781	519,540	9.53	7,422	12.43%
Interim Financing		1.33%	791	1.02	55,361	55,361	1.02	791	1.32%
Reserves		1.26%	750	0.96	52,500	52,500	0.96	750	1.26%
TOTAL COST		100.00%	$59,577	$76.47	$4,170,398	$4,180,399	$76.65	$59,720	100.00%
Recap-Hard Construction Costs		*25.90%*	***$15,430***	***$19.80***	***$1,080,081***	***$1,097,502***	***$20.12***	***$15,679***	*26.25%*

SOURCES OF FUNDS						RECOMMENDED	
Davis-Penn Mortgage	2.83%	$1,686	$2.16	$118,000	$118,000	$118,000	Developer Fee Available
Davis-Penn/OHMAR	44.44%	$26,474	$33.98	1,853,209	1,853,209	1,853,209	$515,517
LIHTC Syndication Proceeds	41.48%	$24,711	$31.72	1,729,792	1,729,792	1,707,617	% of Dev. Fee Deferred
Deferred Developer Fees	11.49%	$6,848	$8.79	479,339	479,339	491,472	95%
General Partner Equity	0.00%	$1	$0.00	100	100	100	Dev Fee Repayable in 15
Additional (excess) Funds Rec	-0.24%	($143)	($0.18)	(10,042)	(41)	0	$551,839
TOTAL SOURCES				$4,170,398	$4,180,399	$4,170,398	

PAYMENT COMPUTATION

Primary	$118,000	Term	360
Int Rate	8.10%	DCR	5.62

Secondary	$1,853,209	Term	
Int Rate	0.00%	Subtotal DCR	5.62

Additional	$1,729,792	Term	
Int Rate		Aggregate DCR	5.62

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$10,489
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$48,474

Primary	$118,000	Term	360
Int Rate	8.10%	DCR	5.62

Secondary	$1,853,209	Term	
Int Rate	0.00%	Subtotal DCR	5.62

Additional	$1,729,792	Term	0
Int Rate	0.00%	Aggregate DCR	5.62

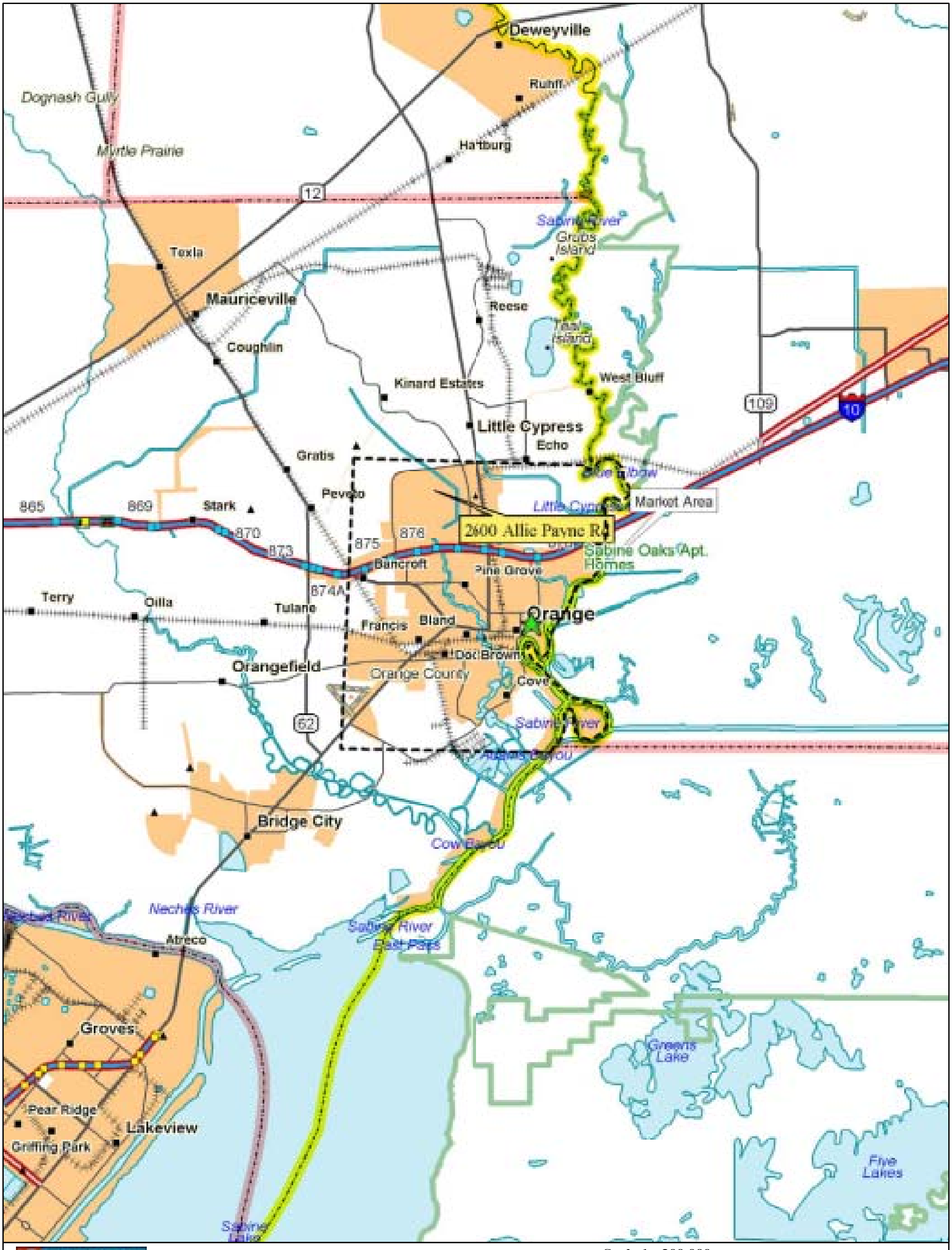
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$381,000	$392,430	$404,203	$416,329	$428,819	$497,119	$576,297	$668,086	$897,851
Secondary Income	7,140	7,354	7,575	7,802	8,036	9,316	10,800	12,520	16,826
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	388,140	399,784	411,778	424,131	436,855	506,435	587,097	680,606	914,677
Vacancy & Collection Los	(29,111)	(29,984)	(30,883)	(31,810)	(32,764)	(37,983)	(44,032)	(51,045)	(68,601)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$359,030	$369,800	$380,894	$392,321	$404,091	$468,452	$543,064	$629,560	$846,077
EXPENSES at 4.00%									
General & Administrative	$24,313	$25,286	$26,297	$27,349	$28,443	$34,606	$42,103	$51,225	$75,825
Management	22,240	22,907	23,594	24,302	25,031	29,018	33,640	38,998	52,410
Payroll & Payroll Tax	59,488	61,867	64,342	66,916	69,592	84,670	103,014	125,332	185,522
Repairs & Maintenance	29,228	30,397	31,612	32,877	34,192	41,600	50,613	61,578	91,150
Utilities	24,075	25,037	26,039	27,081	28,164	34,266	41,689	50,721	75,080
Water, Sewer & Trash	38,393	39,929	41,526	43,187	44,914	54,645	66,484	80,888	119,734
Insurance	17,596	18,300	19,032	19,793	20,585	25,045	30,471	37,072	54,876
Property Tax	51,885	53,960	56,119	58,364	60,698	73,849	89,848	109,314	161,811
Reserve for Replacements	21,000	21,840	22,714	23,622	24,567	29,890	36,365	44,244	65,492
Other	11,849	12,323	12,816	13,329	13,862	16,865	20,519	24,964	36,953
TOTAL EXPENSES	$300,066	$311,846	$324,091	$336,819	$350,049	$424,451	$514,745	$624,336	$918,853
NET OPERATING INCOME	$58,963	$57,954	$56,803	$55,502	$54,042	$44,001	$28,319	$5,225	($72,776)
DEBT SERVICE									
First Lien Financing	$10,489	$10,489	$10,489	$10,489	$10,489	$10,489	$10,489	$10,489	$10,489
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	$48,474	$47,465	$46,314	$45,013	$43,553	$33,512	$17,830	($5,264)	($83,265)
DEBT COVERAGE RATIO	5.62	5.53	5.42	5.29	5.15	4.19	2.70	0.50	(6.94)

LIHTC Allocation Calculation - Fox Run Apartments, Orange, LIHTC #03213

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$137,473	$127,472				
Purchase of buildings	$2,153,737	$2,153,737	$2,153,737	$2,144,336		
(2) Rehabilitation/New Construction Cost						
On-site work	$76,300	$76,300			$76,300	$76,300
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$794,733	$794,733			$794,733	$794,733
(4) Contractor Fees & General Requirements						
Contractor overhead	$17,421	$17,421			$17,421	$17,421
Contractor profit	$52,262	$52,262			$52,262	$52,262
General requirements	$52,262	$52,262			$52,262	$52,262
(5) Contingencies	$104,524	$87,103			$87,103	$87,103
(6) Eligible Indirect Fees	$157,000	$157,000			$157,000	$157,000
(7) Eligible Financing Fees	$55,361	$55,361			$55,361	$55,361
(8) All Ineligible Costs	$7,286	$28,730				
(9) Developer Fees			$323,061	$321,650	$193,866	$193,866
Developer overhead		$68,736				
Developer fee	$519,540	$446,781				
(10) Development Reserves	$52,500	$52,500				
TOTAL DEVELOPMENT COSTS	$4,180,399	$4,170,398	$2,476,798	$2,465,987	$1,486,308	$1,486,308

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS		$2,476,798	$2,465,987	$1,486,308	$1,486,308
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$2,476,798	$2,465,987	$1,486,308	$1,486,308
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$2,476,798	$2,465,987	$1,486,308	$1,486,308
Applicable Percentage		3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$89,908	$89,515	$123,958	$123,958
Syndication Proceeds	**0.7999**	**$719,190**	**$716,051**	**$991,566**	**$991,566**
Total Credits (Eligible Basis Method)				**$213,866**	**$213,473**
Syndication Proceeds				**$1,710,756**	**$1,707,617**
Requested Credits				**$216,440**	
Syndication Proceeds				**$1,731,347**	
Gap of Syndication Proceeds Needed				**$2,209,190**	
Credit Amount				**$276,176**	



DELORME

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1" = 3.16 mi

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03261

Region 5

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

Development Name: **Pebble Creek Apartments** TDHCA #: **03261**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5 Site Address: 4251 Jimmy Johnson Blvd.
City: Port Arthur County: Jefferson Zip Code: 77642

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: Rehab Only

Targeted Units: Family: 208 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: Itex Park, LTD

Principal Names	Principal Contact	Percentage Ownership
Itex Properties, LLC	KT (Ike) Akbari	.01% of Owner
KT (Ike) Akbari	KT (Ike) Akbari	75% of GP
Josh W. Allen	Josh W. Allen	25% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$387,920** Allocation over 10 Years: $3,879,200
Credits Requested $418,100 Eligible Basis Amount: $387,920 Equity/Gap Amount $444,741

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	24	9	0	33
40%	0	12	4	0	16
50%	0	25	9	0	34
60%	0	65	18	0	83
MR	0	10	32	0	42
Total	0	136	72	0	

Total LI Units: 166
Owner/Employee Units: 0
Total Project Units: 208
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:	$9,399,538
Gross Building Square Feet	131,658
Total Net Rentable Area Square Feet:	129,298
Average Square Feet/Unit	622
Cost Per Net Rentable Square Foot	$72.70
Credits per Low Income Uni	$2,337

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,164,528
Total Expenses:	$668,200
Net Operating Income	$496,328
Estimated 1st Year Debt Coverage Ratio	1.19

FINANCING

Permanent Principal Amount:	$2,105,000
Applicant Equity:	$443,068
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	KT (Ike) Akbari
Housing GC:	Icon Contractors, LLC
Engineer:	NA
Cost Estimator:	Icon Contractors, LLC
Architect:	Moore, Stansbury & Vaught
Property Manager	Itex Property Management LLC
Syndicator:	Paramount Financial Group
Market Analyst:	O'Connor & Associates
Originator/UW:	NA
Appraiser:	O'Conner & Associates
Attorney:	Coats, Rose, Yale, Ryman & Lee
Accountant:	NA
Supp Services	NA
Permanent Lender	GMAC

Project Name: Pebble Creek Apartments — Project Number: 03261

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: **7** 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:	Oscar Ortiz, Mayor, City of Port Arthur, S	Verna Rutherford, Port Arthur Chamber of Commerce, S
TX Representative:	Allen B. Ritter, District 21 , S	Joe D. Deshotel, State Representative, District 22, S
TX Senator:	Kyle Janek, District 17 , S	Tom Henderson, Mayor Pro Tem, S
US Representative:	Nick Lampson, S	Ronnie Linden, Felix A. Barker, Craig Hannah, Council Members, S
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 88 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a flood hazard mitigation plan by Carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations.

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 is needed to meet the At-Risk Set-Aside.

Robert Onion, Manager of Awards and Allocation — Date

Brooke Boston, Director of Multifamily Finance Production — Date

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

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

Approved Credit Amount: ______ Date of Determination: ______

Michael E. Jones, Chairman of the Board — Date

Developer Evaluation

Project ID # **03261** Name: **Pebble Creek Apartments** City: **Port Arthur**

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 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:** 03261

DEVELOPMENT NAME

Pebble Creek Apartments

APPLICANT

Name:	Itex Park, Ltd.	**Type:**	For Profit		
Address:	8710 Central Mall Drive	**City:**	Port Arthur	**State:**	TX
Zip:	77642 **Contact:** K.T. (Ike) Akbari	**Phone:**	(409) 724-0020	**Fax:**	(409) 721-6603

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Itex Properties, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	K.T. (Ike) Akbari	**(%):**	0.75 of MGP	**Title:**	Developer
Name:	Josh W. Allen, Sr.	**(%):**	0.25 of MGP	**Title:**	Developer

PROPERTY LOCATION

Location: 4251 Jimmy Johnson Blvd. ☒ **QCT** ☐ **DDA**

City: Port Arthur **County:** Jefferson **Zip:** 77642

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$418,100	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 $387,920 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a flood hazard mitigation plan by carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	208	# Rental Buildings	14	# Common Area Bldgs	1	# of Floors	2	Age:	16	yrs	Vacant:	11	at	01/31/	2003

Net Rentable SF:	129,298	Av Un SF:	622	Common Area SF:	2,360	Gross Bldg SF:	131,658

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 80% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops.

ON-SITE AMENITIES

2,360-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, central mailroom, swimming pool and equipped children's play area is located at the entrance to the property. In addition, perimeter fencing is available at the site.

Uncovered Parking:	400	spaces	Carports:	n/a	spaces	Garages:	n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Pebble Creek is a proposed acquisition and rehabilitation development of 208 units of mixed income housing located in southern Port Arthur. The development was built in 1987 and is comprised of 14 two-story garden style residential buildings as follows:

- (5) Building Type A (two-story) with eight one-bedroom/ one-bath units, and eight two- bedroom/ one-bath units;
- (4) Building Type B with twelve one-bedroom/ one-bath units, and eight two- bedroom/ one-bath units;
- (3) Building Type C with eight one-bedroom/ one-bath units;
- (1) Building Type D with eight one-bedroom/ one-bath units; and
- (1) Building Type E with sixteen one-bedroom/ one-bath units;

Existing Subsidies: The project has 176 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the two HAP contracts.

Development Plan: According to the site plan, the buildings are distributed evenly throughout the site with the community building and swimming pool located in the center of the property. The buildings are currently 95% occupied based on the rent roll submitted as of January 31, 2003. The contractor's scope of work includes: repair and repainting of exterior siding, replacement of exterior lighting, repair stairs and railing, removal and replacement of fixtures in all units, installation of fire alarm system, replacement of plumbing, replacement of exterior and patio doors, replacement of 74 existing windows, replacement of flooring in kitchen and bathroom, repainting of apartment interiors, replacement of appliances, HVAC upgrade, landscaping, paving repair, swimming pool repair, improvements to athletic court and playgrounds and conversion of storage room into a computer lab.

Architectural Review: The exterior elevations are functional and currently in average condition. All units are of average size for market rate and LIHTC units. Each unit has a semi-private exterior entry that is shared with two or three other units. These units are in two-story structures with mixed brick and wood exterior finish with pitched roofs.

Supportive Services: The Applicant certified that the development will provide, at a minimum, three of the service options approved by the Department. The service provider has yet to be determined.

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

SITE ISSUES

SITE DESCRIPTION

Size:	9.08	acres	395,525	square feet	**Zoning/ Permitted Uses:**	Light Commercial
Flood Zone Designation:	AH-within 100-yr floodplain		**Status of Off-Sites:**			Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Port Arthur is located in southeast Texas, approximately 85 miles east from Houston in Jefferson County. The site is an irregularly-shaped parcel located in the southern area of Port Arthur, approximately 2 miles from the central business district. The site is situated on the west side of 75th Street.

Adjacent Land Uses:

∉ **northwest:** Apartments

∉ **northeast:** drainage ditch

∉ **southeast:** vacant land

∉ **southwest:** vacant land

Site Access: Access to the property is from the north or south from 75^{th} Street. The development has two main entries, one from the north or south from 75^{th} Street. Access to US Highway 69 is 10 miles northeast, which provides connections to all other major roads serving the Beaumont/Port Arthur area.

Public Transportation: "Transportation is available via private automobile." (p. 30)

Shopping & Services: The site is near a variety of retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

∉ **Zoning:** The site is currently zoned Light Commercial, which permits apartments by right.

∉ **Flood Plain:** According to the Phase I ESA and the property appraisal performed for the subject, the subject property is located within Shaded Zone AH, an area determined to be within the 100-year flood plain. The Applicant did not include documentation providing a mitigation plan for the property. Therefore, receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection of the property on April 3, 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 27, 2003 was prepared by Medina Consulting Company and contained the following findings and recommendations:

"In summary, our findings are:

∉ On the basis of our review of historical information, the site was undeveloped and vacant or used for agricultural purposes until construction of the apartment complex in 1983 and 1984.

∉ The site lies in Zone AH according to the FEMA National Flood Insurance Program Flood Insurance Rate Map. Zone AH includes areas of 100-year shallow flooding where depths are between one and three feet.

∉ MCC reviewed selected federal and state environmental regulatory lists. We did not identify facilities with environmental concerns that would likely adversely impact the site.

∉ No environmental concerns were identified during site reconnaissance conducted March 13, 2003.

No further assessment is recommended at this time. (13)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 166 of the units (80% of the total) will be reserved for low-income tenants. 33 of the units (16%) will be reserved for households earning 30% or less of AMGI, 16 units (8%) will be reserved for households earning 40% or less of AMGI, 34 of the units (16%) will be reserved for households earning 50% or less of AMGI, 83 of the units (40%) will be reserved for households earning 60% or less of AMGI and the remaining 42 units (20%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$19,680	$22,440	$25,260	$28,080	$30,300	$32,580

MARKET HIGHLIGHTS

A market feasibility study dated March 18, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: "…the subject's primary market area is defined as those properties located within zip codes 77642, 77627, 77651, 77619, 77640, 77705, 77701, 77702, and 77710. The secondary market area includes the previous zip codes, plus 77611 and 77630." (p. 20) The closest distance to the submarket boundaries is approximately five miles and the furthest distance is over 30 miles.

Population: The estimated 2001 population of the primary market area was 168,924 and is expected to decrease by -0.1% to approximately 167,769 by 2006. Within the primary market area there were estimated to be 59,449 households in 2001.

Total Local/Submarket Demand for Rental Units: "The majority of the apartment facilities in the subject's primary market are older, less appealing projects…With respect to affordable housing projects, due to the overall lack of recently-constructed or renovated affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area." (p. 41) The market analysis conducted three market studies for related developments in the same submarket including the subject, but originally concluded three different demand levels ranging from 1,647 to 8,294 units. The market analysis was asked to reconcile his calculations for Pebble Creek which originally reflected 7,508 units of demand but was revised to conclude 2,540 units of positive demand.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	-16	0%	-12	0%
Resident Turnover	2,309	91%	3,611	100%
Other Sources: Miscellaneous Demand	231	9%	0	0%
TOTAL ANNUAL DEMAND	**2,524**	**100%**	**3,599**	**100%**

Ref: p. 65

Inclusive Capture Rate: The market analysis utilized 375 comparable rent restricted units (including 166 from the subject) and divided by the total estimated demand to conclude a capture rate of 14.76%. The Underwriter calculated a concentration capture rate of 14% based upon a revised supply of unstabilized comparable affordable units of 512 divided by a revised demand of 3,599. It should be noted, however, that due to the existing low vacancy rate at this development, the capture rate is not a relevant concern in this instance.

Local Housing Authority Waiting List Information: "In Port Arthur, the waiting list is currently 13 months, with approximately 2,000 on the wait list." (p. 40)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 966 units in the market area. (p. 43)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%) 541sf	$221/446	$221	$0/+225	$470	-$249/-24
1-Bedroom (40%) 536sf	$309/446	$309	$0/+137	$480	-$171/-24
1-Bedroom (50%) 536sf	$396/446	$396	$0/+50	$480	-$84/-24
1-Bedroom (60%) 536sf	$484/446	$484	$0/-38	$480	+$4/-24
1-Bedroom (MR) 536sf	$475	N/A	N/A	$480	-$5
2-Bedroom (30%)	$263/541	$263	$0/+278	$570	-$307/-29
2-Bedroom (40%)	$368/541	$368	$0/+173	$570	-$202/-29
2-Bedroom (50%)	$473/541	$473	$0/+68	$570	-$97/-29
2-Bedroom (60%)	$578/541	$578	$0/-37	$570	+$8/-29
2-Bedroom (MR)	$565	N/A	N/A	$570	-$5

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

Submarket Vacancy Rates: "The average occupancy for apartments in the Beaumont-Port Arthur area was reported at 94.20% in the most recent apartment survey (December 2000)." (p. 39)

Absorption Projections: "Given the strong occupancy levels currently being experienced, a new project constructed in the Beaumont-Port Arthur may be expected to be absorbed within 12 months…Considering the lack of available quality affordable units in this market, and the fact that the subject is currently operating at stabilized occupancy as a low-income (HUD subsidized) apartment project, the subject is expected to maintain stabilized occupancy during and following the rehabilitation." (p. 39 and 74)

Known Planned Development: "We are not aware of any proposed market rate apartment development in the primary market area, while there is no market rate apartment project under construction in the subject's primary market…there are three affordable housing projects currently proposed, under construction or approved for construction in the subject's primary market. The Greens on Turtle Creek is an 84-unit elderly apartment project…Port Arthur Town homes is a 104-unit project…Gateway Village Seniors are approved, and will be located in Beaumont. This project will have 116 units of which 110 will be rent-restricted." (p. 36) Simultaneous with the application the principals of this Applicant are also proposing the acquisition and rehabilitation of two additional developments in Port Arthur, Crystal Park (202 elderly units) and Cedar Ridge (200 units).

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, and limited supply of new housing in the market, and the fact that no "new" units are being added at the subject, we project that the subject property will have minimal sustained negative impact upon the existing apartment market." (p. 79)

The Underwriter found significant inconsistencies with the derivation of demand and the Market Analyst utilized a larger than desirable market area but overall the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: There are currently two Section 8 Housing Assistance Payment (HAP) Contracts in effect for Pebble Creek Apartments. The first HAP contract covers 101 one-bedroom units and 33 two-bedroom units (134 total units). This contract has recently been renewed with new contract rents of $446 and $540 becoming effective May 1, 2003. The second contract covers 28 one-bedroom units and 14 two-bedroom units (42 total units) and will expire next year. The Applicant indicated that the 2003 rent adjustment for the second contract has not yet been received, but rents will be identical to the recently approved contract rents for the first HAP contract. The Applicant's rent schedule identifies 166 rent restricted units (80%) and 42 market rate units (20%). Of the market rate units identified, 3 of the one-bedroom units and 7 of the two-bedroom units (10 total units) are currently covered under the HAP contract. The Applicant indicated that once the determined tax credit award becomes available, these 10 units will be unrestricted units. For purposes of this analysis, the Underwriter used the recently approved increased contract rents for all 176 units that are currently covered under a HAP contract, which includes the 10 units that are identified as market rate units in the rent schedule. The Underwriter used the Applicant's market rents which are achievable as established by the market analyst for the remaining 32 units identified as market rate units. The Applicant's potential gross rent estimate is based on current LIHTC rent limits for the 30%, 40%, 50% and 60% units and market rents as established by the market analyst for the market rate units. It should be noted that the Applicant restricted the 60% units to the current HAP rent since the LIHTC rent limit for these units was higher than both the HAP rent and the market rent. Also, the Applicant restricted 10 of the market rate units as described above to the current HAP rents. As a result, the Applicant's potential gross rent estimate is $143K or 12% lower than the Underwriter's estimate. If the Applicant were to release the 10 units currently restricted by the HAP contract to market rate units and the higher Market Analyst's market rents were achieved, the Applicant would get an addition $1,920 in potential gross rent. The Applicant's estimate of secondary income is slightly lower than the $10/unit TDHCA underwriting average, however, the Applicant justified the lower amount based on historical operating statements for the project. Additionally, the Applicant included $144K in other income identifying the source as a Section 8 subsidy. This amount is roughly consistent with the difference between the maximum tax credit rents (except the 60% units) and the anticipated HAP contract rents. The Applicant utilized a lower vacancy and collection loss rate of 5% and substantiated this with the project's historical operating statements.

Expenses: The Applicant's total expense estimate of $3,213 per unit compares favorably with the TDHCA estimate of $3,263 per unit after adjustments for historical operating expenses were considered. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll and payroll expense ($27K lower), and water, sewer, and trash ($45K higher). The Applicant was asked to provide additional substantiation for the differences in the specific line item expenses and the Underwriter considered theses clarifications but heavily weighed the project's historical operating statements when coming up with the TDHCA estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable TDHCA underwriting range.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$750,000	**Date of Valuation:**	02/ 14/ 2003
Existing Building(s) "as is":	$4,050,000	**Date of Valuation:**	02/ 14/ 2003
Total Development "as is":	$4,800,000	**Date of Valuation:**	02/ 14/ 2002

Appraiser: O'Conner & Associates **City:** Houston **Phone:** (713) 686-9955

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser concludes that the highest and best use of this property, both as vacant and as improved, is for multifamily development/use. The appraiser's estimated land value is based on five comparable land sales within the same area as the subject property. Land sales ranged in price per square foot from $0.64 to $2.50. Adjustments to the comparable land sales were made based on factors which exhibited significant influence on property values in this market including, but not limited to, location, size, utilities and topography. Based on the information presented, the estimated land value of the subject property is $1.90 per square foot or 15.6% of the "As Is" total.

In estimating the "As Is" and "As Complete" value of the development as a whole, the appraiser placed greatest emphasis on the income approach because it reflects the income potential of the subject. Least emphasis was placed on the cost approach due to the dated construction of the subject improvements and the proposed rehabilitation. Secondary emphasis was placed on the sales approach due to the limited number of directly comparable sales available in the subject's area.

Conclusion: Based on the information presented, the appraiser's estimate of the property's value, "As Is", appears to be a reliable estimate.

ASSESSED VALUE			
Land:	$395,520	**Assessment for the Year of:**	2002
Building:	$2,184,750	**Valuation by:**	Jefferson County Appraisal District
Total Assessed Value:	$2,580,270	**Tax Rate:**	3.024400

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Improved Property Commercial Contract		
Contract Expiration Date:	09/ 30/ 2003	**Anticipated Closing Date:**	09/ 30/ 2003
Acquisition Cost:	$ 5,448,148	**Other Terms/Conditions:**	$1,000 earnest money, $750,000 cash portion at closing
Seller:	Pebble Creek, Ltd.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of $5,448,148 is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed acquisition eligible basis based upon the building value percentage from the appraisal applied to the contract price. The appraisal concluded the "As Is" market value of the entire property to be $4,800,000 of which $750,000 is attributed to the land value. The value of the existing buildings is $4,050,000, or 84% of the total value of the subject property. The Applicant claimed $4,374,475 for the existing buildings, or 80% of the total acquisition price.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are minimal. The Applicant has estimated sitework costs of $591 per unit which is consistent with the architect's estimate in the proposed work write-up.

Direct Construction Cost: The Engineers proposed work write up is detailed and generally consistent with the Applicant's cost breakdown. Line item costs appear reasonable and thus the direct construction cost of $2,065,770 is regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant incorrectly included $215K of acquisition developer fee in rehab eligible basis. This resulted in an overstated total adjusted rehab eligible basis due to the 130% boost on misallocated fee. The Applicant also used a slightly overstated 80% applicable fraction instead of the lower square footage applicable fraction of 76.50%.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of $7,759,035 is used to determine a credit allocation of $387,920 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:	GMAC	**Contact:**	Carolyn McMullen
Principal Amount:	$5,931,000	**Interest Rate:**	6.25%
Additional Information:			
Amortization:	35 yrs	**Term:**	35 yrs
Commitment:	☐ None ☒ Firm ☐ Conditional		
Annual Payment:	$426,000	**Lien Priority:**	1st
Commitment Date	02/ 25/ 2003		

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook

Address: 3826 Columbia Rd., SW Building F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: $3,260,852 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 02/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $207,686 **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. In particular, the term of the loan is 35 years with an interest rate of 6.25%. The Applicant anticipated a debt service of $426,000, however the Underwriter estimates annual debt service to be slightly lower at $417,834.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,260,852 based on a syndication factor of 78%. Based upon the reductions to eligible basis discussed above, the Underwriter anticipates proceeds will be $235,382 lower.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fee of $207,686 amounts to 48% of the total fees. However, based on the Underwriter' analysis the developer will have to defer $443,068 or 102% of the developer fees. Therefore, a small portion of related party contractor fee will likely also be deferred to support the transaction.

Financing Conclusions: The Applicant's total development cost estimate was used to determine the development's eligible basis and recommended tax credit allocation of $387,920 annually for ten years, resulting in syndication proceeds of approximately $3,025,470. Based on the underwriting analysis, the Applicant's deferred developer and contractor fee will be increased to $443,068, which should be repayable from cash flow within 5 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The owner of the Applicant, K.T. (Ike) Akbari, is co-developer of the project and owns 75% of the General Partner, 75% of the General Contractor and 100% of the Property Management company.

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 principals of the General Partner, Kyoomars T. Akbari and Joshua W. Allen, Sr, submitted an unaudited financial statement as of December 31, 2002.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has no prior LIHTC development experience and is relying upon the limited prior HUD development experience (two developments in the early 1980's) of Mr. Josh Allen, the 25% owner of the general partner and 10% owner of the development.

SUMMARY OF SALIENT RISKS AND ISSUES

- The principals of the Applicant may not appear to have the development experience to support the project.
- Significant environmental risks exist regarding the sites location within the 100 year flood plain.

Underwriter:	*Raquel Morales*	**Date:**	May 27, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Pebble Creek Apartments, Port Arthur, LIHTC #03261

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%/HAP	16	1	1	541	$263	$446	$7,136	$0.82	$42.00	$28.00
>TC30%/HAP	8	1	1	536	$263	$446	3,568	0.83	$42.00	$28.00
>TC40%/HAP	12	1	1	536	$351	$446	5,352	0.83	$42.00	$28.00
>TC50%/HAP	25	1	1	536	$438	$446	11,150	0.83	$42.00	$28.00
<TC60%/HAP	65	1	1	536	$526	$446	28,990	0.83	$42.00	$28.00
MR/**HAP**	3	1	1	536		$446	1,338	0.83	$42.00	$28.00
MR	7	1	1	536		$475	3,325	0.89	$42.00	$28.00
>TC30%/HAP	9	2	1	782	$316	$541	4,869	0.69	$53.00	$30.00
>TC40%/HAP	4	2	1	782	$421	$541	2,164	0.69	$53.00	$30.00
>TC50%/HAP	9	2	1	782	$526	$541	4,869	0.69	$53.00	$30.00
<TC60%/HAP	18	2	1	782	$631	$541	9,738	0.69	$53.00	$30.00
MR/**HAP**	7	2	1	782		$541	3,787	0.69	$53.00	$30.00
MR	25	2	1	782		$565	14,125	0.72	$53.00	$30.00
TOTAL:	208		**AVERAGE:**	622	$367	$483	$100,411	$0.78	$45.81	$28.69

INCOME Total Net Rentable Sq Ft: 129,280 — USS Region 5 — IREM Region 6

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,204,932	$1,061,652			
Secondary Income		Per Unit Per Month:	$8.00	19,968	19,968	$8.00	Per Unit Per Month	
Other Support Income: Section 8 Subsidy				0	144,204			
POTENTIAL GROSS INCOME				$1,224,900	$1,225,824			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%	(61,245)	(61,296)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,163,655	$1,164,528			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.64%	$316	0.51	$65,663	$53,900	$0.42	$259	4.63%
Management	5.00%	280	0.45	58,183	$58,000	0.45	279	4.98%
Payroll & Payroll Tax	14.35%	803	1.29	166,946	$139,900	1.08	673	12.01%
Repairs & Maintenance	5.35%	299	0.48	62,206	$56,900	0.44	274	4.89%
Utilities	2.98%	167	0.27	34,645	$34,000	0.26	163	2.92%
Water, Sewer, & Trash	6.15%	344	0.55	71,616	$117,000	0.91	563	10.05%
Property Insurance	5.70%	319	0.51	66,356	$66,000	0.51	317	5.67%
Property Tax 3.0244	6.71%	375	0.60	78,038	$78,000	0.60	375	6.70%
Reserve for Replacements	5.36%	300	0.48	62,400	$52,000	0.40	250	4.47%
Other Expenses: Compliance & Supp. Svc	1.07%	60	0.10	12,500	$12,500	0.10	60	1.07%
TOTAL EXPENSES	58.31%	$3,262	$5.25	$678,553	$668,200	$5.17	$3,213	57.38%
NET OPERATING INC	41.69%	$2,332	$3.75	$485,102	$496,328	$3.84	$2,386	42.62%
DEBT SERVICE								
GMAC	35.91%	$2,009	$3.23	$417,834	$426,000	$3.30	$2,048	36.58%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	5.78%	$323	$0.52	$67,268	$70,328	$0.54	$338	6.04%
AGGREGATE DEBT COVERAGE RATIO				1.16	1.17			
RECOMMENDED DEBT COVERAGE RATIO					1.19			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		57.89%	$26,193	$42.14	$5,448,148	$5,448,148	$42.14	$26,193	57.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.31%	591	0.95	123,000	123,000	0.95	591	1.31%
Direct Construction		21.95%	9,932	15.98	2,065,770	2,065,770	15.98	9,932	21.98%
Contingency	3.43%	0.80%	361	0.58	75,000	75,000	0.58	361	0.80%
General Req'ts	5.66%	1.32%	596	0.96	123,946	123,946	0.96	596	1.32%
Contractor's G & A	1.89%	0.44%	199	0.32	41,315	41,315	0.32	199	0.44%
Contractor's Profit	5.66%	1.32%	596	0.96	123,946	123,946	0.96	596	1.32%
Indirect Construction		1.21%	548	0.88	114,033	114,033	0.88	548	1.21%
Ineligible Costs		4.44%	2,009	3.23	417,830	417,830	3.23	2,009	4.45%
Developer's G & A	1.18%	0.92%	416	0.67	86,600	86,600	0.67	416	0.92%
Developer's Profit	4.73%	3.68%	1,665	2.68	346,400	346,400	2.68	1,665	3.69%
Interim Financing		3.02%	1,368	2.20	284,550	284,550	2.20	1,368	3.03%
Reserves		1.70%	769	1.24	159,909	149,000	1.15	716	1.59%
TOTAL COST		100.00%	$45,243	$72.79	$9,410,447	$9,399,538	$72.71	$45,190	100.00%
Recap-Hard Construction Costs		*27.13%*	***$12,274***	***$19.75***	***$2,552,977***	***$2,552,977***	***$19.75***	***$12,274***	*27.16%*

SOURCES OF FUNDS

						RECOMMENDED	
GMAC	63.03%	$28,514	$45.88	$5,931,000	$5,931,000	$5,931,000	Developer fee Avalable
Additional Financing	0.00%	$0	$0.00	0	0	0	$433,000
LIHTC Syndication Proceeds	34.65%	$15,677	$25.22	3,260,852	3,260,852	3,025,470	% of Dev. Fee Deferred
Deferred Developer Fees	2.21%	$998	$1.61	207,686	207,686	443,068	102%
Additional (excess) Funds Required	0.12%	$52	$0.08	10,909	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$9,410,447	$9,399,538	$9,399,538	$2,050,084.86

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Pebble Creek Apartments, Port Arthur, LIHTC #03261

PAYMENT COMPUTATION

Primary	$5,931,000	Term	420
Int Rate	6.25%	DCR	1.16

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.16

Additional		Term	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$417,834
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$78,494

Primary	$5,931,000	Term	420
Int Rate	6.25%	DCR	1.19

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.19

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.19

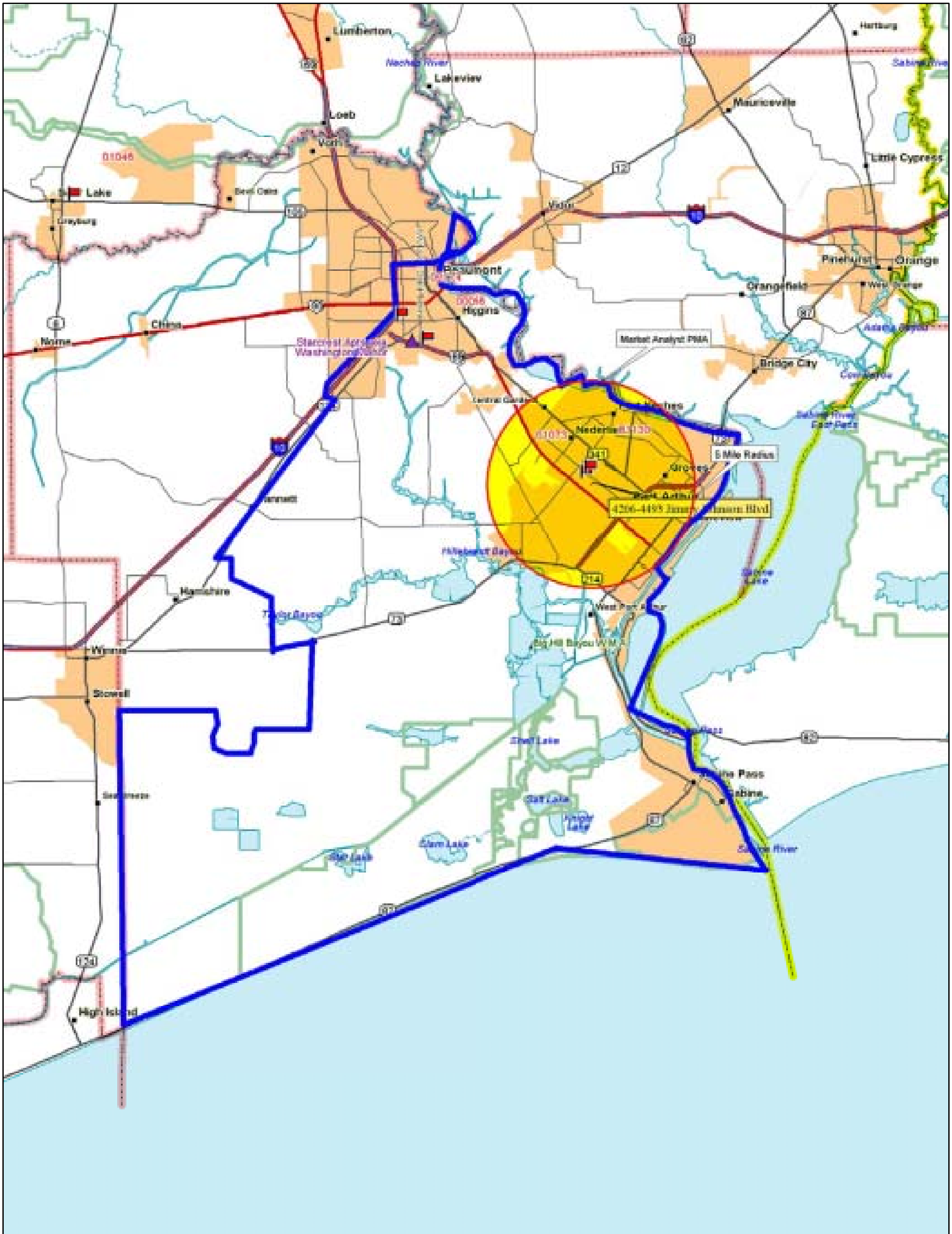
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,061,652	$1,093,502	$1,126,307	$1,160,096	$1,194,899	$1,385,215	$1,605,844	$1,861,613	$2,501,852
Secondary Income	19,968	20,567	21,184	21,820	22,474	26,054	30,203	35,014	47,056
Contractor's Profit	144,204	148,530	152,986	157,576	162,303	188,154	218,121	252,863	339,826
POTENTIAL GROSS INCOME	1,225,824	1,262,599	1,300,477	1,339,491	1,379,676	1,599,422	1,854,169	2,149,490	2,888,735
Vacancy & Collection Loss	(61,296)	(63,130)	(65,024)	(66,975)	(68,984)	(79,971)	(92,708)	(107,474)	(144,437)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,164,528	$1,199,469	$1,235,453	$1,272,516	$1,310,692	$1,519,451	$1,761,460	$2,042,015	$2,744,298
EXPENSES at 4.00%									
General & Administrative	$53,900	$56,056	$58,298	$60,630	$63,055	$76,717	$93,337	$113,559	$168,095
Management	58,000	59,740	61,532	63,378	65,280	75,677	87,731	101,704	136,681
Payroll & Payroll Tax	139,900	145,496	151,316	157,368	163,663	199,121	242,262	294,748	436,299
Repairs & Maintenance	56,900	59,176	61,543	64,005	66,565	80,986	98,532	119,880	177,451
Utilities	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Water, Sewer & Trash	117,000	121,680	126,547	131,609	136,873	166,527	202,606	246,501	364,882
Insurance	66,000	68,640	71,386	74,241	77,211	93,939	114,291	139,052	205,831
Property Tax	78,000	81,120	84,365	87,739	91,249	111,018	135,071	164,334	243,255
Reserve for Replacements	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Other	12,500	13,000	13,520	14,061	14,623	17,791	21,646	26,336	38,983
TOTAL EXPENSES	$668,200	$694,348	$721,525	$749,770	$779,127	$944,182	$1,144,400	$1,387,303	$2,039,682
NET OPERATING INCOME	$496,328	$505,121	$513,928	$522,746	$531,564	$575,269	$617,061	$654,712	$704,615
DEBT SERVICE									
First Lien Financing	$417,834	$417,834	$417,834	$417,834	$417,834	$417,834	$417,834	$417,834	$417,834
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	$78,494	$87,286	$96,094	$104,912	$113,730	$157,435	$199,227	$236,878	$286,781
DEBT COVERAGE RATIO	1.19	1.21	1.23	1.25	1.27	1.38	1.48	1.57	1.69

LIHTC Allocation Calculation - Pebble Creek Apartments, Port Arthur, LIHTC #03261

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$1,073,673	$1,073,673				
Purchase of buildings	$4,374,475	$4,374,475	$4,374,475	$4,374,475		
(2) Rehabilitation/New Construction Cost						
On-site work	$123,000	$123,000			$123,000	$123,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$2,065,770	$2,065,770			$2,065,770	$2,065,770
(4) Contractor Fees & General Requirements						
Contractor overhead	$41,315	$41,315			$41,315	$41,315
Contractor profit	$123,946	$123,946			$123,946	$123,946
General requirements	$123,946	$123,946			$123,946	$123,946
(5) Contingencies	$75,000	$75,000			$75,000	$75,000
(6) Eligible Indirect Fees	$114,033	$114,033			$114,033	$114,033
(7) Eligible Financing Fees	$284,550	$284,550			$284,550	$284,550
(8) All Ineligible Costs	$417,830	$417,830				
(9) Developer Fees						
Developer overhead	$86,600	$86,600	$8,660	$51,710	$77,940	$34,890
Developer fee	$346,400	$346,400	$34,640	$206,840	$311,760	$139,560
(10) Development Reserves	$149,000	$159,909				
TOTAL DEVELOPMENT COSTS	$9,399,538	$9,410,447	$4,417,775	$4,633,025	$3,341,260	$3,126,010

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$4,417,775	$4,633,025	$3,341,260	$3,126,010
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$4,417,775	$4,633,025	$4,343,638	$4,063,813
Applicable Fraction			80.0%	76.5%	80.0%	76.5%
TOTAL QUALIFIED BASIS			$3,534,220	$3,544,150	$3,474,910	$3,108,716
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$128,292	$128,653	$289,808	$259,267
	Syndication Proceeds	**0.7799**	**$1,000,579**	**$1,003,390**	**$2,260,273**	**$2,022,080**
	Total Credits (Eligible Basis Method)				**$418,100**	**$387,920**
	Syndication Proceeds				**$3,260,852**	**$3,025,470**



DELORME

Zoom Level: 9-0 Datum: WGS84

Scale 1 : 400 000

1" = 6.31 mi

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TDHCA #

03262

Region 5

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

Development Name: **Crystal Creek Park Apartments** TDHCA #: **03262**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5 Site Address: 8101 Honeywood Trail
City: Port Arthur County: Jefferson Zip Code: 77642

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 0 Elderly: 202 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: Crystal Creek Park, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Itex Properties, LLC	KT (Ike) Akbari	.01% of Owner
KT (Ike) Akbari	KT (Ike) Akbari	75% of MPG
Josh W. Allen	Josh W. Allen	25% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$377,548** Allocation over 10 Years: $3,775,480
Credits Requested $390,348 Eligible Basis Amount: $377,548 Equity/Gap Amount $409,240

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	5	24	1	0	30
40%	3	13	1	0	17
50%	6	25	2	0	33
60%	15	62	5	0	82
MR	5	32	3	0	40
Total	34	156	12	0	

Total LI Units: 162
Owner/Employee Units: 0
Total Project Units: 202
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:	$8,441,753	Average Square Feet/Unit	504
Gross Building Square Feet	104,144	Cost Per Net Rentable Square Foot	$82.97
Total Net Rentable Area Square Feet:	101,744	Credits per Low Income Uni	$2,331

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,078,140
Total Expenses:	$626,704
Net Operating Income	$451,436
Estimated 1st Year Debt Coverage Ratio	1.22

FINANCING

Permanent Principal Amount:	$5,250,000
Applicant Equity:	$247,174
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	KT (Ike) Akbari	Market Analyst:	O'Connor & Associates
Housing GC:	Icon Contractors LLC	Originator/UW:	NA
Engineer:	NA	Appraiser:	O'Connor and Associates
Cost Estimator:	Icon Contractors LLC	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	Moore, Stansbury & Vaught	Accountant:	NA
Property Manager	Itex Property Management LLC	Supp Services	NA
Syndicator:	Paramount Financial Group	Permanent Lender	GMAC

Project Name: Crystal Creek Park Apartments

Project Number: 03262

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: **4** 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:	Oscar G. Ortiz, Mayor, City of Port Arthur, S	Verna Rutherford, President, Port Arthur Chamber or Commerce, S
TX Representative:	Allen B. Ritter, District 21 ,S	Joe D. Deshotel, State Representative District 22, S
TX Senator:	Kyle Janek, District 17 , S	
US Representative:	Nick Lampson, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 88 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a flood hazard mitigation plan by Carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations.

Receipt, review, and acceptance by Carryover of a revised site plan and floor plan reflecting the new community building.

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 is needed to meet the At-Risk Set-Aside.

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

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

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

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03262** Name: **CrystalCreek Park Apartment** City: **Port Arthur**

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 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:** 03262

DEVELOPMENT NAME

Crystal Creek Park Apartments

APPLICANT								
Name:	Crystal Creek Park, Ltd.			**Type:**	For Profit			
Address:	8710 Central Park Mall Drive			**City:**	Port Arthur		**State:**	TX
Zip:	77642	**Contact:**	K.T. (Ike) Akbari	**Phone:**	(409) 724-0020		**Fax:**	(409) 721-6603

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS					
Name:	Itex Properties, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	K.T. (Ike Akbari)	**(%):**	0.75 of MGP	**Title:**	Developer
Name:	Josh W. Allen, Sr.	**(%):**	0.25 of MGP	**Title:**	Developer
Name:	Jeff Gannon	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION					
Location:	8101 Honeywood Trail		☒ **QCT**		☐ **DDA**
City:	Port Arthur	**County:**	Jefferson	**Zip:**	77642

REQUEST

Amount	Interest Rate	Amortization	Term
1) $390,348	N/A	N/A	N/A

Other Requested Terms: 1) 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 $377,548 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a flood hazard mitigation plan by carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations;
2. Receipt review and acceptance by carryover of a revised site plan and floor plan reflecting the new community building; 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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	202	# Rental Buildings	22	# Common Area Bldgs	1	# of Floors	1	Age:	25 yrs	Vacant:	7	at	01/	31/	2003

Net Rentable SF:	101,744	Av Un SF:	504	Common Area SF:	2,400	Gross Bldg SF:	104,144

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% brick veneer, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting, vinyl & tile flooring, range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, laminated counter tops and cable.

ON-SITE AMENITIES

2,400-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms,and central mailroom, is located near the entrance to the site. A second community building is planned to include a fitness center and a computer center.

Uncovered Parking:	154	spaces	Carports:	N/A	spaces	Garages:	N/A	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Crystal Creek Park Apartments is a proposed acquisition and rehabilitation development of 202 units of affordable, elderly housing located in southern Port Arthur. The development was built in two phases. The first phase with 52 units was built in 1978 and the second phase with 150 units was built in 1980. The development as a whole is comprised of 22 single-story residential buildings as follows:

- (2) Building Type A with 10 one-bedroom/ one-bath units;
- (1) Building Type B with 4 efficiency units and 2 two-bedroom/ one-bath units;
- (5) Building Type C with 6 efficiency units and 2 two-bedroom/ one-bath units;
- (3) Building Type D with 6 one-bedroom/ one-bath units;
- (3) Building Type E with 12 one-bedroom/ one-bath units;
- (5) Building Type F with 8 one-bedroom/ one-bath units; and
- (3) Building Type G with 14 one-bedroom/ one-bath units;

Existing Subsidies: The project has all 202 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract.

Development Plan: According to the site plan, the buildings are distributed evenly throughout the site with the community building and mailboxes located near the entrance to the site. The Applicant has indicated in the development cost schedule that new 2,000 square foot community building will be added to the development, however the site plan provided did not reflect the building nor was a floor plan provided for it. Receipt, review and acceptance of a revised site plan and floorplan reflecting the new community building is a condition of this report. The building is said to include an exercise room and a computer lab. The buildings are currently 96% occupied based on the rent roll submitted as of January 31, 2003. The contractor's scope of work includes: repair and repaint exterior siding, replace exterior lighting, remove and replace all electrical including installing fans in all bedrooms, install fire alarm system in all buildings, replace bathtubs and showers in 150 units, replace toilets in 195 units, replace all lavatories and all kitchen and lavatory fixtures, replace or clean ductwork, replace all exterior doors, install solar screens, replace vinyl flooring in kitchen, entry and bathrooms, replace carpet, paint interior of apartments, replace appliances and addition of a 2,000 square foot community building.

Architectural Review: The exterior elevations are functional and currently in average condition. All units are slightly smaller than average size for market rate and LIHTC units. Each unit has a private exterior entry.

The units are in single-story structures with brick exterior finish and pitched roofs.

Supportive Services: The Applicant certified that the development will provide, at a minimum, three of the service options approved by the Department. The service provider has yet to be determined.

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

SITE ISSUES

SITE DESCRIPTION

Size:	10.51	acres	457,815	**Square Feet:**	**Zoning/ Permitted Uses:**	MF-1
Flood Zone Designation:	Zone AH			**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Port Arthur is located in southeast Texas, approximately 85 miles east from Houston in Jefferson County. The site is an irregularly-shaped parcel located in the southern area of Port Arthur, approximately 2 miles from the central business district. The site wraps the east corner of 9th Avenue and Turtle Creek Drive.

Adjacent Land Uses:

∉ **North:** vacant land and single-family residential properties

∉ **South:** Turtle Creek Apartments

∉ **East:** vacant land

∉ **West:** vacant land

Site Access: Access to the property is from the east or west along Honey wood Trail. The development has four main entries, from the east or west from Honey wood Trail. Access to US Highway 69 is 10 miles northeast, which provides connections to all other major roads serving the Beaumont/Port Arthur area.

Public Transportation: “Transportation is available via private automobile.” (p. 30)

Shopping & Services: The site is near a variety of retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

∉ **Zoning:** The site is currently zoned MF-1 which permits apartments by right.

∉ **Flood Plain:** According to the Phase I ESA and the property appraisal performed for the subject, the subject property is located within Shaded Zone AH, an area determined to be within the 100-year flood plain. The Applicant did not include documentation providing a mitigation plan for the property. Therefore, receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevation is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection of the property on April 3, 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 27, 2003 was prepared by Medina Consulting Company and contained the following findings and recommendations:

In summary, our findings are;

∉ On the basis of our review of historical information, the site was undeveloped and used for agricultural purposes until construction of the retirement home in 1980.

∉ Most of the site lies in Zone AH according to the FEMA National Flood Insurance Program *Flood Insurance Rate Map*. Zone AH includes areas of 100-year shallow flooding where depths are between one and three feet. The western property boundary may lie in Zone B that includes areas between the limits of the 100-year flooding and 500-year flooding with average depths less than one foot or where the contributing drainage area is less than one square mile, or areas protected by levees from the base flood.

- MCC reviewed selected federal and state environmental regulatory lists. We did not identify facilities with environmental concerns that would likely adversely impact the site.
- No environmental concerns were identified during site reconnaissance conducted March 13, 2003.

No further assessment is required at this time.(p. 13)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 162 of the units (80% of the total) will be reserved for low-income/elderly tenants. 30 of the units (15%) will be reserved for households earning 30% or less of AMGI, 17 units (8%) will be reserved for households earning 40% or less of AMGI, 33 of the units (16%) will be reserved for households earning 50% or less of AMGI, 82 of the units (41%) will be reserved for households earning 60% or less of AMGI and the remaining 40 units (20%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$19,680	$22,440	$25,260	$28,080	$30,300	$32,580

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: "For purposes of this report, the subject's primary market area is defined as those properties located within zip codes 77642, 77627, 77651, 77619, 77640, 77705, 77701, 77702, and 77710. The secondary market area includes the previous zip codes, plus 77611 and 77630." (p. 20) **The closest distance to the submarket boundary is approximately five miles and the farthest distance is over 30 miles.**

Population: The estimated 2001 population of the primary market area was 168,924 and is expected to decrease by -0.6% to approximately 167,769 by 2006. Within the primary market area there were estimated to be 59,449 households in 2001.

Total Local/Submarket Demand for Rental Units: "The majority of the apartment facilities in the subject's primary market are older, less appealing projects…With respect to affordable housing projects, due to the overall lack of recently-constructed or renovated affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area." (p. 41)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		**Underwriter**	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	-164	0%	-3	0%
Resident Turnover	499	91%	497	100%
Other Sources	50	9%		0%
TOTAL ANNUAL DEMAND	549	**100%**	494	**100%**

Ref: p. 69

Inclusive Capture Rate: The market analyst utilized 356 comparable rent restricted units including 162 from the subject, divided by total demand to conclude a capture rate of 64.85%. This is less than the 100% limit for elderly, moreover, due to the current low vacancy at the existing subject property, the capture rate calculation is not of great significance. The Underwriter calculated an inclusive concentration capture rate of 81% based upon a revised supply of unstabilized comparable affordable units of 200 plus the subject 202 divided by a revised demand of 494.

Local Housing Authority Waiting List Information: "In Port Arthur, the waiting list is currently 13 months, with approximately 2,000 on the wait list." (p. 40)

Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 1,066 units in the market area. (p. 43)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
Efficiency (30%)	$216/439	$216	$0/+218	$450	-$234
Efficiency (40%)	$298/434	$298	$0/+136	$450	-$152
Efficiency (50%)	$380/434	$380	$0/+54	$450	-$70
Efficiency (60%)	$434	$462	-$28	$450	-$16
Efficiency (MR)	$434	N/A	N/A	$450	-$16
1-Bedroom (30%)	$221/461	$221	$0/+240	$490	-$269
1-Bedroom (40%)	$309/461	$309	$0/+152	$490	-$181
1-Bedroom (50%)	$396/461	$396	$0/+65	$490	-$94
1-Bedroom (60%)	$461	$484	-$23	$490	-$29
1-Bedroom (MR)	$461	N/A	N/A	$490	-$29
2-Bedroom (30%)	$263/523	$263	$0/+260	$560	-$297
2-Bedroom (40%)	$368/523	$368	$0/+155	$560	-$192
2-Bedroom (50%)	$473	$473	$0	$560	-$87
2-Bedroom (60%)	$523	$578	-$55	$560	-$37
2-Bedroom (MR)	$523	N/A	N/A	$560	-$37

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

Submarket Vacancy Rates: "…the average occupancy of the comparables is 96%. The average occupancy for apartments in the Beaumont-Port Arthur area was reported at 94.20% in the most recent apartment survey (December 2000)." (p. 39)

Absorption Projections: "Given the strong occupancy levels currently being experienced, a new project constructed in the Beaumont-Port Arthur may be expected to be absorbed within 12 months…Considering the lack of available quality affordable units in this market, and the fact that the subject is currently operating at stabilized occupancy as a low-income (HUD subsidized) apartment project, the subject is expected to maintain stabilized occupancy during and following the rehabilitation." (p. 39 and 74)

Known Planned Development: "We are not aware of any proposed market rate apartment development in the primary market area, while there is no market rate apartment project under construction in the subject's primary market…there are three affordable housing projects currently proposed, under construction or approved for construction in the subject's primary market. The Greens on Turtle Creek is an 84-unit elderly apartment project…Port Arthur Town homes is a 104-unit project…Gateway Village Seniors are approved, and will be located in Beaumont. This project will have 116 units of which 110 will be rent-restricted." (p. 36) Simultaneous with this application the principals of the Applicant are also proposing the acquisition of two additional properties in Port Arthur, Pebble Creek (208 units) and Cedar Ridge (200 units) but neither of these properties are to be age restricted.

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, and limited supply of new housing in the market, and the fact that no "new" units are being added at the subject, we project that the subject property will have minimal sustained negative impact upon the existing apartment market." (p. 79)

The Underwriter found significant inconsistencies in the derivation of supply and demand and the market analysis utilized a larger than desirable market area but overall the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: There are currently two Section 8 Housing Assistance Payment Contracts in effect for Crystal Creek Apartments. The first HAP contract covers all of the 52 units in the first phase of the development. The Applicant submitted a written request to HUD dated March 31, 2003 to renew this contract and increase the rents to the current market rents as concluded in a market comparability study. The current market rents are $434 for the efficiency units, $461 for the one-bedroom units and $523 for the two-bedroom units. The Applicant indicated that verbal authorization was given to increase these rents but written approval has not yet been received. The second HAP contract covers all of the 150 units in the second phase of the development. This contract has already been renewed with new contract rents of $434, $461 and $523 for the efficiency, one- and two-bedroom units, respectively. The new rents were effective March 1, 2003. The Applicant's rent schedule identifies 162 rent restricted units (80%) and 40 market rate units (20%). All of the market rate units identified in the rent schedule are currently under a HAP contract. The Applicant indicated that once the determined tax credit award becomes available, these 40 units will be unrestricted units. The Applicant's potential gross rent estimate is based strictly on current LIHTC rent limits for the 30%, 40%, 50% and 60% units. However, the Applicant restricted the 60% units to the current HAP rent since the maximum LIHTC rent limit for these units was higher than the HAP rent. Additionally, the market rents were capped at the recently approved contract rents even though the current market rates established by the market analyst are higher than the contract rents. For purposes of this analysis, the Underwriter used the recently approved increased contract rents for all 202 units that are currently covered under a HAP contract, which includes the 40 units that are identified as market rate units in the rent schedule. As a result, the Applicant's potential gross rent estimate is $140K or 13% lower than the Underwriter's estimate. If the Applicant were to release the 40 units currently restricted by the HAP contract and rent them at market rates as reflected in the market analysis then the result would be $13,428 more in rental income for the development. The Applicant's estimate of secondary income is slightly lower than the TDHCA underwriting guideline, however, the Applicant justified the lower amount based on historical operating statements for the project. Additionally, the Applicant included $140,496 in other income identifying the source as a Section 8 subsidy. This amount is consistent with the difference between the maximum tax credit rates and the HAP contract rents. The Applicant utilized a lower vacancy and collection loss rate of 5% and substantiated this with the project's historical operating statements.

Expenses: The Applicant's total expense estimate of $3,102 per unit is within 1% of the TDHCA estimate of $3,130 per unit after adjustments for historical operations were considered. In addition the small average unit size and elderly nature of the development were considered. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly repairs and maintenance ($24K higher), and property tax ($23K lower). The Applicant was asked to provide additional justification for the differences in the specific line item expenses and the Underwriter considered these clarifications but heavily weighted the project's historical operating statements when coming up with the TDHCA estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable TDHCA underwriting range.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 10.51 acres	$1,000,000	**Date of Valuation:**	02/ 14/ 2003
Existing Building(s): "as is"	$3,500,000	**Date of Valuation:**	02/ 14/ 2003
Total Development: "as is"	$4,500,000	**Date of Valuation:**	02/ 14/ 2003

Appraiser: O'Connor & Associates **City:** Houston **Phone:** (713) 686-9955

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser concludes that the highest and best use of this property, both as vacant and as improved, is for multifamily development/use. The appraiser's estimated land value is based on five comparable land sales within the same area as the subject property. Land sales ranged in price per square foot from $0.64 to $2.50. Adjustments to the comparable land sales were made based on factors which exhibited significant influence on property values in this market including, but not limited to, location, size, utilities and topography. Based on the information presented, the estimated land value of the subject property is $2.20 per square foot or 22% of the "As Is" total.

In estimating the "As Is" and "As Complete" value of the development as a whole, the appraiser placed greatest emphasis on the income approach because it reflects the income potential of the subject. Least emphasis was placed on the cost approach due to the dated construction of the subject improvements and the proposed rehabilitation. Secondary emphasis was placed on the sales approach due to the limited number of directly comparable sales available in the subject's area.

Conclusion: Based on the information presented, the appraiser's estimate of the property's value, "As Is", appears to be a reliable estimate.

ASSESSED VALUE

Land: 10.51 acres	$426,840	**Assessment for the Year of:**	2002
Building:	$1,822,620	**Valuation by:**	Jefferson County Appraisal District
Total Assessed Value:	$2,249,460	**Tax Rate:**	3.0244

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Improved Property Commercial Contract		
Contract Expiration Date:	09/ 30/ 2003	**Anticipated Closing Date:**	09/ 30/ 2003
Acquisition Cost:	$4,667,264.89	**Other Terms/Conditions:**	$100,000 earnest money, $300,000 cash at closing
Seller:	Stonegate Elderly, Ltd and Stonegate Retirement Village, Ltd.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of $4,667,264.89 is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed acquisition eligible basis based upon the building value percentage from the appraisal applied to the contract price. The appraisal concluded the "As Is" market value of the entire property to be $4,500,000 of which $1,000,000 is attributed to the land value. The value of the existing buildings is $3,500,000, or 78% of the total value of the subject property. The Applicant claimed $3,572,282 for the existing buildings, or a slightly lower 77% of the total acquisition price.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are considerably lower than new construction sitework costs. The Applicant has estimated sitework costs of $484 per unit which is consistent with the architect's estimate in the proposed work write-up.

Direct Construction Cost: The Engineers proposed work write up is detailed and slightly higher but roughly consistent with the Applicant's cost breakdown. Line item costs appear reasonable and thus the direct construction cost of $1,988,645 is regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $12K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest 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 contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant incorrectly included $185K of acquisition developer fee in rehab eligible basis. This resulted in an overstated total adjusted rehab eligible basis due to the 130% boost on overstated fee. The Applicant also used an 80% applicable fraction instead of the slightly lower square footage applicable fraction of 79.86%.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As explained above, the Applicant included $185,354 of acquisition developer fee in rehab eligible basis, overstated eligible construction interest and used a slightly overstated applicable fraction. As a result, an eligible basis of $7,005,416 is used to determine a credit allocation of $377,548 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: GMAC **Contact:** Carolyn McMullen

Principal Amount: $5,250,000 **Interest Rate:** 6.25%

Additional Information:

Amortization: 35 yrs **Term:** 35 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $377,100 **Lien Priority:** 1st **Commitment Date** 02/ 25/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook

Address: 3825 Columbia Road, SW, Bldg. F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: $3,044,409 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ LOI ☒ Firm ☐ Conditional **Date:** 02/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $147,345 **Source:** Deffered 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. In particular, the term of the loan is 35 years with an interest rate of 6.25%. The Applicant anticipated a debt service of $377,100; however the Underwriter calculated a slightly lower annual debt service of $369,858 based upon the terms provided.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,044,409 based on a syndication factor of 78%. Based upon the reduction to eligible basis as discussed above, the Underwriter's anticipated proceeds are reduced by $99,830.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fee of $147,345 amounts to 35% of the total fees. However, based on the Underwriter's analysis the developer will have to defer $247,174 or 59% of the developer fees.

Financing Conclusions: The Applicant's total development cost estimate was used to determine the development's eligible basis and recommended tax credit allocation of $377,548 annually for ten years, resulting in syndication proceeds of approximately $2,944,579. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $247,174, which should be repayable from cash flow within 3 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The owner of the Applicant, K.T. (Ike) Akbari, is co-developer of the project and owns 75% of the General Partner, 75% of the General Contractor and 100% of the Property Management company.

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 principals of the General Partner, Kyoomars T. Akbari, and Josh Allen submitted an unaudited financial statement as of December 31, 2002.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has no prior LIHTC development experience and is relying upon the limited prior HUD development experience of Mr. Josh Allen, the 25% owner of the general partner and 10% owner of the developer.

SUMMARY OF SALIENT RISKS AND ISSUES

- The principals of the Applicant may not appear to have the development experience to support the project.
- Significant environmental location risks exist regarding the sites location within the 100 year flood plain.

Underwriter:	Raquel Morales	**Date:**	May 27, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Crystal Creek Park Apartments, Port Arthur, LIHTC #03262

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%/HAP	5	E	1	392	$246	$434	$2,170	$1.11	$30.00	$28.00
>TC40%/HAP	3	E	1	392	$328	$434	1,302	1.11	$30.00	$28.00
>TC50%/HAP	6	E	1	392	$410	$434	2,604	1.11	$30.00	$28.00
<TC60%/HAP	15	E	1	392	$492	$434	6,510	1.11	$30.00	$28.00
MR	5	E	1	392		$434	2,170	1.11	$30.00	$28.00
>TC30%/HAP	24	1	1	511	$263	$461	11,064	0.90	$42.00	$28.00
>TC40%/HAP	13	1	1	511	$351	$461	5,993	0.90	$42.00	$28.00
>TC50%/HAP	25	1	1	511	$438	$461	11,525	0.90	$42.00	$28.00
<TC60%/HAP	62	1	1	511	$526	$461	28,582	0.90	$42.00	$28.00
MR	32	1	1	511		$461	14,752	0.90	$42.00	$28.00
>TC30%/HAP	1	2	1	725	$316	$523	523	0.72	$53.00	$30.00
>TC40%/HAP	1	2	1	725	$421	$523	523	0.72	$53.00	$30.00
<TC50%/HAP	2	2	1	725	$526	$523	1,046	0.72	$53.00	$30.00
<TC60%/HAP	5	2	1	725	$631	$523	2,615	0.72	$53.00	$30.00
MR	3	2	1	725		$523	1,569	0.72	$53.00	$30.00
TOTAL:	202		**AVERAGE:**	504	$354	$460	$92,948	$0.91	$40.63	$28.12

INCOME	Total Net Rentable Sq Ft:	101,744		**TDHCA**	**APPLICANT**		USS Region	5
POTENTIAL GROSS RENT				$1,115,376	$975,000		IREM Region	
Secondary Income		Per Unit Per Month:	$8.00	19,392	19,392	$8.00	Per Unit Per Month	
Other Support Income: Section 8 Subsidy				0	140,496			
POTENTIAL GROSS INCOME				$1,134,768	$1,134,888			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%	(56,738)	(56,748)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,078,030	$1,078,140			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.44%	$290	0.58	$58,643	$53,154	$0.52	$263	4.93%
Management		5.00%	267	0.53	53,901	$53,900	0.53	267	5.00%
Payroll & Payroll Tax		13.83%	738	1.47	149,099	$144,000	1.42	713	13.36%
Repairs & Maintenance		5.14%	274	0.54	55,404	$79,800	0.78	395	7.40%
Utilities		2.33%	124	0.25	25,116	$31,000	0.30	153	2.88%
Water, Sewer, & Trash		5.96%	318	0.63	64,198	$70,000	0.69	347	6.49%
Property Insurance		5.24%	280	0.56	56,534	$56,500	0.56	280	5.24%
Property Tax	3.0244	8.50%	454	0.90	91,639	$70,700	0.69	350	6.56%
Reserve for Replacements		5.62%	300	0.60	60,600	$50,500	0.50	250	4.68%
Other Expenses: Compliance & Supp. Svcs		1.59%	85	0.17	17,150	$17,150	0.17	85	1.59%
TOTAL EXPENSES		58.65%	$3,130	$6.21	$632,285	$626,704	$6.16	$3,102	58.13%
NET OPERATING INC		41.35%	$2,207	$4.38	$445,745	$451,436	$4.44	$2,235	41.87%
DEBT SERVICE									
GMAC		34.31%	$1,831	$3.64	$369,858	$377,100	$3.71	$1,867	34.98%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		7.04%	$376	$0.75	$75,887	$74,336	$0.73	$368	6.89%
AGGREGATE DEBT COVERAGE RATIO					1.21	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.22				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		55.29%	$23,105	$45.87	$4,667,264	$4,667,264	$45.87	$23,105	55.29%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.16%	484	0.96	97,700	97,700	0.96	484	1.16%
Direct Construction		23.56%	9,845	19.55	1,988,645	1,988,645	19.55	9,845	23.56%
Contingency	5.23%	1.29%	540	1.07	109,113	109,113	1.07	540	1.29%
General Req'ts	5.81%	1.44%	600	1.19	121,272	121,272	1.19	600	1.44%
Contractor's G & A	1.94%	0.48%	200	0.40	40,424	40,424	0.40	200	0.48%
Contractor's Profit	5.81%	1.44%	600	1.19	121,272	121,272	1.19	600	1.44%
Indirect Construction		1.07%	447	0.89	90,300	90,300	0.89	447	1.07%
Ineligible Costs		2.31%	967	1.92	195,355	195,355	1.92	967	2.31%
Developer's G & A	1.27%	0.99%	415	0.82	83,800	83,800	0.82	415	0.99%
Developer's Profit	5.09%	3.97%	1,659	3.29	335,200	335,200	3.29	1,659	3.97%
Interim Financing		5.28%	2,205	4.38	445,408	445,408	4.38	2,205	5.28%
Reserves		1.73%	723	1.43	146,000	146,000	1.43	723	1.73%
TOTAL COST		100.00%	$41,791	$82.97	$8,441,753	$8,441,753	$82.97	$41,791	100.00%
Recap-Hard Construction Costs		*29.36%*	**$12,269**	**$24.36**	**$2,478,426**	**$2,478,426**	**$24.36**	**$12,269**	*29.36%*

SOURCES OF FUNDS						**RECOMMENDED**	
GMAC	62.19%	$25,990	$51.60	$5,250,000	$5,250,000	$5,250,000	Developer fee Avalable
Additional Financing	0.00%	$0	$0.00	0	0	0	$419,000
LIHTC Syndication Proceeds	36.06%	$15,071	$29.92	3,044,409	3,044,409	2,944,579	% of Dev. Fee Deferred
Deferred Developer Fees	1.75%	$729	$1.45	147,345	147,345	247,174	59%
Additional (excess) Funds Required	0.00%	($0)	($0.00)	(1)	(1)	(0)	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$8,441,753	$8,441,753	$8,441,753	$1,993,223.80

Crystal Creek Park Apartments, Port Arthur, LIHTC #03262

PAYMENT COMPUTATION

Primary	$5,250,000	Term	420
Int Rate	6.25%	DCR	1.21

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.21

Additional		Term	
Int Rate		Aggregate DCR	1.21

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$369,858
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$81,578

Primary	$5,250,000	Term	420
Int Rate	6.25%	DCR	1.22

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.22

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.22

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

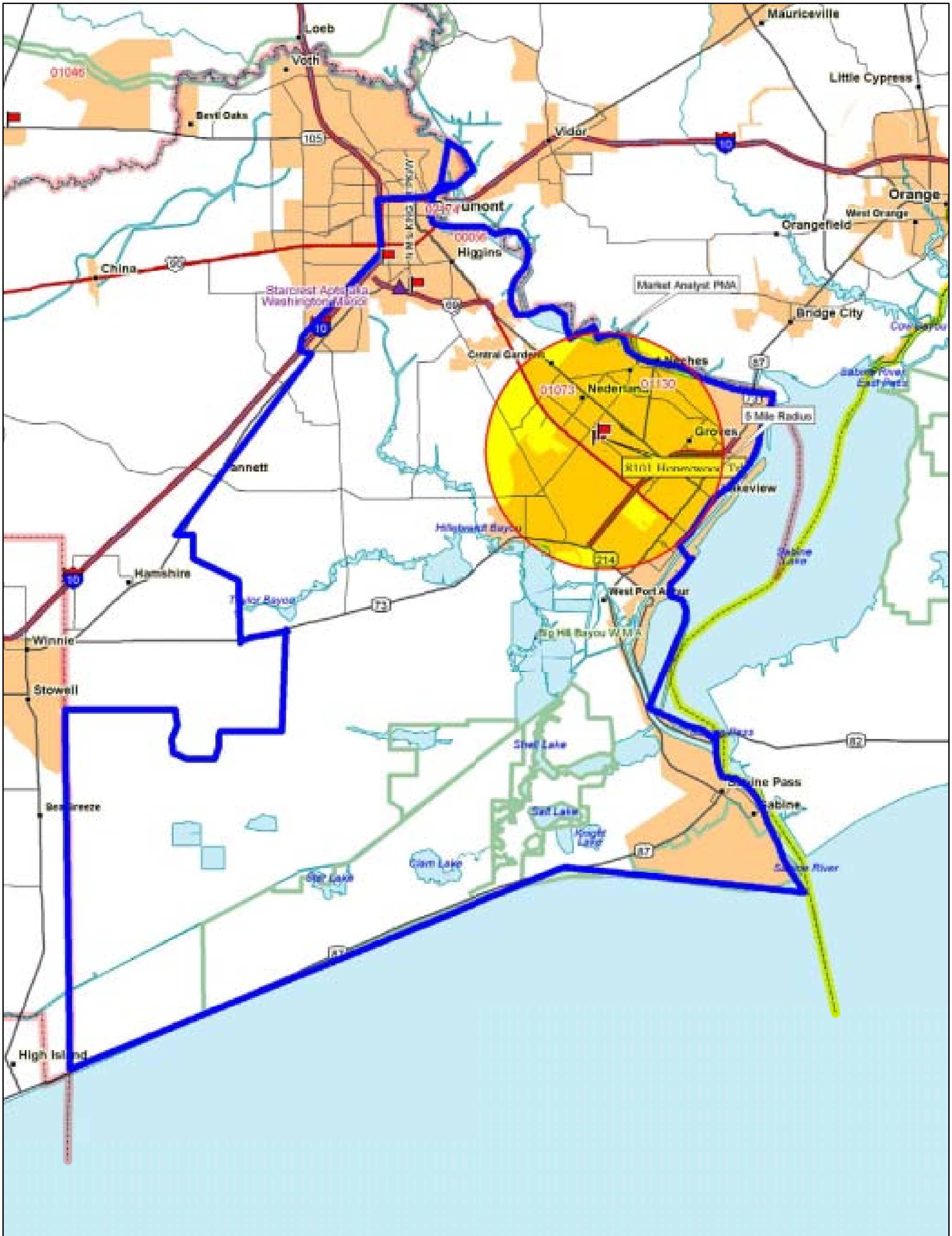
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$975,000	$1,004,250	$1,034,378	$1,065,409	$1,097,371	$1,272,154	$1,474,775	$1,709,668	$2,297,651
Secondary Income	19,392	19,974	20,573	21,190	21,826	25,302	29,332	34,004	45,699
Contractor's Profit	140,496	144,711	149,052	153,524	158,129	183,315	212,513	246,361	331,088
POTENTIAL GROSS INCOME	1,134,888	1,168,935	1,204,003	1,240,123	1,277,326	1,480,771	1,716,620	1,990,033	2,674,438
Vacancy & Collection Loss	(56,748)	(58,447)	(60,200)	(62,006)	(63,866)	(74,039)	(85,831)	(99,502)	(133,722)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,078,140	$1,110,488	$1,143,803	$1,178,117	$1,213,460	$1,406,733	$1,630,789	$1,890,531	$2,540,716
EXPENSES at 4.00%									
General & Administrative	$53,154	$55,280	$57,491	$59,791	$62,183	$75,655	$92,046	$111,987	$165,769
Management	53,900	55,517	57,183	58,898	60,665	70,328	81,529	94,514	127,019
Payroll & Payroll Tax	144,000	149,760	155,750	161,980	168,460	204,957	249,361	303,386	449,086
Repairs & Maintenance	79,800	82,992	86,312	89,764	93,355	113,580	138,188	168,127	248,868
Utilities	31,000	32,240	33,530	34,871	36,266	44,123	53,682	65,312	96,678
Water, Sewer & Trash	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Insurance	56,500	58,760	61,110	63,555	66,097	80,417	97,840	119,037	176,204
Property Tax	70,700	73,528	76,469	79,528	82,709	100,628	122,430	148,954	220,489
Reserve for Replacements	50,500	52,520	54,621	56,806	59,078	71,877	87,450	106,396	157,492
Other	17,150	17,836	18,549	19,291	20,063	24,410	29,698	36,132	53,485
TOTAL EXPENSES	$626,704	$651,233	$676,728	$703,225	$730,765	$885,606	$1,073,440	$1,301,326	$1,913,395
NET OPERATING INCOME	$451,436	$459,255	$467,075	$474,892	$482,695	$521,127	$557,349	$589,205	$627,321
DEBT SERVICE									
First Lien Financing	$369,858	$369,858	$369,858	$369,858	$369,858	$369,858	$369,858	$369,858	$369,858
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	$81,578	$89,396	$97,217	$105,034	$112,837	$151,268	$187,491	$219,347	$257,463
DEBT COVERAGE RATIO	1.22	1.24	1.26	1.28	1.31	1.41	1.51	1.59	1.70

LIHTC Allocation Calculation - Crystal Creek Park Apartments, Port Arthur, LIHTC #03262

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$1,094,982	$1,094,982				
Purchase of buildings	$3,572,282	$3,572,282	$3,572,282	$3,572,282		
(2) Rehabilitation/New Construction Cost						
On-site work	$97,700	$97,700			$97,700	$97,700
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$1,988,645	$1,988,645			$1,988,645	$1,988,645
(4) Contractor Fees & General Requirements						
Contractor overhead	$40,424	$40,424			$40,424	$40,424
Contractor profit	$121,272	$121,272			$121,272	$121,272
General requirements	$121,272	$121,272			$121,272	$121,272
(5) Contingencies	$109,113	$109,113			$109,113	$109,113
(6) Eligible Indirect Fees	$90,300	$90,300			$90,300	$90,300
(7) Eligible Financing Fees	$445,408	$445,408	$170,970	$170,970	$287,283	$274,438
(8) All Ineligible Costs	$195,355	$195,355				
(9) Developer Fees						
Developer overhead	$83,800	$83,800	$8,380	$46,662	$75,420	$37,138
Developer fee	$335,200	$335,200	$33,520	$186,648	$301,680	$148,552
(10) Development Reserves	$146,000	$146,000				
TOTAL DEVELOPMENT COSTS	$8,441,753	$8,441,753	$3,785,152	$3,976,562	$3,233,109	$3,028,854

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$3,785,152	$3,976,562	$3,233,109	$3,028,854
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$3,785,152	$3,976,562	$4,203,042	$3,937,511
Applicable Fraction			80%	79.86%	80%	79.86%
TOTAL QUALIFIED BASIS			$3,028,122	$3,175,848	$3,362,433	$3,144,660
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$109,921	$115,283	$280,427	$262,265
Syndication Proceeds		**0.7799**	**$857,297**	**$899,120**	**$2,187,111**	**$2,045,460**

Total Credits (Eligible Basis Method)	**$390,348**	**$377,548**
Syndication Proceeds	**$3,044,408**	**$2,944,579**
Requested Credits	**$390,348**	
Syndication Proceeds	**$3,044,410**	
Gap of Syndication Proceeds Needed	**$3,191,753**	
Credit Amount	**$409,240**	



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03263

Region 5

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

Development Name: **Cedar Ridge Apartments** TDHCA #: **03263**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5 Site Address: 7601 9th Avenue
City: Port Arthur County: Jefferson Zip Code: 77642

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: Acquisition/Rehab

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

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Cedar Ridge Apartments, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Itex Properties, LLC	KT (Ike Akbari)	.01% of Owner
KT (Ike) Akbari	KT (Ike) Akbari	75% of MGP
Josh W. Allen	Josh W. Allen	25% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$387,461** Allocation over 10 Years: $3,874,610
Credits Requested $396,303 Eligible Basis Amount: $387,461 Equity/Gap Amount $418,960

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	8	17	5	30
40%	0	5	9	2	16
50%	0	9	18	5	32
60%	0	20	50	17	87
MR	0	14	18	3	35
Total	0	56	112	32	

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

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

DEVELOPMENT AMENITIES (no extra cost to tenant)

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

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$8,963,346
Gross Building Square Feet	168,518
Total Net Rentable Area Square Feet:	163,488
Average Square Feet/Unit	817
Cost Per Net Rentable Square Foot	$54.83
Credits per Low Income Uni	$2,422

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,260,660
Total Expenses:	$771,025
Net Operating Income	$489,635
Estimated 1st Year Debt Coverage Ratio	1.24

FINANCING

Permanent Principal Amount:	$5,612,000
Applicant Equity:	$251,970
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7999

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	KT (Ike Akbari)	Market Analyst:	O'Connor & Associates
Housing GC:	Icon Contractors LLC	Originator/UW:	NA
Engineer:	NA	Appraiser:	O'Connor and Associates
Cost Estimator:	Icon Contractors LLC	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	Moore, Stansbury & Vaught	Accountant:	NA
Property Manager	Itex Property Management LLC	Supp Services	NA
Syndicator:	NA	Permanent Lender	GMAC

Project Name: Cedar Ridge Apartments   Project Number: 03263

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: **8** 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:	Oscar G. Ortiz, Mayor, City of Port Arthur, S	Tom Henderson, Mayor Pro Tem, S
TX Representative:	Allen B. Ritter, District 21 , S	Verna Rutherford, President, Chamber of Commerce, S
TX Senator:	Kyle Janek, District 17 , S	Joe D. Deshotel, State Representative, District 22, S
US Representative:	Nick Lampson, S	Ronnie Linden, Felix A. Barker, Craig Hannah, Council Members, S
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 88 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a flood hazard mitigation plan by Carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevation and all parking and drives are not more than six inches below the base flood elevations.

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 is needed to meet the At-Risk Set-Aside.

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

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

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

Approved Credit Amount: ____ Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Project ID # **03263** Name: **CedarRidge Apartments** City: **Port Arthur**

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 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 Stephanei 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:** 03263

DEVELOPMENT NAME

Cedar Ridge Apartments

APPLICANT

Name:	Cedar Ridge Apartments, LTD			**Type:**	For Profit		
Address:	8710 Central Park Mall Drive			**City:**	Port Arthur	**State:**	TX
Zip:	77642	**Contact:**	K.T. (Ike) Akbari	**Phone:**	(409) 724-0020	**Fax:**	(409) 721-6603

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Itex Properties, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	K.T. (Ike Akbari)	**(%):**	0.75 of MGP	**Title:**	Developer
Name:	Josh W. Allen, Sr.	**(%):**	0.25 of MGP	**Title:**	Developer
Name:	Jeff Gannon	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location: 7601 9th Avenue ☒ **QCT** ☐ **DDA**

City: Port Arthur **County:** Jefferson **Zip:** 77642

REQUEST

Amount	Interest Rate	Amortization	Term
1) $396,303	N/A	N/A	N/A

Other Requested Terms: 1) 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 $387,461 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a flood hazard mitigation plan by carryover to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives are not more than six inches below the base flood elevations;
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 15 **# Common Area Bldgs** 1 **# of Floors** 2 **Age:** 25 yrs **Vacant:** 5 at 01/ 31/ 2003

Net Rentable SF: 163,488 **Av Un SF:** 817 **Common Area SF:** 5,030 **Gross Bldg SF:** 168,518

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 80% brick veneer/20% HardiPlank exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinly flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, and cable.

ON-SITE AMENITIES

An existing 2,630 SF community building with activity room, management offices, laundry facilities,and kitchen, is located at the entrance to the property. Construction of a new 2,400 square foot auxiliary building is planned to include a computer room, restrooms and mechanical and storage rooms just south of the existing offices. In addition, a swimming pool, tennis courts and perimeter fencing are available at the site.

Uncovered Parking: 382 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cedar Ridge Apartments is a proposed acquisition and rehabilitation development of 200 units of mixed income housing located in southern Port Arthur. The development was built in 1978 and is comprised of 15 two-story garden style residential buildings as follows:

- (1) Building Type A with 8 one-bedroom/one-bath units at 646 sf and 8 one-bedroom/one-bath units at 640 sf;
- (5) Building Type B with 8 one-bedroom/one-bath units at 640 sf and 8 two-bedroom/one-bath units at 825 sf;
- (4) Building Type C with 8 two-bedroom/one-bath units at 825 sf and 8 two-bedroom/two-bath units at 884 sf;
- (1) Building Type D with 8 two-bedroom/one-bath units at 825sf; and
- (4) Building Type E with 8 three-bedroom/two-bath units;

Existing Subsidies: The project has 143 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract.

Development Plan: According the site plan the buildings are evenly distributed throughout the site with the community building, swimming pool and tennis courts located at the entrance to the property. The buildings are currently 98% occupied based on the rent roll submitted as of January 31, 2003. The contractor's scope of work includes: repair and repaint exterior siding, replace exterior lighting, remove and replace all existing shingles and felt, replace decking around pool and playground equipment, replace stairs and railing, installing fans in all bedrooms, install fire alarm system in all buildings, replace bathtubs and showers in 150 units, replace toilets in 40 units, replace and install exterior doors and windows, repair drywall in apartment units, replace vinyl tile and carpet, paint interior of apartments, replace appliances and addition of a second 2,400 square foot community building which will feature a computer lab and storage.

Architectural Review: The exterior elevations are functional and currently in average condition. All units are of average size for market rate and LIHTC units. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The units are in two-story structures with mixed brick and Hardiplank exterior finish with pitched roofs.

Supportive Services: The Applicant certified that the development will provide, at a minimum, three of the service options approved by the Department. The service provider has yet to be determined.

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

SITE ISSUES

SITE DESCRIPTION

Size:	10.192	acres	443,964	**Zoning/ Permitted Uses:**	MF-1
Flood Zone Designation:	Zone AH-within 100 year flood zone			**Status of Off-Sites:**	Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Port Arthur is located in southeast Texas, approximately 85 miles east from Houston in Jefferson County. The site is an irregularly-shaped parcel located in the southern area of Port Arthur, approximately 2 miles from the central business district. The site is located on the south side of 9th Avenue, just west of 75th Street.

Adjacent Land Uses:

∉ **Northwest:** Port Arthur Town homes (under construction)

∉ **Southeast:** Turtle Creek Apartments

∉ **Northeast:** 9th Avenue and Crystal Creek Apartments (proposed 9% elderly property)

∉ **Southwest:** drainage ditch

Site Access: Access to the property is from the east or west along 9th Avenue. The development has two main entries, from the east or west from 9th Avenue. Access to US Highway 69 is 10 miles northeast, which provides connections to all other major roads serving the Beaumont/Port Arthur area.

Public Transportation: "Transportation is available via private automobile." (p. 30)

Shopping & Services: The site is nearby a variety of retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

∉ **Zoning:** The site is currently zoned MF-1 which permits apartments by right.

∉ **Flood Plain:** According to the Phase I ESA and the property appraisal performed for the subject, most of the site lies in Zone AH, an area determined to be within the 100-year flood plain. The Applicant did not include documentation providing a mitigation plan for the property. Therefore, receipt, review, and acceptance of a flood hazard mitigation plan to include, at a minimum, building flood insurance and tenant flood insurance costs or certification by an engineer that the buildings are at least one foot above the base flood elevations and all parking and drives not more than six inches below the base flood elevations is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection of the property on April 4, 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 26, 2003 was prepared by Medina Consulting Company and contained the following findings and recommendations:

In summary, our findings are:

∉ On the basis of our review of historical information, the site was undeveloped and used for agricultural purposes until construction of the retirement home in 1980.

∉ Most of the site lies in Zone AH according to the FEMA National Flood Insurance Program *Flood Insurance Rate Map*. Zone AH includes areas of 100-year shallow flooding where depths are between one and three feet. The western property boundary may lie in Zone B that includes areas between the limits of the 100-year flooding and 500-year flooding with average depths less than one foot or where the contributing drainage area is less than one square mile, or areas protected by levees from the base flood.

∉ MCC reviewed selected federal and state environmental regulatory lists. We did not identify facilities with environmental concerns that would likely adversely impact the site.

∉ No environmental concerns were identified during site reconnaissance conducted March 13, 2003.

No further assessment is required at this time. (p. 13)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 162 of the units (81% of the total) will be reserved for low-income tenants. 31 of the units (16%) will be reserved for households earning 30% or less of AMGI, 18 units (9%) will be reserved for households earning 40% or less of AMGI, 33 of the units (17%) will be reserved for households earning 50% or less of AMGI, 78 of the units (39%) will be reserved for households earning 60% or less of AMGI and the remaining 40 units (20%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$19,680	$22,440	$25,260	$28,080	$30,300	$32,580

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: "For purposes of this report, the subject's primary market area is defined as those properties located within zip codes 77642, 77627, 77651, 77619, 77640, 77705, 77701, 77702, and 77710. The secondary market area includes the previous zip codes, plus 77611 and 77630." (p. 20) The closest distance to the submarket boundary is approximately five miles and the furthest distance is over 30 miles.

Population: The estimated 2001 population of the primary market area was 168,924 and is expected to decrease by -0.6% to approximately 167,769 by 2006. Within the primary market area there were estimated to be 59,449 households in 2001.

Total Local/Submarket Demand for Rental Units: "The majority of the apartment facilities in the subject's primary market are older, less appealing projects…With respect to affordable housing projects, due to the overall lack of recently-constructed or renovated affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area." (p. 41) The Market Analyst performed three market studies for related developments in the same submarket including the subject. But originally concluded three different demand levels ranging from 1,647 to 8,294 units. The market analyst was asked to reconcile his calculations for Cedar Ridge- which was originally projected at 4,674 units but revised to conclude 3,755 units.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	-164	0%	-12	0%
Resident Turnover	3,414	91%	3,611	100%
Other Sources: Miscellaneous Demand	341	9%	N/A	0%
TOTAL ANNUAL DEMAND	**3,755**	**100%**	**3,599**	**100%**

Ref: p. 67

Inclusive Capture Rate: The Market Analyst utilized 369 comparable rent restricted units that are either under construction or approved divided by total demand to conclude a capture rate of 9.83% The Underwriter calculated an inclusive concentration capture rate of 14% based upon a revised supply of potentially unstabilized comparable affordable units of 512 divided by a revised demand of 3,599. It should be noted, however, that due to the low current vacancy at this existing property the capture rate is not as relevant as it would be for new construction.

Local Housing Authority Waiting List Information: "In Port Arthur, the waiting list is currently 13 months, with approximately 2,000 on the wait list." (p. 40)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 966 units in the market area. (p. 43)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$221/463	$221	$0/+242	$510	-$289
1-Bedroom (40%)	$309/463	$309	$0/+154	$510	-$201
1-Bedroom (50%)	$396/463	$396	$0/+67	$510	-$114
1-Bedroom (S8)	$463	$484	-$21	$510	-$47
1-Bedroom (MR)	$510	N/A	N/A	$510	$0
2-BR/1-BA (30%)	$263/556	$263	$0/+293	$580	-$317
2-BR/1-BA (40%)	$368/556	$368	$0/+188	$580	-$212
2-BR/1-BA (50%)	$473/556	$473	$0/+83	$580	-$107
2-BR/1-BA (S8)	$556	$578	-$22	$580	-$24
2-BR/1-BA (MR)	$580	N/A	N/A	$580	$0
2-BR/2-BA (30%)	$263/579	$263	$0/+293	$620	-$357
2-BR/2-BA (40%)	$368/579	$368	$0/+188	$620	-$252
2-BR/2-BA (50%)	$473/579	$473	$0/+83	$620	-$147
2-BR/2-BA (S8)	$579	$578	-$1	$620	-$41
2-BR/2-BA (MR)	$620	N/A	N/A	$620	$0
3-Bedroom (30%)	$302/650	$302	$0/+348	$700	-$398
3-Bedroom (40%)	$423/650	$423	$0/+227	$700	-$277
3-Bedroom (50%)	$545	$545	$0	$700	-$155
3-Bedroom (S8)	$650	$666	-$16	$700	-$50
3-Bedroom (MR)	$700	N/A	N/A	$700	$0

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

Submarket Vacancy Rates: "…the average occupancy of the comparables is 95%. The average occupancy for apartments in the Beaumont-Port Arthur area was reported at 94.20% in the most recent apartment survey (December 2000)." (p. 39)

Absorption Projections: "Given the strong occupancy levels currently being experienced, a new project constructed in the Beaumont-Port Arthur may be expected to be absorbed within 12 months…Considering the lack of available quality affordable units in this market, and the fact that the subject is currently operating at stabilized occupancy as a low-income (HUD subsidized) apartment project, the subject is expected to maintain stabilized occupancy during and following the rehabilitation." (p. 39 and 77)

Known Planned Development: "We are not aware of any proposed market rate apartment development in the primary market area, while there is no market rate apartment project under construction in the subject's primary market…there are three affordable housing projects currently proposed, under construction or approved for construction in the subject's primary market. The Greens on Turtle Creek is an 84-unit elderly apartment project…Port Arthur Town homes is a 104-unit project…Gateway Village Seniors are approved, and will be located in Beaumont. This project will have 116 units of which 110 will be rent-restricted." (p. 36) Simultaneous with this application the principals of this Applicant are also proposing the acquisition and rehabilitation of two additional developments in Port Arthur, Crystal Creek Park (202 elderly units) and Pebble Creek (208 units).

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, and limited supply of new housing in the market, and the fact that no "new" units are being added at the subject, we project that the subject property will have minimal sustained negative impact upon the existing apartment market." (p. 77)

The Underwriter found significant inconsistencies with derivation of demand and the Market Analyst utilized a larger than desirable market area but overall the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Except for the 60% units, the Applicant's rent projections are the maximum rents allowed under

LIHTC guidelines. There is currently a Section 8 Housing Assistance Payment Contract for 143 of the units in this project. The Applicant submitted a copy of the requested rent adjustments for the units and indicated that while verbal authorization was given to increase the rents, written approval had not yet been received. The current rents are $452 for one bedroom units, $543 to $565 for two-bedroom units and $635 for three-bedroom units. The requested increased rents are $463 for the 1-BR units, $556 for the 2-BR/1-BA units, $579 for the 2-BR/2-BA units and $650 for the 3-BR units. Currently 72% of the units are rent restricted per the HAP contract. Once the approved tax credit award becomes available the Applicant intends to have 80% of the units rent restricted and 40 unrestricted. For purposes of this analysis, the Underwriter used the requested increased contract rents of $463, $556, $579 and $650 for those units currently covered under the HAP contract, the lower LIHTC rent limits for the other units designated as rent restricted and market rate rents as proposed by the Applicant and considered achievable by the Market Analyst for the market rate units. The Applicant's potential gross rent estimate is based strictly on current LIHTC rent limits for the 30%, 40% and 50% units and market rate rents for the market rate units. For the 60% units the Applicant capped the rent to the current HAP contract rent because the LIHTC rent limit was higher than the current HAP rent for those units. As a result, the Applicant's potential gross rent estimate is $177K or 13% lower than the Underwriter's estimate. The Applicant's estimate of secondary income is lower than the $10/unit TDHCA underwriting average. Historical operating statements indicate secondary income has run at $11/unit, therefore, the Underwriter will use the TDHCA guideline since the Applicant was not able to justify the lower estimated amount. Additionally, the Applicant included $177K in other income identifying the source as a Section 8 subsidy. This amount is consistent with the difference between the maximum tax credit rents and the anticipated HAP contract rents. The Applicant utilized a lower vacancy and collection loss rate of 6.5% and substantiated this with the project's historical operating statements.

Expenses: The Applicant's total expense estimate of $3,855 per unit is within 2% of the TDHCA estimate of $3,767 per unit for after adjustments for historical operations were considered. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the TDHCA estimate, particularly payroll and payroll tax ($29K lower) and water, sewer and trash ($49K higher). The Applicant was asked to provide additional substantiation for the differences in the specific line item expenses and the Underwriter considered theses clarifications but heavily weighed the project's historical operating statements when coming up with the TDHCA estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable TDHCA underwriting range.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 10.1920 acres	$890,000	**Date of Valuation:**	02/ 14/ 2003
Existing Building(s): "as is"	$3,660,000	**Date of Valuation:**	02/ 14/ 2003
Total Development: "as is"	$4,550,000	**Date of Valuation:**	02/ 14/ 2003

Appraiser: O'Connor & Associates **City:** Houston **Phone:** (713) 686-9955

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser concludes that the highest and best use of this property, both as vacant and as improved, is for multifamily development/use. The appraiser's estimated land value is based on five comparable land sales within the same area as the subject property. Land sales ranged in price per square foot from $0.64 to $2.50. Adjustments to the comparable land sales were made based on factors which exhibited significant influence on property values in this market including, but not limited to, location, size, utilities and topography. Based on the information presented, the estimated land value of the subject property is $2.00 per square foot or 19.6% of the "As Is" total.

In estimating the "As Is" and "As Complete" value of the development as a whole, the appraiser placed greatest emphasis on the income approach because it reflects the income potential of the subject. Least emphasis was placed on the cost approach due to the dated construction of the subject improvements and the proposed rehabilitation. Secondary emphasis was placed on the sales approach due to the limited number of directly comparable sales available in the subject's area.

Conclusion: Based on the information presented, the appraiser's estimate of the property's value, "As Is", appears to be a reliable estimate.

ASSESSED VALUE

Land: 10.1920 acres	$443,960	**Assessment for the Year of:**	2002
Building:	$2,057,280	**Valuation by:**	Jefferson County Appraisal District
Total Assessed Value:	$2,501,240	**Tax Rate:**	3.0244

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Improved Property Commercial Contract		
Contract Expiration Date:	09/ 30/ 2003	**Anticipated Closing Date:**	09/ 30/ 2003
Acquisition Cost:	$4,882,332.58	**Other Terms/Conditions:**	$1,000 earnest money, $950,000 cash payment at closing
Seller:	Turtle Creek Apartments, Ltd.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of $4,882,332 is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed acquisition eligible basis based upon the building value percentage from the appraisal applied to the contract price. The appraisal concluded the "As Is" market value of the entire property to be $4,550,000 of which $890,000 is attributed to the land value. The value of the existing buildings is $3,660,000, or 80% of the total value of the subject property. The Applicant claimed $3,888,674 for the existing buildings, which is slightly less than 80% of the total acquisition price.

Sitework Cost: Since this is an acquisition/rehabilitation application, the sitework costs associated with this project are considerably lower than new construction site work costs. The Applicant has estimated sitework costs of $427 per unit which is consistent with the architect's estimate in the proposed work write-up.

Direct Construction Cost: The Engineer's proposed work write-up is detailed and generally consistent with the Applicant's cost breakdown. Line item costs appear reasonable and thus the direct construction cost of $1,991,155 is regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant incorrectly included $153K of acquisition developer fee in rehab eligible basis. This resulted in an overstated total adjusted rehab eligible basis due to the 130% boost on the misallocated fee.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As indicated above, the Applicant incorrectly included $153,257 of acquisition developer fee in rehab eligible basis, which resulted in an overstated total adjusted rehab eligible basis due to the 130% boost on the misallocated fee. As a result, the Applicant's adjusted eligible basis of $7,210,594 is used to determine a credit allocation of $387,461 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:	GMAC	**Contact:**	Carolyn McMullen

Principal Amount: $5,612,000 **Interest Rate:** 6.25%

Additional Information:

Amortization: 35 yrs **Term:** 35 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $410,000 **Lien Priority:** 1st **Commitment Date** 02/ 25/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook

Address: 3825 Columbia Road, SW, Bldg. F **City:** Granville

State: OH **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** (740) 587-4626

Net Proceeds: $3,170,105 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☐ LOI ☒ Firm ☐ Conditional **Date:** 02/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $181,241 **Source:** Deffered 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. In particular, the term of the loan is 35 years with an interest rate of 6.25%. The Applicant anticipated a debt service of $410,000 however the Underwriter estimates the annual payment to be slightly lower at $395,360.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,170,105 based on a syndication factor of 80%. Based upon the reducing to eligible basis discussed above, the underwriter anticipated proceeds are $70,729 lower.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fee of $181,241 amounts to 44% of the total fees. However, based on the Underwriter' analysis the developer will have to defer 61% of the developer fees.

Financing Conclusions: The Applicant's total development cost estimate was used to determine the development's eligible basis and recommended tax credit allocation of $387,461 annually for ten years, resulting in syndication proceeds of approximately $3,099,376. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $251,970, which should be repayable from cash flow within 3 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The owner of the Applicant, K.T. (Ike) Akbari, is co-developer of the project and owns 75% of the General Partner, 75% of the General Contractor and 100% of the Property Management company.

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 principals of the General Partner, Kyoomars T. Akbari, and Josh Allen submitted an unaudited financial statement as of December 31, 2002.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has no prior LIHTC development experience and is relying upon the limited prior HUD development experience (Two developments in the early 1980's) of Mr. Josh Allen, the 25% owner of the general partner and 10% owner of the developer.

SUMMARY OF SALIENT RISKS AND ISSUES

- ∉ The principals of the Applicant may not have the development experience to support the project.
- ∉ Significant environmental/locational risk(s) exist regarding the sites location within the 100 year flood plain.

Underwriter:	*Raquel Morales*	**Date:**	May 27, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cedar Ridge Apartments, Port Arthur, LIHTC #03263

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
>TC30%/HAP	8	1	1	646	$263	$463	$3,704	$0.72	$42.00	$28.00
>TC40%/HAP	5	1	1	640	$351	$463	$2,315	$0.72	$42.00	$28.00
>TC50%/HAP	9	1	1	640	$438	$463	$4,167	$0.72	$42.00	$28.00
<TC60%/HAP	20	1	1	640	$526	$463	$9,260	$0.72	$42.00	$28.00
MR	14	1	1	640	$0	$510	$7,140	$0.80	$42.00	$28.00
>TC30%/HAP	12	2	1	825	$316	$556	$6,672	$0.67	$53.00	$30.00
>TC40%/HAP	7	2	1	825	$421	$556	$3,892	$0.67	$53.00	$30.00
>TC50%/HAP	13	2	1	825	$526	$556	$7,228	$0.67	$53.00	$30.00
<TC60%/HAP	33	2	1	825	$631	$556	$18,348	$0.67	$53.00	$30.00
MR	15	2	1	825		$580	$8,700	$0.70	$53.00	$30.00
>TC30%/HAP	5	2	2	884	$316	$579	$2,895	$0.65	$53.00	$30.00
>TC40%/HAP	2	2	2	884	$421	$579	$1,158	$0.65	$53.00	$30.00
>TC50%/HAP	5	2	2	884	$526	$579	$2,895	$0.65	$53.00	$30.00
>TC60%/HAP	17	2	2	884	$631	$579	$9,843	$0.65	$53.00	$30.00
MR	3	2	2	884		$620	$1,860	$0.70	$53.00	$30.00
>TC30%/HAP	5	3	2	1,041	$365	$650	$3,250	$0.62	$63.00	$30.00
>TC40%/HAP	2	3	2	1,041	$486	$650	$1,300	$0.62	$63.00	$30.00
TC50%	5	3	2	1,041	$608	$545	$2,725	$0.52	$63.00	$30.00
TC60%	12	3	2	1,041	$729	$650	$7,800	$0.62	$63.00	$30.00
MR	8	3	2	1,041		$700	$5,600	$0.67	$63.00	$30.00
TOTAL:	200		**AVERAGE:**	817	$415	$554	$110,752	$0.68	$51.52	$29.44

INCOME	Total Net Rentable Sq Ft: 163,488			**TDHCA**	**APPLICANT**		USS Region	5
POTENTIAL GROSS RENT				$1,329,024	$1,151,892		IREM Region	
Secondary Income		Per Unit Per Month:	$10.00	24,000	19,200	$8.00	Per Unit Per Month	
Other Support Income: (Section 8 subsidy)				0	177,204			
POTENTIAL GROSS INCOME				$1,353,024	$1,348,296			
Vacancy & Collection Loss	% of Potential Gross Income:		-6.50%	(87,947)	(87,636)	-6.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,265,077	$1,260,660			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.66%	$358	0.44	$71,574	$60,000	$0.37	$300	4.76%
Management	5.00%	316	0.39	63,254	$63,000	0.39	315	5.00%
Payroll & Payroll Tax	17.47%	1,105	1.35	221,046	$192,000	1.17	960	15.23%
Repairs & Maintenance	5.38%	340	0.42	68,056	$81,000	0.50	405	6.43%
Utilities	3.25%	206	0.25	41,129	$41,250	0.25	206	3.27%
Water, Sewer, & Trash	5.59%	353	0.43	70,656	$120,000	0.73	600	9.52%
Property Insurance	5.54%	350	0.43	70,033	$75,900	0.46	380	6.02%
Property Tax 3.0244	6.00%	379	0.46	75,874	$75,875	0.46	379	6.02%
Reserve for Replacements	4.74%	300	0.37	60,000	$50,000	0.31	250	3.97%
Other Expenses: Compliance& Supp. Svcs.	0.95%	60	0.07	12,000	$12,000	0.07	60	0.95%
TOTAL EXPENSES	59.57%	$3,768	$4.61	$753,622	$771,025	$4.72	$3,855	61.16%
NET OPERATING INC	40.43%	$2,557	$3.13	$511,455	$489,635	$2.99	$2,448	38.84%
DEBT SERVICE								
GMAC	31.25%	$1,977	$2.42	$395,361	$410,000	$2.51	$2,050	32.52%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	9.18%	$580	$0.71	$116,095	$79,635	$0.49	$398	6.32%
AGGREGATE DEBT COVERAGE RATIO				1.29	1.19			
RECOMMENDED DEBT COVERAGE RATIO					1.24			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		54.47%	$24,412	$29.86	$4,882,332	$4,882,332	$29.86	$24,412	54.47%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.95%	427	0.52	85,400	85,400	0.52	427	0.95%
Direct Construction		22.21%	9,956	12.18	1,991,155	1,991,155	12.18	9,956	22.21%
Contingency	7.22%	1.67%	750	0.92	150,000	150,000	0.92	750	1.67%
General Req'ts	5.95%	1.38%	618	0.76	123,593	123,593	0.76	618	1.38%
Contractor's G & A	1.97%	0.46%	205	0.25	41,000	41,000	0.25	205	0.46%
Contractor's Profit	5.95%	1.38%	618	0.76	123,593	123,593	0.76	618	1.38%
Indirect Construction		1.02%	457	0.56	91,300	91,300	0.56	457	1.02%
Ineligible Costs		3.73%	1,670	2.04	334,094	334,094	2.04	1,670	3.73%
Developer's G & A	2.83%	0.92%	412	0.50	82,400	82,400	0.50	412	0.92%
Developer's Profit	11.33%	3.68%	1,648	2.02	329,600	329,600	2.02	1,648	3.68%
Interim Financing		3.39%	1,519	1.86	303,879	303,879	1.86	1,519	3.39%
Reserves		4.74%	2,125	2.60	425,000	425,000	2.60	2,125	4.74%
TOTAL COST		100.00%	$44,817	$54.83	$8,963,346	$8,963,346	$54.83	$44,817	100.00%
Recap-Hard Construction Costs		*28.06%*	***$12,574***	***$15.38***	***$2,514,741***	***$2,514,741***	***$15.38***	***$12,574***	*28.06%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
GMAC	62.61%	$28,060	$34.33	$5,612,000	$5,612,000	$5,612,000	Developer fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$412,000
LIHTC Syndication Proceeds	35.37%	$15,851	$19.39	3,170,105	3,170,105	3,099,376	% of Dev. Fee Deferred
Deferred Developer Fees	2.02%	$906	$1.11	181,241	181,241	251,970	61%
Additional (excess) Funds Required	0.00%	$0	$0.00	0	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$8,963,346	$8,963,346	$8,963,346	$2,130,818.34

Cedar Ridge Apartments, Port Arthur, LIHTC #03263

PAYMENT COMPUTATION

Primary	$5,612,000	Term	420
Int Rate	6.25%	DCR	1.29

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$0	Term	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$395,361
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$94,274

Primary	$5,612,000	Term	420
Int Rate	6.25%	DCR	1.24

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.24

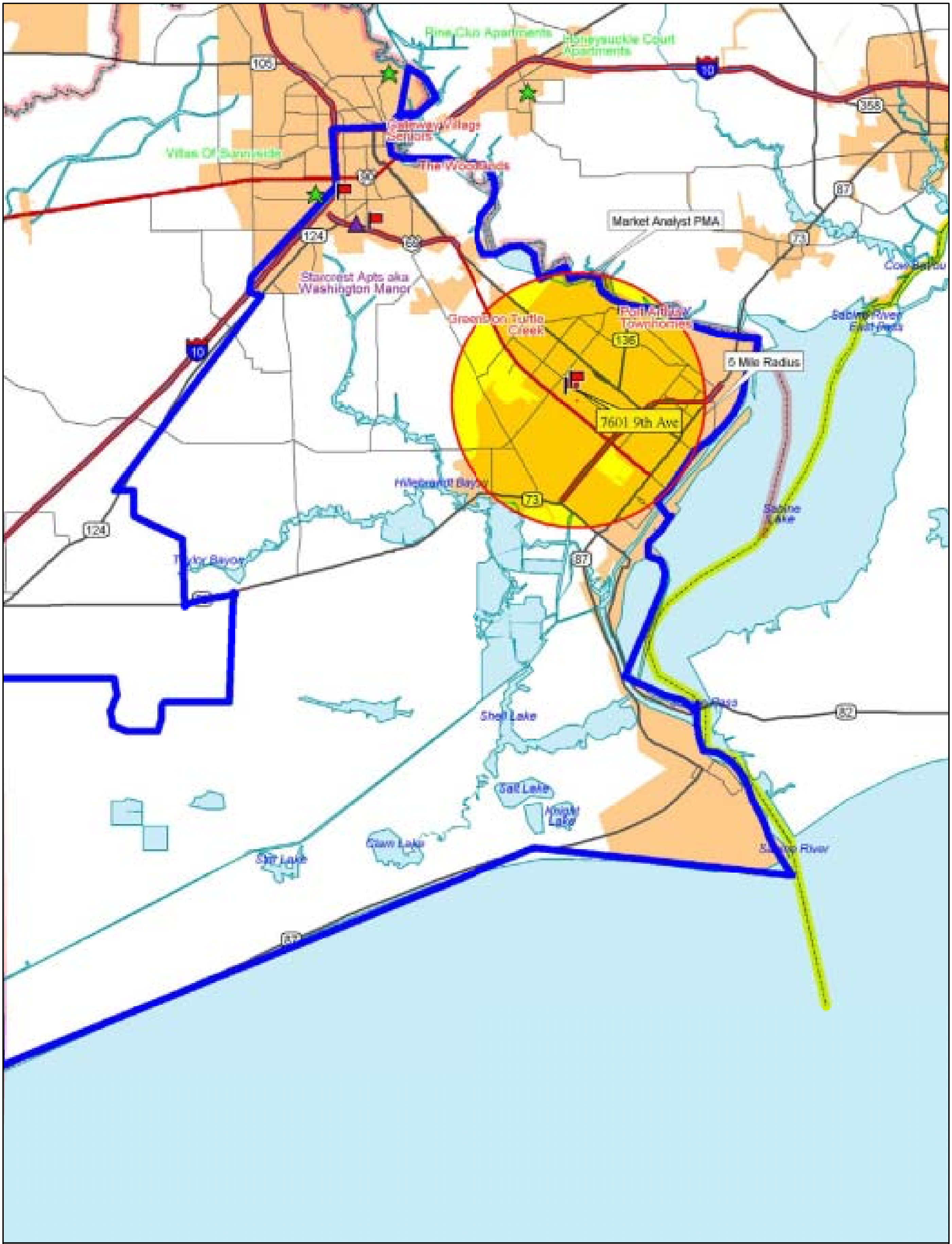
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,151,892	$1,186,449	$1,222,042	$1,258,703	$1,296,465	$1,502,958	$1,742,340	$2,019,850	$2,714,509
Secondary Income	19,200	19,776	20,369	20,980	21,610	25,052	29,042	33,667	45,246
Contractor's Profit	177,204	182,520	187,996	193,636	199,445	231,211	268,037	310,728	417,593
POTENTIAL GROSS INCOME	1,348,296	1,388,745	1,430,407	1,473,319	1,517,519	1,759,220	2,039,419	2,364,245	3,177,348
Vacancy & Collection Loss	(87,636)	(90,268)	(92,976)	(95,766)	(98,639)	(114,349)	(132,562)	(153,676)	(206,528)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,260,660	$1,298,476	$1,337,431	$1,377,554	$1,418,880	$1,644,871	$1,906,856	$2,210,569	$2,970,820
EXPENSES at 4.00%									
General & Administrative	$60,000	$62,400	$64,896	$67,492	$70,192	$85,399	$103,901	$126,411	$187,119
Management	63,000	64,890	66,837	68,842	70,907	82,200	95,293	110,471	148,463
Payroll & Payroll Tax	192,000	199,680	207,667	215,974	224,613	273,276	332,482	404,515	598,781
Repairs & Maintenance	81,000	84,240	87,610	91,114	94,759	115,288	140,266	170,655	252,611
Utilities	41,250	42,900	44,616	46,401	48,257	58,712	71,432	86,908	128,644
Water, Sewer & Trash	120,000	124,800	129,792	134,984	140,383	170,797	207,801	252,822	374,238
Insurance	75,900	78,936	82,093	85,377	88,792	108,029	131,434	159,910	236,706
Property Tax	75,875	78,910	82,066	85,349	88,763	107,994	131,391	159,857	236,628
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
TOTAL EXPENSES	$771,025	$801,236	$832,636	$865,273	$899,196	$1,089,941	$1,321,363	$1,602,172	$2,356,546
NET OPERATING INCOME	$489,635	$497,241	$504,794	$512,280	$519,684	$554,930	$585,493	$608,397	$614,274
DEBT SERVICE									
First Lien Financing	$395,361	$395,361	$395,361	$395,361	$395,361	$395,361	$395,361	$395,361	$395,361
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	$94,274	$101,880	$109,434	$116,919	$124,324	$159,570	$190,133	$213,036	$218,913
DEBT COVERAGE RATIO	1.24	1.26	1.28	1.30	1.31	1.40	1.48	1.54	1.55

LIHTC Allocation Calculation - Cedar Ridge Apartments, Port Arthur, LIHTC #03263

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$993,658	$993,658				
Purchase of buildings	$3,888,674	$3,888,674	$3,888,674	$3,888,674		
(2) Rehabilitation/New Construction Cost						
On-site work	$85,400	$85,400			$85,400	$85,400
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$1,991,155	$1,991,155			$1,991,155	$1,991,155
(4) Contractor Fees & General Requirements						
Contractor overhead	$41,000	$41,000			$41,000	$41,000
Contractor profit	$123,593	$123,593			$123,593	$123,593
General requirements	$123,593	$123,593			$123,593	$123,593
(5) Contingencies	$150,000	$150,000			$150,000	$150,000
(6) Eligible Indirect Fees	$91,300	$91,300			$91,300	$91,300
(7) Eligible Financing Fees	$303,879	$303,879			$303,879	$303,879
(8) All Ineligible Costs	$334,094	$334,094				
(9) Developer Fees						
Developer overhead	$82,400	$82,400	$16,480	$47,131	$65,920	$35,269
Developer fee	$329,600	$329,600	$65,920	$188,525	$263,680	$141,075
(10) Development Reserves	$425,000	$425,000				
TOTAL DEVELOPMENT COSTS	$8,963,346	$8,963,346	$3,971,074	$4,124,331	$3,239,520	$3,086,263

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$3,971,074	$4,124,331	$3,239,520	$3,086,263
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$3,971,074	$4,124,331	$4,211,376	$4,012,142
Applicable Fraction			80%	80.00%	80%	80.00%
TOTAL QUALIFIED BASIS			$3,176,859	$3,299,464	$3,369,101	$3,209,714
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$115,320	$119,771	$280,983	$267,690
Syndication Proceeds		**0.7999**	**$922,468**	**$958,069**	**$2,247,639**	**$2,141,307**
Total Credits (Eligible Basis Method)						**$387,461**
Syndication Proceeds						**$3,099,376**
Requested Credits					**$396,303**	
Syndication Proceeds					**$3,170,107**	
Gap of Syndication Proceeds Needed					**$3,351,346**	
Credit Amount					**$418,960**	



DeLorme

Zoom Level: 9-3 Datum: WGS84

Scale 1 : 325,000

1" = 5.13 mi

TN

MN

3.7°E