TDHCA

03011

Region 6

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

Development Name: **Jefferson Davis Artist Lofts** TDHCA #: **03011**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 1101 Elder Street
City: Houston County: Harris Zip Code: 77007

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

Targeted Units: Family: 34 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Jefferson Davis Artists Lofts

Principal Names	Principal Contact	Percentage Ownership
Artspace Houston, LLC	Brian Gorecki	.051% of Owner
Artspace Projects, Inc.	L. Kelly Lindquist	100% of Co-GP
Avenue Jeff Davis, LLC	Mary Lawler	.049% of Owner
Avenue Community Development	Mary Lawler	100% of Co-GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$280,733** Allocation over 10 Years: $2,807,330
Credits Requested $280,733 Eligible Basis Amount: $400,145 Equity/Gap Amount $224,093

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	3	2	0	5
40%	0	2	1	0	3
50%	0	3	3	0	6
60%	5	4	2	2	13
MR	0	3	2	2	7
Total	5	15	10	4	

Total LI Units: 27
Owner/Employee Units: 0
Total Project Units: 34
Applicable Fraction: 79.00

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
- ☐ Recreation facilities
- ☐ 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
- ☐ Computer Facility with Internet
- ☑ Public Phones

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$6,331,641
Gross Building Square Feet	36,553
Total Net Rentable Area Square Feet:	32,138
Average Square Feet/Unit	945
Cost Per Net Rentable Square Foot	$197.01
Credits per Low Income Uni	$10,398

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$220,268
Total Expenses:	$149,222
Net Operating Income	$71,046
Estimated 1st Year Debt Coverage Ratio	1.27

FINANCING

Permanent Principal Amount:	$1,800,000
Applicant Equity:	$51,428
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7800

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Artspace Houston, LLC/Avenue Jedd Davis, LLC	Market Analyst:	Danter Co.
Housing GC:	Durotech	Originator/UW:	NA
Engineer:	E. and C.	Appraiser:	NA
Cost Estimator:	Durotech	Attorney:	Winthrop & Weinstine
Architect:	W.O. Neuhaus & Associates	Accountant:	Mahoney Ulbrich
Property Manager	Texas Inter-Faith Management	Supp Services	Avenue CDC
Syndicator:	Apollo Housing Capital	Permanent Lender	Southwest Bank of Texas

Project Name: Jefferson Davis Artist Lofts

Project Number: 03011

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: **2** Opposition: **0**

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

Local/State/Federal Officials with Jurisdiction:

Local Official:

TX Representative: Jessica Farrar, District 148, S

TX Senator: Mario Gallegos, Jr., District 6, N

US Representative:

US Senator:

Comment from Other Public Officials:

Annise D. Parker, Council Member, S

Gabriel Vasquez, Council Member, S

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 105 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation that the Applicant has complied with all recommendations of the Phase I and any subsequent environmental site assessments prior to commencement of construction where possible.

Receipt, review, and acceptance of a letter from a qualified professional detailing the cost for the removal of asbestos containing materials and lead-based paint on the property as it relates to the submitted development cost breakdown prior to Carryover.

Receipt, review, and acceptance of a firm letter of commitment from the City of Houston for a loan/grant in the amount of at least $1,000,000 with terms prior to Carryover.

Receipt, review, and acceptance of documentation from the appropriate authority indicating that the development has received a historic tax credit allocation prior to Carryover.

If the development receives a firm commitment for grants from the United States Environmental Protection Agency, the Strake Foundation and/or any other additional source of funding (which must be confirmed by Carryover), the tax credit allocation recommended in this report must be re-evaluated.

Receipt, review, and acceptance of a certification from the Applicant that the property will not solely or exclusively serve artists.

Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

Explanation: Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.

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:

Developer Evaluation

Project ID # **03011** Name: **Jefferson Davis Artist Apartm** City: **Houston**

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: 1 Projects grouped by score 0-9 1 10-19 0 20-29 0

Total # monitored with a score less than 30: 1 # not yet monitored or pending review: 3

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, May 23, 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 EEF Date 5 /16/2003

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 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03011

DEVELOPMENT NAME

Jefferson Davis Artist Lofts

APPLICANT

Name:	Jefferson Davis Artist Loft, LP			**Type:**	For Profit		
Address:	250 Third Avenue North #500			**City:**	Minneapolis	**State:**	MN
Zip:	55401	**Contact:**	Brian Gorecki	**Phone:**	(612) 333-9012	**Fax:**	(615) 333-9089

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Artspace Houston, LLC	**(%):**	0.0051	**Title:**	Managing General Partner
Name:	Avenue Jeff Davis, LLC	**(%):**	0.0049	**Title:**	Co-General Partner
Name:	Gannon Outsourcing, Inc.	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location:	1101 Elder Street		☒ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77007

REQUEST

Amount	Interest Rate	Amortization	Term
1) $280,733	N/A	N/A	N/A

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

Proposed Use of Funds: Rehabilitation **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 $280,733 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation that the Applicant has complied with all recommendations of the Phase I and any subsequent environmental site assessments prior to commencement of construction where possible.
2. Receipt, review, and acceptance of a letter from a qualified professional detailing the cost for the removal of asbestos containing materials and lead-based paint on the property as it relates to the submitted development cost breakdown prior to carryover;
3. Receipt, review, and acceptance of a firm letter of commitment from the City of Houston for a loan/grant in the amount of at least $1,000,000 with terms prior to carryover;
4. Receipt, review, and acceptance of documentation from the appropriate authority indicating that the development has received a historic tax credit allocation prior to carryover;
5. If the development receives a firm commitment for grants from the United States Environmental Protection Agency, the Strake Foundation and/or any other additional source of funding (which must be confirmed by carryover), the tax credit allocation recommended in this report must be re-evaluated; and
6. Receipt, review, and acceptance of a certification from the Applicant that the property will not solely or exclusively serve artists.

7. Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 34 **# Rental Buildings** 1 **# Common Area Bldgs** 0 **# of Floors** 4 **Age:** 75 yrs **Vacant:** 34 at Application

Net Rentable SF: 32,138 **Av Un SF:** 945 **Common Area SF:** 4,415 **Gross Bldg SF:** 36,553

STRUCTURAL MATERIALS

Wood frame on concrete slab with grade beams and pier and beam, 85% brick veneer 15% stucco exterior wall covering, drywall/plaster interior wall surfaces, built-up rock/mission tile roofing.

APPLIANCES AND INTERIOR FEATURES

Concrete/terrazzo tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, cable, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

Laundry facility and one elevator.

Uncovered Parking: 40 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Jefferson Davis Artist Lofts is a proposed rehabilitation development of 34 units of mixed income housing located in central Houston. The four-story building was built in 1924 for use as a city-owned hospital. It has stood vacant for 20 years.

Development Plan: According to the Market Analyst, although the building is seriously deteriorated, it is structurally sound, and the project will require a minimum of excavation. However, the submitted work write-up includes demolition of the "Clinic Building" and interior areas. The general contractor has indicated that the renovation work will also include: repaving of parking area, repair of sidewalks and curbs, installation of site fire line for the fire sprinkler system, installation of new exterior stairs, repair of mechanical penthouse, replacement of existing windows and doors, cleaning and restoration of architectural elements, replacement of porch screens, interior and exterior painting, repair of the terrazzo floors, installation of drywall, new flooring, cabinetry, fixtures, and appliances, and plumbing, air conditioning and electrical work. While the main corridors and structural columns will remain intact, it seems that most of the interior will be demolished and new interior walls will be constructed for the units.

Architectural Review: The exterior of the existing building is attractive with a large, columned entrance and architectural detailing along the roofline and around the doorways. With the exception of the ground floor, the ceiling height throughout the building exceeds ten feet. The unit Floorplans will be unconventional for affordable housing in Texas in that they will represent true lofts with little separation between living areas. Initially, the Applicant based the number of bedrooms per unit on the square footage of the unit rather than the 2003 QAP (§49.3(14)) definition of *bedroom*. However, upon request, the Applicant provided revised architectural drawings satisfying this definition.

Supportive Services: The Applicant has certified that three of the services listed in application Tab 4H, paragraph B will be provided for the benefit of the tenants. There will be no additional charge for the optional services. It should be noted the building, as planned, will not include common areas that may serve as space to provide supportive services onsite.

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

SITE ISSUES

SITE DESCRIPTION

Size:	1.635	acres	71,221	**Zoning/ Permitted Uses:**	N/A (Houston)
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located at 1101 Elder Street, in Houston's First Ward, a few blocks northwest of downtown Houston. Elder Street is a dead-end street directly accessed from Dart Avenue to the north.

Adjacent Land Uses:

- **North:** Harris County CSDC Special Programs Offices, single family homes, Dart Avenue, single family homes, I-10/I-45
- **South:** warehouses and offices for the Houston Fire Department, railroad tracks, Washington Avenue, Amtrak rail Depot, US Postal Service Administrative Services, Houston Police Department Impound Garage, Trinity Church and School, Municipal Courthouse, Central Business District
- **East:** Houston Fire Department Recruiting and Training Center, I-10/I-45, industrial/warehouse
- **West:** Houston Fire Department Logistical Center, single family homes, townhomes, Houston Police Department Auto Theft Vehicle Compound, Goodyear Tire, industrial/warehouses, single family homes

Site Access: Besides I-45 and I-10, major highways within six miles include US Route 59 and I-610.

Public Transportation: An east-west Amtrak rail line passes just south of the site. The public transportation access point is a bus stop 0.2-mile northwest of the subject at Dart and Holly.

Shopping & Services: The site is within six miles of a variety of outdoor and indoor entertainment options. The nearest major retail area is 1.0 mile southeast of the site. There are seven convenience and grocery stores, three pharmacies, and three department/general retail stores within three miles. An elementary school is located within 0.2 mile, a middles school within 1.5 miles, and a high school within 2.5 miles of the site. The closest medical facility is within one mile.

Special Adverse Site Characteristics: The building which has served as both a hospital and a morgue was constructed on the old City Cemetery. The Market Analyst has indicated that the developer plans to work with local preservation groups, such as the Greater Houston Preservation Alliance and Save Our Texas Graveyards, to minimize the extent to which the project disturbs any existing gravesites at the old City Cemetery.

Site Inspection Findings: TDHCA staff performed a site inspection on April 16, 2003 and found the location to be acceptable for the proposed development. The inspector noted that, despite the site's location next to a fire department recruiting center, railroad transit center, and elevated highways, the noise level did not seem to be abnormally high. He also stated that the building is in close proximity to the 6th Ward historic district and the light rail system.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 26, 2003 was prepared by Environmental Resources Management and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM): "**ERM conducted limited screening for presence of ACM at the site. Samples of suspect ACM were collected and submitted for laboratory analysis and the presence of asbestos. The laboratory reported asbestos in 61 of the samples submitted. The boiler room may contain friable asbestos, based on visual observations, and we recommend wearing respirators when accessing this area."
- **Lead-Based Paint (LBP): "**ERM contracted PSI to conduct a limited screening for the presence of lead in the paint on the interior of the building. Samples of suspect lead-based paint were collected and submitted for laboratory analysis. Reported analytical results revealed the presence of lead. It is anticipated that much of the lead-based paint will be removed with a section of the wall that is being demolished and will qualify to be disposed of as construction debris."

- **Underground Storage Tank:** "There is an underground storage tank on site. It is apparently closed-in-place, but its regulatory status should be confirmed."
- **Other: "**Spilled fluids were noted in the elevator machine room located on the top floor of the building. Testing will be necessary to assess the nature of spilled oils that have soaked into the concrete stairs, etc."

Recommendations: **"**Although not recognized environmental conditions as defined by ASTM 1527, ERM has identified two environmental concerns associated with the site. Our limited screenings for ACM and lead-based paint have indicated the presence of asbestos and lead on site. Based upon these findings, ERM recommends a Phase II ESA to include comprehensive lead-based paint sampling, as well as testing of spilled oils in the elevator machine room prior to commencement of demolition or renovation activities."

Receipt, review, and acceptance of documentation that the Applicant has complied with all recommendations of the Phase I and any subsequent environmental site assessments is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Twenty-seven of the units (79% of the total) will be reserved for low-income tenants. Five of the units (15%) will be reserved for households earning 30% or less of AMGI, three units (9%) will be reserved for households earning 40% or less of AMGI, six units (18%) will be reserved for households earning 50% or less of AMGI, 13 units (38%) will be reserved for households earning 60% or less of AMGI, and the remaining seven units (21%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study with a revised date of February 19, 2003 was prepared by The Danter Company and highlighted the following findings:

Definition of Primary Market: "The Site Effective Market Area (EMA) includes the central portion of Houston. The site EMA is bound by Interstate 610 to the north, US Route 59, Interstate 10, and Interstate 45 to the east, Buffalo Bayou to the south, and Interstate 610 to the west." (p. IV-8)

Population: The estimated 2001 population of the Site EMA was 97,618 and is expected to decrease by 0.8% to approximately 96,814 by 2006. Within the primary market area there were estimated to be 35,431 households in 2001.

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	0	0%	-16	0%
Resident Turnover	4,293	100%	4,293	100%
TOTAL ANNUAL DEMAND	4,293	**100%**	4,277	**100%**

Ref: p. IV-22

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 3.3% based upon a supply of unstabilized comparable affordable units of 108. (p. IV-24) The Underwriter calculated a slightly higher 10.6% based upon 424 unstabilized units and a revised demand estimate of 4,277.

Market Rent Comparables: "A total of 7,372 conventional apartment units in 42 projects were surveyed in the Houston…Site EMA." (p. IV-9)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
Efficiency (60%)	$575	$583	-$8	$530	+$45
1-Bedroom (30%)	$275	$279	-$4	$645	-$370
1-Bedroom (40%)	$390	$391	-$1	$645	-$255
1-Bedroom (50%)	$500	$502	-$2	$645	-$145
1-Bedroom (60%)	$610	$614	-$4	$645	-$35
1-Bedroom (MR)	$685	N/A		$645	+$40
2-Bedroom (30%)	$330	$332	-$2	$820	-$490
2-Bedroom (40%)	$465	$466	-$1	$820	-$355
2-Bedroom (50%)	$595	$600	-$5	$820	-$225
2-Bedroom (60%)	$725	$734	-$9	$820	-$95
2-Bedroom (MR)	$810	N/A		$820	-$10
3-Bedroom (60%)	$840	$845	-$5	$980	-$140
3-Bedroom (MR)	$900	N/A		$980	-$80

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

Submarket Vacancy Rates: The current vacancy rate for all rental properties surveyed is 12.4%. (p. IV-12) The four tax credit properties in the market area are 92.4% occupied.

Absorption Projections: "The pre-opening marketing campaign is expected to lease an average of 2.5 to 3.5 units per month, but could be as high as 5.0 to 6.0 units per month in the first few months after starting the marketing of the project. We anticipate all units will be leased by early 2005. (p. III-3)

Known Planned Development: "There are 424 new units under construction that will be available over the next 3 to 12 months and 30 units under renovation." (p. IV-9) "…there is one project in the area on the Pre-Application list. The Heatherbrook project (176 total units)…" (p. IV-13) In addition, 108 tax credit units are currently under construction. (p. IV-20)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized gross rents that are slightly less than the current LIHTC maximum rent limits. However, their rent conclusion for the efficiency units, set-aside at 60% of AMGI, and their one-bedroom market rate units are above the market rents calculated by the Market Analyst. The underwriting analysis assumes the units can achieve the lesser of the maximum LIHTC rent limit or the market rents estimated by the Market Analyst. The net effect is a difference of $4,452 with the Applicant anticipating a higher potential gross rent.

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

Expenses: The Applicant's total expense estimate of $3,995 per unit is more than 5% lower than the Underwriter's estimate. The difference can be attributed in large part to the following line item operating expenses, which exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines – payroll (more than 10% lower), utilities (more than 30% higher), water sewer and trash (more than 30% lower).

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

The Underwriter's proforma indicates there is sufficient net operating income to service the proposed first lien permanent mortgage of $800,000 at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30. This will be discussed further in the Financing Structure Analysis section.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$0	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$0	**Tax Rate:**	1.382603 excluding ISD

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Agreement to Purchase		
Contract Expiration Date:	90 days after effective date	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$200,000	**Other Terms/Conditions:**	Affordable housing
Seller:	Harris County	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Although the seller of the land is a potential permanent lender, the acquisition price is considered to be reasonable as presented. The sales price of $200,000 for the historic 36,553 square foot building located near the Houston CBD may be viewed as a bargain. In addition, a condition of the sale is that the building must be converted to provide affordable housing. Finally, the Applicant is not requesting acquisition credits.

Sitework Cost: The Applicant's claimed sitework costs of $1,333 per unit are considered reasonable compared to historical sitework costs for multifamily projects undergoing rehabilitation.

Direct Construction Cost: The Applicant's direct construction cost estimate is considered to be reasonable as submitted due to the certification by the third party general contractor. However, the Underwriter is concerned that the development cost breakdown does not include line item costs for possible lead-based paint and asbestos abatement. The costs of removing these materials may be imbedded in the demolition costs. However, receipt, review, and acceptance of a letter from a qualified professional detailing the cost for the removal of asbestos-containing materials and lead-based paint on the property as it relates to the submitted development cost breakdown is a condition of this report.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of $23,863 effectively moved to ineligible costs.

The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $100,530.

Other: The Applicant's contingency cost exceeds the Department's guideline of 10% of site work and direct construction costs for rehabilitation developments by $160,284.

Conclusion: Despite the overstated fees and contingency cost, the Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis. As a result, an eligible basis of $4,818,271 is used to determine a credit allocation of $400,145 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:	Southwest Bank of Texas			**Contact:**	Hank Holmes
Principal Amount:	$800,000	**Interest Rate:**	Bank's Prime + 1/2%, floating or LIBOR + 300 bps, both with a floor of 5.75%		

Additional Information: 3-year construction period

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $74,943 **Lien Priority:** 1st **Commitment Date** 02/ 26/ 2003

GRANT

Source: Houston Endowment, Inc. **Contact:** H Joe Nelson, III

Principal Amount: $800,000 **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: May be conditioned on renting to artists **Commitment Date** 12/ 02/ 2002

GRANT

Source: Rockwell Fund, Inc. **Contact:** R Terry Bell

Principal Amount: $50,000 **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: **Commitment Date** 02/ 11/ 2003

GRANT

Source: The Brown Foundation **Contact:** Maconda Brown O'Connor

Principal Amount: $400,000 **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: Need copy of proposal (March 20, 2002) **Commitment Date** 05/ 24/ 2002

GRANT

Source: United States Environmental Protection Agency **Contact:** Myron Knudson

Principal Amount: $200,000 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: Acknowledgement of application **Commitment Date** 01/ 14/ 2003

GRANT

Source: Strake Foundation **Contact:** George W Strake, Jr.

Principal Amount: $50,000 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: Acknowledgement of application **Commitment Date** 11/ 27/ 2002

OTHER

Source: City of Houston **Contact:** Ken Fickes

Principal Amount: $1,000,000 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: May be loan or grant
Acknowledgement of application **Commitment Date** 02/ 14/ 2003

LIHTC SYNDICATION

Source: Apollo Housing Capital **Contact:** Rick Slagle

Address: 1275 Pennsylvania Avenue **City:** Washington

State: DC **Zip:** 20004 **Phone:** (202) 628-5712 **Fax:** (202) 393-8660

Net Proceeds: $3,230,214 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Net Syndication Rate (per $1.00 of Historic TC) 90¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 27/ 2002

Additional Information: Project expects to receive $1,156,349 in historic tax credits in addition to the requested tax credits.

APPLICANT EQUITY

Amount: $1,427 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment from Southwest Bank of Texas is consistent with the terms reflected in the sources and uses of funds listed in the application.

An application for a grant and/or loan from the City of Houston in the amount of $1,000,000 will not be firmly committed until prior to the date of the carryover allocation. For purposes of this analysis it has been assumed that the funds will be provided in the form of a grant despite indications in portions of the tax credit application indicating that the Applicant may expect to pay a minimal debt service. However, any conclusions and/or recommendations of this report are conditioned upon receipt, review and acceptance of a firm letter of commitment from the City of Houston for a loan/grant in the amount of at least $1,000,000 with terms disclosed and any requirements of mandatory debt repayment should require a reevaluation by the department as the development may not remain feasible with any significant additional repayment requirement.

Several grants ranging from $50,000 to $800,000 have been awarded to the development. Two grants listed as a source of funds in the application are not firmly committed at this time. Although the Applicant has submitted application to the United States Environmental Protection Agency (USEPA) for a grant of $200,000 and the Strake Foundation for a grant of $50,000, neither entity is currently able to affirm an award. All such approval needs to be documented by carryover. The Houston Endowment, Inc. grant appears to require that the development serve only artists. This question was raised prior to submission and the Department confirmed with the Applicant that renting exclusively to artists would potentially be a fair housing violation and is therefore not permitted. Receipt, review, and acceptance of a certification from the Applicant that the property will not solely or exclusively serve artists is a condition of this report.

LIHTC Syndication: The letter of intent provided by Apollo Housing Capital indicates that a 99.99% limited interest will be purchased at a rate of $0.78 per low-income housing tax credit dollar. Apollo also expects the development will receive historic tax credits in the amount of $1,156,349 and plans to pay $0.90 per historic tax credit dollar. The Applicant has submitted documentation verifying the property's classification as a historic building. However, receipt, review and acceptance of documentation from the appropriate authority indicating that the development has received a historic tax credit allocation is a condition of this report and must be supplied by carryover.

Deferred Developer's Fees: The anticipated deferred fees amount to less than 1% of proposed developer fees.

Financing Conclusions: As discussed above, the underwriting proforma for the first year of stabilized operation has indicated that the development can support the debt service for the loan financed through Southwest Bank. The letter acknowledging receipt of an application for funds of $1,000,000 from the City of Houston indicates that funds may take the form of a grant or loan. Based on this analysis, if the full amount is allocated to the development, the $1,000,000 must take the form of a grant or cash flow loan. Otherwise, the development's debt coverage ratio will fall below the breakeven level. Moreover, without these funds the gap in services would render the development infeasible.

The underwriting analysis includes funds from three out of five grant sources because the $50,000 and $200,000 grants applied for through the USEPA and Strake Foundation are not firmly committed to this development. However, if the development receives a firm commitment for these grants or any other additional source of funding, the tax credit allocation recommended in this report must be re-evaluated as the remaining developer fee would be eliminated and a reduction in tax credits would be warranted.

Although the development qualifies for low-income housing tax credits in the amount of $400,145 annually based on the Applicant's eligible basis calculation, as adjusted by the Underwriter, the Applicant has requested a much lower allocation. Department guidelines require the recommended tax credit allocation to be the lesser of the eligible tax credits, the credits needed based on a gap analysis, and the Applicant's request. In this case, the Applicant's request of $280,733 annually in low-income housing tax credits is recommended.

Assuming the development qualifies for at least $1,156,349 in historic tax credits and does not receive the grants from the USEPA and the Strake Foundation, the deferred developer fee is estimated at $51,428. This amount appears to be repayable within four years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and supportive services provider are related entities. These are common identities of interest for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant and co-general partners are newly formed entities and, therefore, have no material financial histories.
- Artspace Projects, Inc., a nonprofit corporation, provided a balance sheet dated December 31, 2002 indicating total assets of $16.8M comprised of cash, accounts receivable, long term investments, properties owned and other assets. Total liabilities equaled $11.6M for a fund balance of $5.2M.
- Avenue Community Development Corporation, a nonprofit corporation, provided a balance sheet dated December 31, 2002 indicating total assets of $1.9M comprised of cash, accounts receivable, fixed assets and other assets. Total liabilities equaled $765K for equity of $1.2M.

Background & Experience: The submitted previous participation and background certification forms list nine developments totaling 367 units in several states. The list includes several loft developments funded with tax credits.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant environmental/locational risks exist regarding lead-based paint, asbestos, and unidentified concrete stains on the property.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

Underwriter:	Lisa Vecchietti	**Date:**	June 9, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Jefferson Davis Artist Lofts, Houston, LIHTC #03011

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 60%	1	EFF	1	690	$625	$530	$530	$0.77	$42.00	N/A
TC 60%	1	EFF	1	695	625	530	530	0.76	42.00	N/A
TC 60%	1	EFF	1	700	625	530	530	0.76	42.00	N/A
TC 60%	1	EFF	1	710	625	530	530	0.75	42.00	N/A
TC 60%	1	EFF	1	715	625	530	530	0.74	42.00	N/A
TC 30%	2	1	1	750	335	279	558	0.37	56.00	N/A
TC 30%	1	1	1	751	335	279	279	0.37	56.00	N/A
TC 40%	1	1	1	752	447	391	391	0.52	56.00	N/A
TC 40%	1	1	1	808	447	391	391	0.48	56.00	N/A
TC 50%	2	1	1	809	558	502	1,004	0.62	56.00	N/A
TC 50%	1	1	1	845	558	502	502	0.59	56.00	N/A
TC 60%	1	1	1	811	670	614	614	0.76	56.00	N/A
TC 60%	1	1	1	813	670	614	614	0.76	56.00	N/A
TC 60%	1	1	1	822	670	614	614	0.75	56.00	N/A
TC 60%	1	1	1	882	670	614	614	0.70	56.00	N/A
MR	1	1	1	797		645	645	0.81	56.00	N/A
MR	1	1	1	801		645	645	0.81	56.00	N/A
MR	1	1	1	803		645	645	0.80	56.00	N/A
TC 30%	1	2	1	900	402	332	332	0.37	70.00	N/A
TC 30%	1	2	1	991	402	332	332	0.34	70.00	N/A
TC 40%	1	2	1	1,011	536	466	466	0.46	70.00	N/A
TC 50%	2	2	1	1,113	670	600	1,200	0.54	70.00	N/A
TC 50%	1	2	1	1,209	670	600	600	0.50	70.00	N/A
TC 60%	1	2	1	1,209	804	734	734	0.61	70.00	N/A
TC 60%	1	2	1	1,239	804	734	734	0.59	70.00	N/A
MR	1	2	1	1,081		810	810	0.75	70.00	N/A
MR	1	2	1	1,132		810	810	0.72	70.00	N/A
TC 60%	1	3	1	1,261	930	845	845	0.67	85.00	N/A
TC 60%	1	3	1	1,566	930	845	845	0.54	85.00	N/A
MR	1	3	1	1,373		900	900	0.66	85.00	N/A
MR	1	3	1	1,427		900	900	0.63	85.00	N/A
TOTAL:	34		**AVERAGE:**	945	$476	$579	$19,674	$0.61	$61.47	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Jefferson Davis Artist Lofts, Houston, LIHTC #03011

INCOME	Total Net Rentable Sq Ft:	32,138			TDHCA	APPLICANT			USS Region	6
POTENTIAL GROSS RENT					$236,088	$240,540			IREM Region	Houston
Secondary Income			Per Unit Per Month:	$5.00	2,040	2,040	$5.00	Per Unit Per Month		
Other Support Income: (describe)					0	0				
POTENTIAL GROSS INCOME					$238,128	$242,580				
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(17,860)	(18,192)	-7.50%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions					0	0				
EFFECTIVE GROSS INCOME					$220,268	$224,388				

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.81%	$312	0.33	$10,596	$10,500	$0.33	$309	4.68%
Management		5.71%	370	0.39	12,576	$12,027	0.37	354	5.36%
Payroll & Payroll Tax		6.13%	397	0.42	13,501	$12,000	0.37	353	5.35%
Repairs & Maintenance		9.17%	594	0.63	20,198	$17,300	0.54	509	7.71%
Utilities		5.53%	358	0.38	12,172	$17,000	0.53	500	7.58%
Water, Sewer, & Trash		4.95%	321	0.34	10,914	$4,500	0.14	132	2.01%
Property Insurance		10.21%	662	0.70	22,497	$18,500	0.58	544	8.24%
Property Tax	2.9626	13.72%	889	0.94	30,219	$30,000	0.93	882	13.37%
Reserve for Replacements		4.63%	300	0.32	10,200	$8,500	0.26	250	3.79%
Prtnshp Mgt Fee/SuppServ/Comp		2.88%	187	0.20	6,350	$5,500	0.17	162	2.45%
TOTAL EXPENSES		67.75%	$4,389	$4.64	$149,222	$135,827	$4.23	$3,995	60.53%
NET OPERATING INC		32.25%	$2,090	$2.21	$71,046	$88,561	$2.76	$2,605	39.47%
DEBT SERVICE									
First Lien Mortgage		25.43%	$1,648	$1.74	$56,023	$74,943	$2.33	$2,204	33.40%
City of Houston		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
City of Houston		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.82%	$442	$0.47	$15,023	$13,618	$0.42	$401	6.07%
AGGREGATE DEBT COVERAGE RATIO					1.27	1.18			
RECOMMENDED DEBT COVERAGE RATIO					1.27				

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%	$5,882	$6.22	$200,000	$200,000	$6.22	$5,882	3.16%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.75%	1,333	1.41	45,310	45,310	1.41	1,333	0.72%
Direct Construction		46.49%	82,925	87.73	2,819,456	2,819,483	87.73	82,926	44.53%
Contingency	10.00%	4.72%	8,426	8.91	286,477	303,524	9.44	8,927	4.79%
General Req'ts	6.00%	2.83%	5,055	5.35	171,886	182,115	5.67	5,356	2.88%
Contractor's G & A	2.00%	0.94%	1,685	1.78	57,295	60,704	1.89	1,785	0.96%
Contractor's Profit	6.00%	2.83%	5,055	5.35	171,886	182,115	5.67	5,356	2.88%
Indirect Construction		11.38%	20,291	21.47	689,897	689,897	21.47	20,291	10.90%
Ineligible Costs		13.08%	23,329	24.68	793,173	793,173	24.68	23,329	12.53%
Developer's G & A	2.00%	1.43%	2,549	2.70	86,660	72,900	2.27	2,144	1.15%
Developer's Profit	13.00%	9.29%	16,567	17.53	563,291	656,100	20.42	19,297	10.36%
Interim Financing		1.50%	2,671	2.83	90,800	90,800	2.83	2,671	1.43%
Reserves		1.45%	2,590	2.74	88,060	235,520	7.33	6,927	3.72%
TOTAL COST		100.00%	$178,359	$188.69	$6,064,190	$6,331,641	$197.01	$186,225	100.00%
Recap-Hard Construction Costs		*58.58%*	***$104,480***	***$110.53***	***$3,552,310***	***$3,593,251***	***$111.81***	***$105,684***	*56.75%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	13.19%	$23,529	$24.89	$800,000	$800,000	$800,000	
City of Houston	16.49%	$29,412	$31.12	1,000,000	1,000,000	1,000,000	Developer Fee Available
Houston Endowment (GRANT)	13.19%	$23,529	$24.89	800,000	800,000	800,000	$649,951
Rockwell Fund (GRANT)	0.82%	$1,471	$1.56	50,000	50,000	50,000	
The Brown Foundation (GRANT)	6.60%	$11,765	$12.45	400,000	400,000	400,000	% of Dev. Fee Deferred
Strake Foundation (GRANT)	0.82%	$1,471	$1.56	50,000	50,000	0	8%
US Env. Protection Agcy (GRANT)	3.30%	$5,882	$6.22	200,000	200,000	0	
LIHTC Syndication Proceeds	36.11%	$64,397	$68.13	2,189,500	2,189,500	2,189,498	15-Yr Cumulative Cash Flow
Historic TC Syndication Proceeds	17.16%	$30,609	$32.38	1,040,714	1,040,714	1,040,714	$283,286.07
Deferred Developer Fees	0.02%	$42	$0.04	1,427	1,427	51,428	
Additional (excess) Funds Required	-7.71%	($13,749)	($14.55)	(467,451)	(200,000)	0	
TOTAL SOURCES				$6,064,190	$6,331,641	$6,331,641	

Jefferson Davis Artist Lofts, Houston, LIHTC #03011

PAYMENT COMPUTATION

Primary	$800,000	Term	360
Int Rate	5.75%	DCR	1.27

Secondary	$1,000,000	Term	
Int Rate		Subtotal DCR	1.27

Additional	$2,189,500	Term	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$56,023
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$15,023

Primary	$800,000	Term	360
Int Rate	5.75%	DCR	1.27

Secondary	$1,000,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.27

Additional	$2,189,500	Term	0
Int Rate	0.00%	Aggregate DCR	1.27

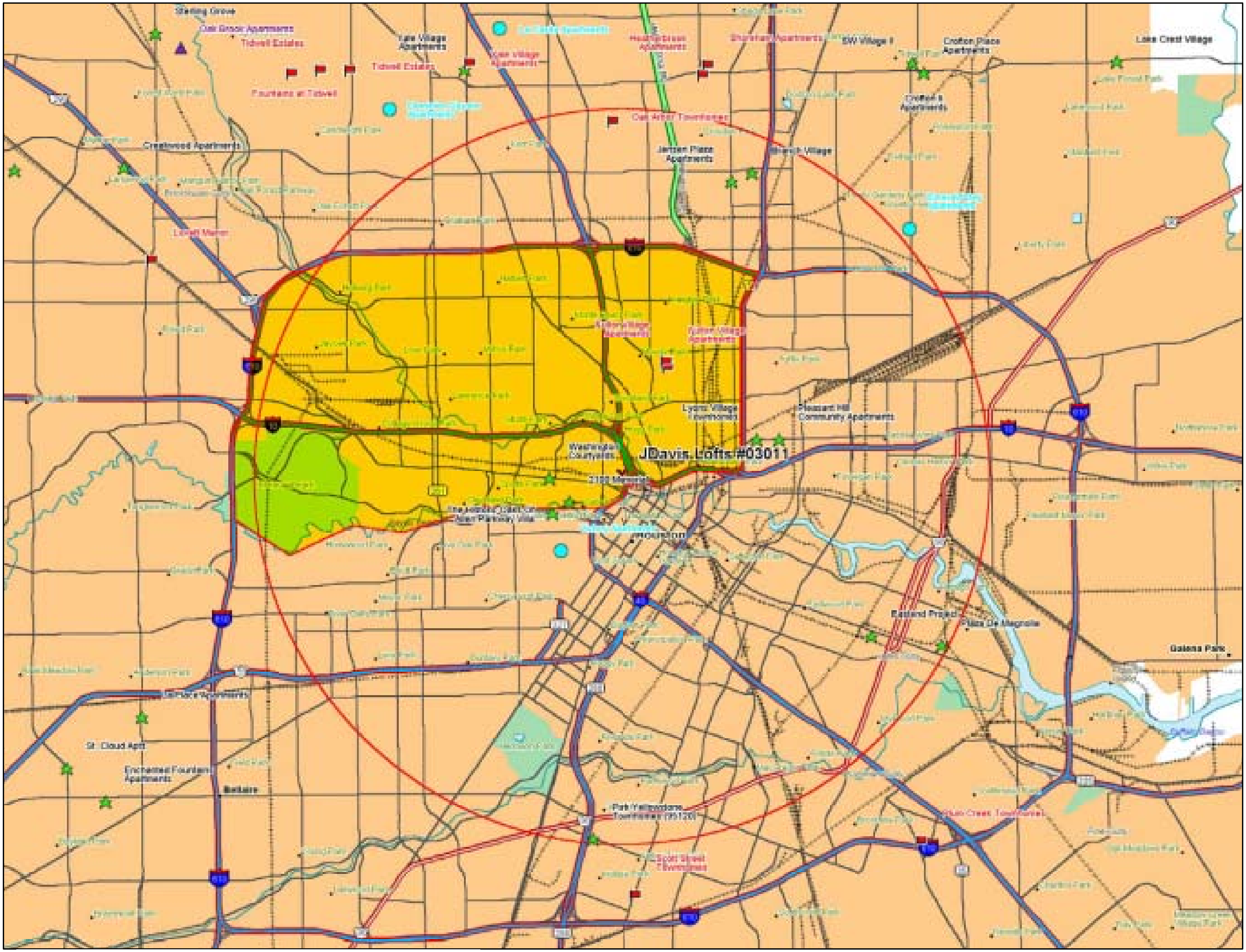
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$236,088	$243,171	$250,466	$257,980	$265,719	$308,041	$357,104	$413,982	$556,357
Secondary Income	2,040	2,101	2,164	2,229	2,296	2,662	3,086	3,577	4,807
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	238,128	245,272	252,630	260,209	268,015	310,703	360,190	417,559	561,164
Vacancy & Collection Loss	(17,860)	(18,395)	(18,947)	(19,516)	(20,101)	(23,303)	(27,014)	(31,317)	(42,087)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$220,268	$226,876	$233,683	$240,693	$247,914	$287,400	$333,176	$386,242	$519,077
EXPENSES at 4.00%									
General & Administrative	$10,596	$11,020	$11,461	$11,919	$12,396	$15,081	$18,349	$22,324	$33,045
Management	12,576	12,953	13,342	13,742	14,154	16,409	19,022	22,052	29,636
Payroll & Payroll Tax	13,501	14,041	14,603	15,187	15,794	19,216	23,379	28,444	42,104
Repairs & Maintenance	20,198	21,006	21,846	22,720	23,629	28,748	34,977	42,555	62,991
Utilities	12,172	12,659	13,165	13,692	14,239	17,325	21,078	25,645	37,960
Water, Sewer & Trash	10,914	11,351	11,805	12,277	12,768	15,534	18,900	22,994	34,037
Insurance	22,497	23,396	24,332	25,306	26,318	32,020	38,957	47,397	70,159
Property Tax	30,219	31,427	32,684	33,992	35,351	43,010	52,329	63,666	94,241
Reserve for Replacements	10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,810
Other	6,350	6,604	6,868	7,143	7,429	9,038	10,996	13,378	19,803
TOTAL EXPENSES	$149,222	$155,065	$161,138	$167,450	$174,011	$210,899	$255,649	$309,945	$455,788
NET OPERATING INCOME	$71,046	$71,811	$72,545	$73,243	$73,903	$76,502	$77,527	$76,297	$63,289
DEBT SERVICE									
First Lien Financing	$56,023	$56,023	$56,023	$56,023	$56,023	$56,023	$56,023	$56,023	$56,023
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	$15,023	$15,788	$16,522	$17,220	$17,880	$20,479	$21,504	$20,274	$7,266
DEBT COVERAGE RATIO	1.27	1.28	1.29	1.31	1.32	1.37	1.38	1.36	1.13

LIHTC Allocation Calculation - Jefferson Davis Artist Lofts, Houston, LIHTC #03011

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	$200,000	$200,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$45,310	$45,310	$45,310	$45,310
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,819,483	$2,819,456	$2,819,483	$2,819,456
(4) Contractor Fees & General Requirements				
Contractor overhead	$60,704	$57,295	$57,296	$57,295
Contractor profit	$182,115	$171,886	$171,888	$171,886
General requirements	$182,115	$171,886	$171,888	$171,886
(5) Contingencies	$303,524	$286,477	$143,240	$286,477
(6) Eligible Indirect Fees	$689,897	$689,897	$689,897	$689,897
(7) Eligible Financing Fees	$90,800	$90,800	$90,800	$90,800
(8) All Ineligible Costs	$793,173	$793,173		
(9) Developer Fees			$628,470	
Developer overhead	$72,900	$86,660		$86,660
Developer fee	$656,100	$563,291		$563,291
(10) Development Reserves	$235,520	$88,060		
TOTAL DEVELOPMENT COSTS	$6,331,641	$6,064,190	$4,818,271	$4,982,958

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		$4,818,271	$4,982,958
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$6,263,752	$6,477,845
Applicable Fraction		76.60%	76.60%
TOTAL QUALIFIED BASIS		$4,797,896	$4,961,887
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$400,145	$413,821
Syndication Proceeds	**0.7799**	**$3,120,815**	**$3,227,484**
Total Credits (Eligible Basis Method)		**$400,145**	**$413,821**
Syndication Proceeds		**$3,120,815**	**$3,227,484**
Requested Credits		**$280,733**	
Syndication Proceeds		**$2,189,498**	
Gap of Syndication Proceeds Needed		**$2,240,927**	
Credit Amount		**$287,327**	



Scale: 1 : 112,500 Zoom Level: 10-7 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.5°E

TDHCA

03070

Region 6

Development Name: **Bay Ranch Apartments** TDHCA #: **03070**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 1400 Thompson Road
City: Bay City County: Matagorda Zip Code: 77414

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

Targeted Units: Family: 64 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Bay City Bay Ranch Apartments, LP

Principal Names	Principal Contact	Percentage Ownership
Bay City Bay Ranch Apartments I, LLC	Michael G. Lankford	.01% of Owner (MGP)
Hill Country Community Housing Corporation	Tama Shaw	51% of MGP
Lankford Interests, LLC	Michael Lankford	41% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$451,094** Allocation over 10 Years: $4,510,940
Credits Requested $477,317 Eligible Basis Amount: $468,131 Equity/Gap Amount $451,094

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:	$5,098,103
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	$82.50
Credits per Low Income Uni	$7,518

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$357,587
Total Expenses:	$230,725
Net Operating Income	$126,862
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$1,444,606
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 Partner	Permanent Lender	PNC Bank, NA

Project Name: Bay Ranch Apartments   Project Number: 03070

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Charles Martinez, Mayor, City of Bay City, S	
TX Representative:	Glenda Dawson, District 29 , S	
TX Senator:	Ken Armbrister, District 18 , N	
US Representative:	Ron Paul, S	
US Senator:		

General Summary of Comment: Some 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 prior to close of the construction loan reflecting a debt service not to exceed $115,332.

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

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

Explanation: **This Development has a competitive score in 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 # **03070** Name: **Bay Ranch Apartments** City: **Bay City**

LIHTC 9% [x] 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: [x] N/A [ ] Yes [ ] No

Noncompliance Reported on National Previous Participation Certification: [ ] Yes [ ] No

Portfolio Management and Compliance

Projects in Material Noncompliance: No [x] 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 [x] Unresolved issues found [ ]

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

Asset Management

Not applicable [ ] Review pending [ ] No unresolved issues [x] 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 [x] 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 [x] 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 [x] 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 [x] Delinquencies found [ ]

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

Reviewed by Stephanie Stuntz Date 6 /6 /2003

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 11, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03070

DEVELOPMENT NAME

Bay Ranch Apartments

APPLICANT

Name:	Bay City Ranch 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:	Bay City Bay Ranch Apartments I, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Hill Country Community Housing Corporation	**(%):**	0.51 of MGP	**Title:**	Co-owner of MGP
Name:	Lankford Interests, LLC	**(%):**	.49 of MGP	**Title:**	Co-owner of MGP & Dev.
Name:	Michael 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 HCCAA

PROPERTY LOCATION

Location:	1400 Thompson Road			☒ **QCT**	☐ **DDA**
City:	Bay City	**County:**	Matagorda	**Zip:**	77414

REQUEST

Amount	Interest Rate	Amortization	Term
1) $477,317	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $451,094 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a revised permanent loan commitment prior to close of the construction loan reflecting a debt service not to exceed $115,332.
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: 64 **# Rental Buildings** 8 **# Common Area Bldgs** 3 **# of Floors** 2 **Age:** N/A yrs

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 and galvanized metal roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & 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 activity and lounge room, management offices, fitness facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool and equipped children's play area is located at the entrance to. In addition a 700-SF daycare facility and a 573-SF laundry/maintenance building is also planned for the site and will be located in the middle of the property. Perimeter fencing is also planed for the site.

Uncovered Parking: 36 spaces **Carports:** 64 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bay Ranch Apartments is a relatively dense 12 units per acre new construction development of 64 units of mixed income housing located in Bay City. The development is comprised of 8 evenly distributed medium garden style walk-up residential buildings as follows:

- (1) Building Type A with 8 one-bedroom/ one-bath units;
- (4) Building Type B with 8 two-bedroom/ two-bath units; and
- (3) Building Type C with 8 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: 5.45 acres 237,402 square feet **Zoning/ Permitted Uses:** No zoning ordinance

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Bay City is located in the Gulf Coast region of the state, approximately 66 miles southeast from Houston in Matagorda County. The site is a rectangular-shaped parcel located in the southern area of Bay City, approximately 1.5 miles from the central business district. The site is situated on the north side of Thompson Drive.

Adjacent Land Uses:

- **North:** vacant land and commercial properties
- **South:** single-family homes, school
- **East:** vacant land
- **West:** vacant land

Site Access: Access to the property is from the east or west along Thompson Drive. The development is to have one main entry, from the east or west from Thompson Drive. Avenue F is 1 block east of the subject property, which intersects with FM-457 1 mile north of the site in downtown Bay City and provides connections to all other major roads serving the Bay City area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within close proximity to several 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 letter from the City of Bay City dated January 29, 2003 indicates that the city does not have a zoning ordinance. Therefore, the property is an appropriate site for multi-family housing.

Site Inspection Findings: TDHCA staff performed a site inspection on April 21, 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 18, 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. While the LUST sites in the vicinity of the subject do not appear to pose a threat to contamination, we recommend that the property be deed restricted to preclude the possibility of ground water being used as a drinking water source." (p. 27)

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. 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 units (20%) will be reserved for households earning 50% or less of AMGI, 31 units (48%) will be reserved for households earning 60% or less of AMGI and the remaining 4 (6%) units will be offered at market rents.

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 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 Matagorda County…The primary market area consists of the following census tracts: 7301.00, 7302.00, 7303.00, 7304.00, 7305.00, 7306.00, and 7307.00." (p. 30) This is a very large market area encompassing over 1,100 square miles and all of Matagorda county. This is a reasonable designation given the limited population in the area.

Population: The estimated 2002 population of the primary market area was 38,027 and is expected to increase by 0.59% to approximately 38,251 by 2007. Within the primary market area there were estimated to be 13,996 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	10	1%	2	1%
Movership (turnover 35.2%)	907	36%	302	99%
Overburdened HH	1,252	49%	0	
Substandard HH	367	14%	0	
TOTAL ANNUAL DEMAND	**2,536**	**100%**	304	**100%**

Ref: p. 105

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 used as turnover for the calculation. The Market Analyst concluded an inclusive capture rate of 7.7% for the rent restricted units. This is based on a demand of 854 divided by 66 unstabilized comparable units. The unstabilized units consist of 60 from the subject and 6 units from Bay City Manor Apartments, an LIHTC development built in 1986. However, the Underwriter's interpretation of the data presented in the market study concludes total demand of 2,536. Also, since Bay City Manor Apartments is an older property, the Underwriter did not include these units in the total unstabilized amount. Therefore, using the Underwriter's revised demand estimate the inclusive capture rate for subject, based on the Market Analyst's data, is 2.36%. Based on the information provided in the market study, the Underwriter calculated an inclusive capture rate of 20% based upon a revised supply of unstabilized comparable affordable units of 60 (the subject) divided by a revised demand of 304. This demand was calculated using the same growth plus turnover methodology that has been used on all 2003 applications.

Market Rent Comparables: The Market Analyst surveyed 18 comparable apartment projects totaling 1,893 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$218	$218	$0	$430	-$212
1-Bedroom (40%)	$305	$305	$0	$430	-$125
1-Bedroom (50%)	$391	$391	$0	$430	-$39
1-Bedroom (60%)	$478	$478	$0	$430	+$48
2-Bedroom (30%)	$258	$258	$0	$560	-$302
2-Bedroom (40%)	$363	$363	$0	$560	-$197
2-Bedroom (50%)	$467	$467	$0	$560	-$93
2-Bedroom (60%)	$571	$571	$0	$560	+$11
2-Bedroom (MR)	$550	N/A	N/A	$560	-$10
3-Bedroom (30%)	$295	$295	$0	$630	-$335
3-Bedroom (40%)	$415	$415	$0	$630	-$215
3-Bedroom (50%)	$535	$535	$0	$630	-$95
3-Bedroom (60%)	$656	$656	$0	$630	+$26
3-Bedroom (MR)	$650	N/A	N/A	$630	+$20

(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 83.9% (1,893 units in sample)." (p. 95)

Absorption Projections: "We estimate a lease up period of 8 months for the subject property." (p. 113)

Known Planned Development: "There are no other known proposed competing affordable multifamily developments in the market area." (p. 95)

Effect on Existing Housing Stock: "In our opinion, the proposed development would have a modest impact on other affordable multifamily properties in the marketplace." (p. 96)

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. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,450 compares favorably within 5% with a TDHCA database-derived estimate of $3,605 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($13K lower), repairs and maintenance ($7K lower), utilities ($5K lower), water, sewer, and trash ($9K lower), insurance ($17K higher) and property tax ($6K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further with the additional information provided by the Applicant.

Conclusion: Although the Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, 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. While the Applicant's income and expense estimate indicates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30 the Underwriter's DCR is slightly below the target at 1.07. This suggests that the debt service will be capped at $115,332, suggested a debt reduction of $44,405. This debt service restriction will be a condition of this report.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 14.956 acres	$1,500	**Assessment for the Year of:**	2002
Land (per acre):	$100.30	**Valuation by:**	Matagorda County Appraisal District
Total Assessed Value (5.45 acres):	$546.64	**Tax Rate:**	2.83063

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	09/ 01/ 2003	**Anticipated Closing Date:**	09/ 01/ 2003
Acquisition Cost:	$150,000	**Other Terms/Conditions:**	
Seller:	Ira T. Anderson, Jr.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Despite being significantly more than the agricultural assessed value, the acquisition price of $150,000 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 direct construction cost estimate is $26K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable 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 $45K 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. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $11,788.

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 $4,605,603 is used to determine a credit allocation of $468,131 from this method. The resulting syndication proceeds will be used to compare to the gap of funds needed to determine a final allocation recommendation.

FINANCING STRUCTURE

INTERIM TO PERMANENT FINANCING

Source: PNC Bank **Contact:** Craig Hackett

Principal Amount: $1,489,011 **Interest Rate:** 7%

Additional Information:

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

Annual Payment: $118,877 **Lien Priority:** 1st **Commitment Date** 06/ 10/ 2003

LIHTC SYNDICATION

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

Address: 111 SW 5th 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: Based on credits of $477,317, the Applicant submitted a revised sources and uses indicating a lower amount of proceeds totally only $3,609,092.

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 sources and uses listed in the application. 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 NOI suggests the maximum debt service for this development should be limited to $115,332 which reduces the debt amount anticipated by $44K to $1,444,606.

LIHTC Syndication: Columbia Housing has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,864,881 based on a syndication factor of 81%. However, the Applicant submitted a revised sources and uses and estimates a lower $3,609,092 in net proceeds but did not explain how this amount was derived. This amount is equal to the Applicant estimate of gap of funds and results in a maximum credit allocation of $445,611 based on the syndication terms provided. The Underwriter's reduction in debt widens this gap of funds to $3,653,496 resulting in a credit recommendation of $451,094.

Deferred Developer's Fees: The Applicant is not anticipating the need to defer any fees based on the revised sources and uses statement.

Financing Conclusions: An eligible basis of $4,605,603 is used to determine a credit allocation of $468,131 from this method. However, with the financing structure recommended, this is $137,983 in excess funds. Therefore, the development is limited by the gap method to total syndication proceeds of $653,497, resulting in an annual tax credit allocation of $451,094.

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 ranges.

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

MULTIFAMILY COMPARATIVE ANALYSIS

Bay City Ranch Apartments, Bay City, LIHTC #03070

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	$260	$218	$436	$0.31	$42.00	$37.00
TC40%	1	1	1	706	347	$305	305	0.43	42.00	37.00
TC50%	4	1	1	706	433	$391	1,564	0.55	42.00	37.00
<TC60%	1	1	1	706	520	$430	430	0.61	42.00	37.00
TC30%	6	2	2	904	312	$258	1,548	0.29	54.00	47.00
TC40%	2	2	2	904	417	$363	726	0.40	54.00	47.00
TC50%	3	2	2	904	521	$467	1,401	0.52	54.00	47.00
<TC60%	18	2	2	904	625	$560	10,080	0.62	54.00	47.00
MR	3	2	2	904		550	1,650	0.61	54.00	47.00
TC30%	3	3	2	1,134	361	$295	885	0.26	66.00	54.00
TC40%	2	3	2	1,134	481	$415	830	0.37	66.00	54.00
TC50%	6	3	2	1,134	601	$535	3,210	0.47	66.00	54.00
<TC60%	12	3	2	1,134	722	$630	7,560	0.56	66.00	54.00
MR	1	3	2	1,134		630	630	0.56	66.00	54.00
TOTAL:	64		AVERAGE:	966	$515	$488	$31,255	$0.51	$57.00	$48.38

INCOME			TDHCA	APPLICANT		
Total Net Rentable Sq Ft: 61,792					USS Region	6
POTENTIAL GROSS RENT			$375,060	$375,060	IREM Region	
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			$386,580	$386,580		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(28,994)	(28,992)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$357,587	$357,588		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.64%	$315	0.33	$20,170	$7,590	$0.12	$119	2.12%
Management		5.00%	279	0.29	17,879	$17,879	0.29	279	5.00%
Payroll & Payroll Tax		14.38%	803	0.83	51,407	$52,696	0.85	823	14.74%
Repairs & Maintenance		6.65%	371	0.38	23,771	$16,554	0.27	259	4.63%
Utilities		6.18%	345	0.36	22,107	$17,275	0.28	270	4.83%
Water, Sewer, & Trash		6.58%	368	0.38	23,525	$14,304	0.23	224	4.00%
Property Insurance		4.10%	229	0.24	14,649	$31,514	0.51	492	8.81%
Property Tax	2.83063	10.13%	566	0.59	36,232	$41,972	0.68	656	11.74%
Reserve for Replacements		3.58%	200	0.21	12,800	$12,800	0.21	200	3.58%
Other Expenses:Supp Svcs & Security		2.29%	128	0.13	8,184	$8,184	0.13	128	2.29%
TOTAL EXPENSES		64.52%	$3,605	$3.73	$230,725	$220,768	$3.57	$3,450	61.74%
NET OPERATING INC		35.48%	$1,982	$2.05	$126,861	$136,820	$2.21	$2,138	38.26%
DEBT SERVICE									
PNC Bank		33.24%	$1,857	$1.92	$118,877	$118,972	$1.93	$1,859	33.27%
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		2.23%	$125	$0.13	$7,984	$17,848	$0.29	$279	4.99%
AGGREGATE DEBT COVERAGE RATIO					1.07	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)		3.03%	$2,379	$2.46	$152,250	$152,250	$2.46	$2,379	2.99%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.54%	6,710	6.95	429,454	429,454	6.95	6,710	8.42%
Direct Construction		51.07%	40,151	41.59	2,569,695	2,596,499	42.02	40,570	50.93%
Contingency	3.03%	1.80%	1,418	1.47	90,779	90,779	1.47	1,418	1.78%
General Req'ts	6.00%	3.58%	2,812	2.91	179,949	181,557	2.94	2,837	3.56%
Contractor's G & A	2.00%	1.19%	937	0.97	59,983	60,519	0.98	946	1.19%
Contractor's Profit	6.00%	3.58%	2,812	2.91	179,949	181,557	2.94	2,837	3.56%
Indirect Construction		2.96%	2,327	2.41	148,900	148,900	2.41	2,327	2.92%
Ineligible Costs		3.05%	2,398	2.48	153,462	153,462	2.48	2,398	3.01%
Developer's G & A	2.00%	1.58%	1,242	1.29	79,486	0	0.00	0	0.00%
Developer's Profit	13.00%	10.27%	8,073	8.36	516,661	612,519	9.91	9,571	12.01%
Interim Financing		6.27%	4,931	5.11	315,607	315,607	5.11	4,931	6.19%
Reserves		3.09%	2,428	2.51	155,369	175,000	2.83	2,734	3.43%
TOTAL COST		100.00%	$78,618	$81.43	$5,031,544	$5,098,103	$82.50	$79,658	100.00%
Recap-Hard Construction Costs		*69.76%*	***$54,841***	***$56.80***	***$3,509,808***	***$3,540,365***	***$57.29***	***$55,318***	*69.44%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
PNC Bank	29.59%	$23,266	$24.10	$1,489,011	$1,489,011	$1,444,606	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$596,147
LIHTC Syndication Proceeds	71.73%	$56,392	$58.41	3,609,092	3,609,092	3,653,497	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0			0%
Additional (excess) Funds Required	-1.32%	($1,040)	($1.08)	(66,559)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,031,544	$5,098,103	$5,098,103	$318,708.24

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Bay City Ranch Apartments, Bay City, LIHTC #03070

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	17,805	5.24	323,793
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
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			59.53	3,678,691
Current Cost Multiplier	1.03		1.79	110,361
Local Multiplier	0.83		(10.12)	(625,378)
TOTAL DIRECT CONSTRUCTION COSTS			$51.20	$3,163,674
Plans, specs, survy, bld prm	3.90%		($2.00)	($123,383)
Interim Construction Interes	3.38%		(1.73)	(106,774)
Contractor's OH & Profit	11.50%		(5.89)	(363,823)
NET DIRECT CONSTRUCTION COSTS			$41.59	$2,569,695

PAYMENT COMPUTATION

Primary	$1,489,011	Term	360
Int Rate	7.00%	DCR	1.07

Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.07

Additional		Term	
Int Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$115,332
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$11,529

Primary	$1,444,606	Term	360
Int Rate	7.00%	DCR	1.10

Secondary		Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional		Term	0
Int Rate	0.00%	Aggregate DCR	1.10

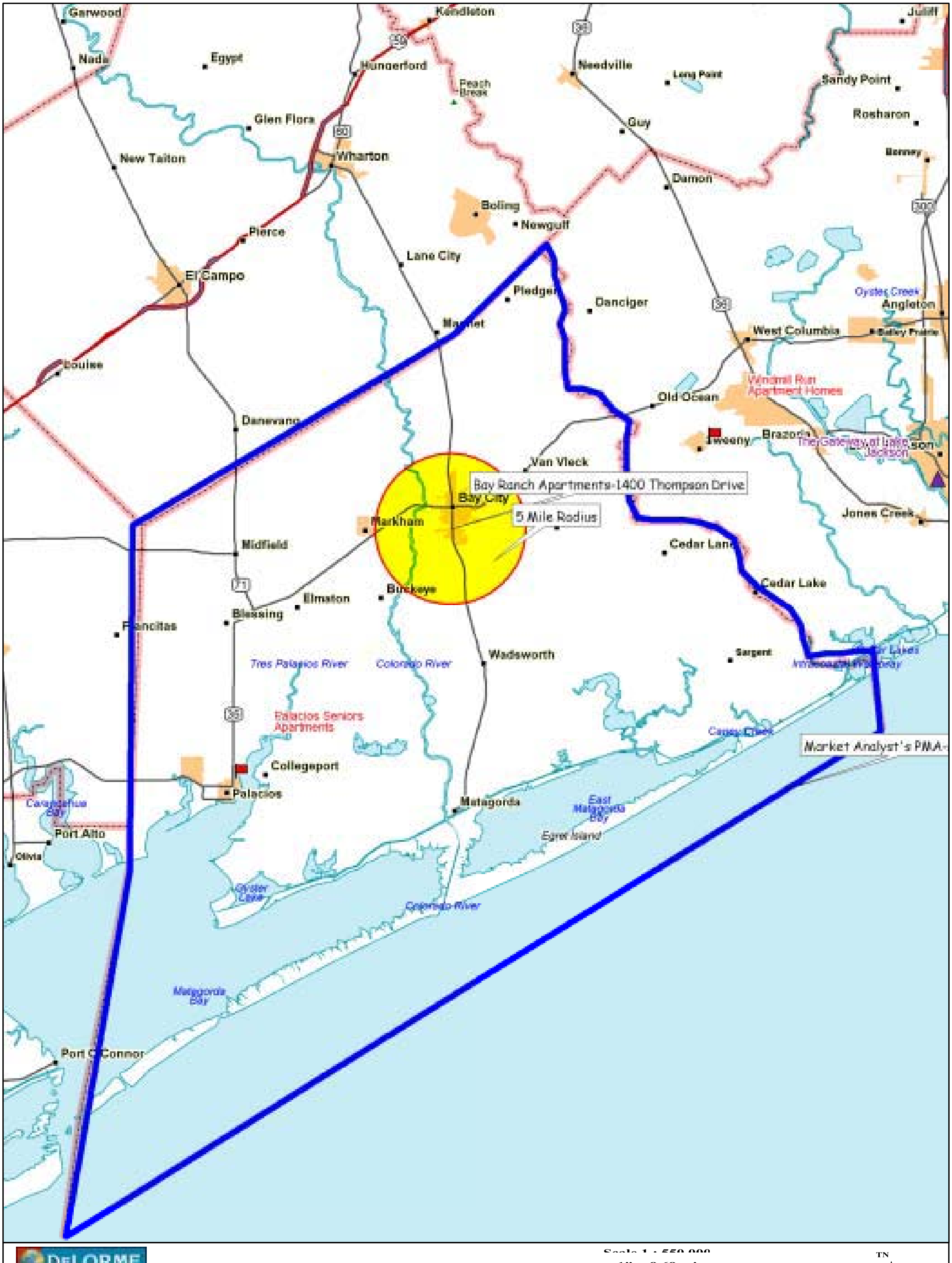
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$375,060	$386,312	$397,901	$409,838	$422,133	$489,368	$567,312	$657,670	$883,853
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	386,580	398,177	410,123	422,426	435,099	504,399	584,737	677,870	911,001
Vacancy & Collection Loss	(28,994)	(29,863)	(30,759)	(31,682)	(32,632)	(37,830)	(43,855)	(50,840)	(68,325)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$357,587	$368,314	$379,364	$390,744	$402,467	$466,569	$540,882	$627,030	$842,676
EXPENSES at 4.00%									
General & Administrative	$20,170	$20,977	$21,816	$22,688	$23,596	$28,708	$34,928	$42,495	$62,902
Management	17,879	18,416	18,968	19,537	20,123	23,328	27,044	31,352	42,134
Payroll & Payroll Tax	51,407	53,463	55,602	57,826	60,139	73,168	89,020	108,307	160,320
Repairs & Maintenance	23,771	24,722	25,711	26,740	27,809	33,834	41,164	50,083	74,135
Utilities	22,107	22,991	23,911	24,867	25,862	31,465	38,282	46,576	68,944
Water, Sewer & Trash	23,525	24,466	25,445	26,463	27,521	33,484	40,738	49,564	73,367
Insurance	14,649	15,235	15,845	16,479	17,138	20,851	25,368	30,864	45,687
Property Tax	36,232	37,681	39,189	40,756	42,386	51,570	62,742	76,335	112,995
Reserve for Replacements	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Other	8,184	8,511	8,852	9,206	9,574	11,648	14,172	17,242	25,523
TOTAL EXPENSES	$230,725	$239,775	$249,182	$258,960	$269,123	$326,274	$395,624	$479,785	$705,926
NET OPERATING INCOME	$126,861	$128,539	$130,181	$131,785	$133,344	$140,295	$145,258	$147,245	$136,750
DEBT SERVICE									
First Lien Financing	$115,332	$115,332	$115,332	$115,332	$115,332	$115,332	$115,332	$115,332	$115,332
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	$11,529	$13,207	$14,849	$16,453	$18,012	$24,963	$29,926	$31,913	$21,418
DEBT COVERAGE RATIO	1.10	1.11	1.13	1.14	1.16	1.22	1.26	1.28	1.19

LIHTC Allocation Calculation - Bay City Ranch Apartments, Bay City, LIHTC #03070

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	$152,250	$152,250		
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	$2,569,695	$2,596,499	$2,569,695
(4) Contractor Fees & General Requirements				
Contractor overhead	$60,519	$59,983	$60,519	$59,983
Contractor profit	$181,557	$179,949	$181,557	$179,949
General requirements	$181,557	$179,949	$181,557	$179,949
(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	$315,607	$315,607	$315,607	$315,607
(8) All Ineligible Costs	$153,462	$153,462		
(9) Developer Fees			$600,731	
Developer overhead		$79,486		$79,486
Developer fee	$612,519	$516,661		$516,661
(10) Development Reserves	$175,000	$155,369		
TOTAL DEVELOPMENT COSTS	$5,098,103	$5,031,544	$4,605,603	$4,570,462

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		$4,605,603	$4,570,462
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$5,987,283	$5,941,601
Applicable Fraction		93.75%	93.75%
TOTAL QUALIFIED BASIS		$5,613,078	$5,570,251
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$468,131	$464,559
Syndication Proceeds	**0.8099**	**$3,791,480**	**$3,762,551**
Total Credits (Eligible Basis Method)		**$468,131**	**$464,559**
Syndication Proceeds		**$3,791,480**	**$3,762,551**
Requested Credits		**$477,317**	
Syndication Proceeds		**$3,865,881**	
Gap of Syndication Proceeds Needed		**$3,653,497**	
Credit Amount		**$451,094**	



DELORME

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03153

Region 6

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

Development Name: **Northline Point Apartments** TDHCA #: **03153**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Houston
Site Address: 7313 Northline
County: Harris
Zip Code: 77076

☐ TTC ☐ DDA ☑ QCT
Purpose / Activity: New and Acq/Rehab

Targeted Units: Family: 160 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: DSI-Nothline, L.T.D

Principal Names	Principal Contact	Percentage Ownership
DSD Development, Inc.	Donald W. Sowell	.01% of Owner
Donald Sowell		100% Developer
Donald Sowell		100% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$347,203** Allocation over 10 Years: $3,472,030
Credits Requested $364,741 Eligible Basis Amount: $347,203 Equity/Gap Amount $457,186

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	2	3	3	8
40%	0	3	7	6	16
50%	0	3	7	6	16
60%	0	29	43	48	120
MR	0	3	4	33	40
Total	0	40	64	96	

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
- ☑ Recreation facilities
- ☑ 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
- ☐ Computer Facility with Internet
- ☐ Public Phones

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$8,362,483
Gross Building Square Feet	192,860
Total Net Rentable Area Square Feet:	185,040
Average Square Feet/Unit	925
Cost Per Net Rentable Square Foot	$45.19
Credits per Low Income Uni	$2,170

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,407,746
Total Expenses:	$932,364
Net Operating Income	$475,382
Estimated 1st Year Debt Coverage Ratio	1.22

FINANCING

Permanent Principal Amount:	$4,800,000
Applicant Equity:	$1,136,910
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7792

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	D.W. Sowell Development, LTD.	Market Analyst:	Gerald A. Teel Co.
Housing GC:	National Urban Construction, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	Aaron & Wright
Cost Estimator:	NA	Attorney:	Charley Smith
Architect:	Architectural Drawing Unlimited, LTD.	Accountant:	Hoover Morris, CPA
Property Manager	Wilmic Ventures, Inc.	Supp Services	Wilmic Ventures, Inc.
Syndicator:	Enterprise Social Investments Corp.	Permanent Lender	Mitchell Mortgage Company, LLC

Project Name: Northline Point Apartments — Project Number: 03153

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: NC

TX Representative: Kevin Bailey, District 140, N

TX Senator: Mario Gallegos, Jr., District 6, N

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: No Public Comment

DEPARTMENT EVALUATION

Points Awarded: 85 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of evidence of the satisfactory completion of the ESA inspector's recommended follow-up investigation and asbestos management plan by close of the construction loan.

Receipt, review, and acceptance of HUD's approval of HAP rent increases as proposed, by close of the construction loan.

Receipt, review, and acceptance of documentation from the Applicant's CPA and tax attorney and the limited partner investors that they are comfortable that the acquisition eligible basis is justified considering the as-is appraised value, and that the cost differential is not for land, goodwill, or similar ineligible costs by carryover.

Receipt, review, and acceptance of any documentation of decoupling the IRP, resulting financing, and HUD approvals by close of construction loan, if applicable.

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 # **03153** Name: **Northline Point Apartments** City: **Houston**

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: 39 Projects grouped by score 0-9 35 10-19 3 20-29 1

Total # monitored with a score less than 30: 39 # 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 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

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 15, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03153

DEVELOPMENT NAME

Northline Point Apartments

APPLICANT

Name:	DSI-Northline, Ltd.			**Type:**	For Profit		
Address:	P.O. Box 187			**City:**	Prairie View	**State:**	TX
Zip:	77446	**Contact:**	Kimberly Herzog	**Phone:**	(888) 231-5235	**Fax:**	(936) 857-5009

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	DSD Development, Inc.	**(%):**	.01	**Title:**	Managing General Partner
Name:	The Enterprise Social Investment Corporation	**(%):**	99.99	**Title:**	Co-General Partner
Name:	D.W. Sowell Development, Ltd.	**(%):**		**Title:**	Developer
Name:	Donald Sowell	**(%):**		**Title:**	Owner of General Partner & Developer

PROPERTY LOCATION

Location:	7313 Northline Drive		☒ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77076

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$364,741	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $347,203 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of evidence of the satisfactory completion of the ESA inspector's recommended follow-on investigation and asbestos management plan by close of the construction loan;
2. Receipt, review, and acceptance of HUD's approval of HAP rent increases as proposed, by close of the construction loan;
3. Receipt, review, and acceptance of documentation from the Applicant's CPA and tax attorney and the limited partner investors that they are comfortable that the acquisition eligible basis is justified considering the as-is appraised value, and that the cost differential is not for land, goodwill, or similar ineligible costs by carryover;
4. Receipt, review, and acceptance of any documentation of decoupling the IRP, resulting financing, and HUD approvals by close of construction loan, if applicable.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	200	**# Rental Buildings**	10	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	31	yrs	**Vacant:**	32	at	2/ 1/	2003

Net Rentable SF: 185,040 **Av Un SF:** 925 **Common Area SF:** 7,820 **Gross Bldg SF:** 192,860

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

A 5,016-SF community building with activity rooms & management offices, laundry facilities, kitchen, & restrooms. The development will also include an equipped children's play area & perimeter fencing with a limited access gate.

Uncovered Parking: 303 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Northline Point Apartments is a proposed acquisition and rehabilitation development of 200 units of mixed income housing located in north Houston. The development was built in 1972 and is comprised of ten residential buildings as follows:

- One Building Type A with eight each one-bedroom/one-bath and two-bedroom/one-bath units;
- Two Building Type B with four two-bedroom/one-bath units and 12 three-bedroom/two-bath units;
- Four Building Type C with eight one-bedroom/one-bath units, 12 two- bedroom/one-bath units, and 12 three-bedroom/two-bath units; and
- Three Building Type D with eight four-bedroom/two-bath units.

Existing Subsidies: The development is currently operated under Section 236 Rental Housing Assistance Program, which restricts rents, operating methods, and tenant eligibility. There is an interest rate reduction program (IRP) credit agreement to reduce the effective permanent mortgage loan interest rate to 1%. The prepayment lockout period has expired and the owner may pay off the loan and discontinue the affordability restrictions in the regulatory agreement. The current owner has all 200 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The Applicant intends to continue the HAP contract but has not contacted HUD regarding decoupling of the Section 236 and IRP due to the current owner’s insistence on avoiding notification of property staff regarding a possible sale, however, the application reads as if the HAP contract is not considered. Receipt, review, and acceptance of any future proposed IRP decoupling, along with HUD approvals is a condition of this report. Currently HAP rents appear to be $411 for one-bedroom units, $485 for two-bedroom units, $579 for the three-bedroom units, and $673 for four-bedroom units (to be considered large three-bedroom units after conversion). These were observed from the rent roll. A copy of the current HAP contract was not provided nor were the HAP contract rents used by the Applicant in the rent schedule or in determination of the rental income. Thus receipt, review, and acceptance of the existing HAP contract and any proposed changes to the HAP rents is a condition of this report.

Development Plan: The buildings are currently 84% occupied and in average condition according to the appraiser. The architect’s scope of work includes: conversion of 24 four-bedroom units to three-bedroom units, improvement of handicapped accessibility features, repair and resurfacing of paved areas, landscaping improvements, addition of two playgrounds and two dumpster pads, reproofing of all buildings, repair or replacement of water pipes and water heaters, replacement of air conditioning system, repair or replacement of interior and exterior walls and doors, repair or replacement of counter tops, appliances, and fixtures. The rehabilitation will be phased to minimize displacement of current residents.

Architectural Review: The buildings are simple and functional, with all-brick veneer exterior wall finish and hipped roofs. Landscaping is very minimal and there appears, from photographs provided, to be a moderate amount of repair required to concrete flatwork, paving, stairs, and fencing as well as unit interiors and replacement of HVAC components.

Supportive Services: The Applicant intends to use Wilmic Ventures, Inc. to provide supportive services to tenants, and indicates that the services can be provided at no expense to the property or tenants.

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

SITE ISSUES

SITE DESCRIPTION

Size:	10	acres	435,600	square feet	**Zoning/ Permitted Uses:**	No zoning in Houston
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The property is a rectangularly-shaped parcel located in the north area of Houston, approximately eight miles from the central business district. The site is situated on the east side of Northline Drive.

Adjacent Land Uses:

- **North:** a neighborhood shopping center and church, followed by Little York Road
- **South:** vacant land
- **East:** Northline Drive with vacant land, a single-family residence, and commercial beyond
- **West:** commercial warehouses

Site Access: Access to the property is from the north or south from Northline Drive. Access to Interstate Highway 45 is one-half miles west, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the city bus system, with a stop at the property.

Shopping & Services: Primary shopping facilities are located along the nearby I-45 corridor. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The property has unresolved environmental issues regarding asbestos-containing materials and lead-based paint which are discussed below.

Site Inspection Findings: TDHCA staff performed a site inspection on April 14, 2003 and found the location to be acceptable for the proposed rehabilitation. The inspector noted that the existing kitchens and bathrooms are very small and it would be difficult to add accessibility features.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 25, 2003 was prepared by HBC/Terracon and contained the following findings and recommendations:

Findings:

- Soil Contamination: “A filled swimming pool is located on the eastern portion of the site…Based on the unknown origin of the fill, the filled pool may represent a recognized environmental condition to the site.” (p. 28)
- Asbestos-Containing Materials (ACM): “Thirty samples of suspect ACM were collected. Twenty-one of the 30 samples contained greater than 1% asbestos, including wall texture and floor tile.” (p. 28)

∉ Lead-Based Paint (LBP): "All of the exterior parking lines that were tested on-site were found to contain lead exceeding the 1 mg/square cm (per HUD guidelines) action limit." (p. 28)

Recommendations: "Based on the findings of this assessment, HBC/Terracon recommends that additional investigation be conducted to evaluate if the site has been affected by potential releases from the fill material used to fill the pool in the eastern portion of the site…all suspect building materials at the site are required to be assumed ACM, including those sampled by HBC/Terracon. It is recommended that either, 1) a thorough asbestos survey be performed to evaluate suspect building materials at the site, or, 2) all suspect building materials at the site be presumed ACM. All confirmed or presumed ACM should be managed through an asbestos management plan prepared by a Texas Department of Health-licensed asbestos management planner. Such a plan will specify the in-place management and/or removal of the confirmed and/or presumed ACM at the site." (p. 29)

The Applicant included the following plan to address these findings: "A proposal has been obtained from HBC for [the pool fill material investigation]. Once we are assured of an allocation by TDHCA, the work to determine the makeup of the soil will then begin. Any recommendations of the report will be followed…A proposal from HBC will be obtained for an asbestos management plan. The property will follow the plan once on site." It is a condition of this report that the Applicant provide evidence of the satisfactory completion of the ESA inspector's recommended follow-on investigation and asbestos management plan.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 160 of the units (80% of the total) will be reserved for low-income tenants. Eight of the units (4%) 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, 16 units (8%) will be reserved for households earning 60% or less of AMGI, 120 units (60%) will be reserved for households earning 60% or less of AMGI and the remaining 40 (20%) units will not be restricted for tax credit purposes.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	**$25,020**	**$28,620**	**$32,160**	**$35,760**	**$38,640**	**$41,460**

MARKET HIGHLIGHTS

A market feasibility study dated March 14, 2003 was prepared by The Gerald A. Teel Company, Inc. and highlighted the following findings:

Definition of Market/Submarket: "The subject primary market area is comprised of a part of north Houston; just north of Loop 610 and the downtown area…two zip codes [were] used as the neighborhood boundaries..." (p. 2) "The Apartment Market TRAC survey divides Harris County into 39 areas. The subject is located in the Northline/Aldine market area…This market is bounded by Beltway 8 and Aldine Bender to the north, Loop 610 to the south, Antoine Drive, State Highway 249, Wheatley and Ella Boulevard to the west, and Interstate Highway 45 and the Hardy Toll Road to the east." (p. 19) "The subject's macro market is generally described as the greater Houston area…" (p. 15)

Population: The estimated 2002 population of the primary market area was 62,018 and is expected to increase by 6.6% to approximately 66,123 by 2007. Within the primary market area there were estimated to be 29,974 households in 2002. (p. 6)

Total Local/Submarket Demand for Rental Units: "From 2002 to 2007, the subject's market area population is expected to increase by 4,105 or 6.6%. Households are expected to increase by 685 or 137 per year through 2005. Thus, new housing demand is estimated at 137 units per annum…The major employers in the area are considered stable, with positive although nominal growth expected in the period ahead." (p. 8)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	11	1%	21	1%
Resident Turnover	1,280	97%	1,287	99%
Other Sources: public housing & other	31	2%	0	0%
TOTAL ANNUAL DEMAND	**1,322**	**100%**	**1,308**	**100%**

Ref: p. 73

Inclusive Capture Rate: "Deducting the 77 units still to be absorbed in the new LIHTC property, the inclusive capture rate is 21.0%, although as a newer property it has higher rent than the subject and is not considered competitive. Also, the subject is presently 85% occupied and part of the current tenant pool would likely remain, and the tenancy has been counted in the capture rate, which would lower the risk somewhat." (p. 73) Since the subject is currently 84% occupied, capture of new tenants is not a significant issue.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed 11 comparable apartment projects totaling 2,449 units in the market area. "The initial rents proposed by the developer are slightly lower than the market rents." (p. 74)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$335	$335	$0	$500	-$165
1-Bedroom (40%)	$447	$447	$0	$500	-$53
1-Bedroom (50%)	$485/500	$558	-$73	$500	-$15
1-Bedroom (60%)	$495/500	$670	-$175	$500	-$5
1-Bedroom (MR)	$505	N/A	N/A	$500	**+$5**
2-Bedroom (30%)	$402	$402	$0	$600	-$198
2-Bedroom (40%)	$536	$536	$0	$600	-$64
2-Bedroom (50%)	$568/600	$670	-$102	$600	-$32
2-Bedroom (60%)	$578/600	$804	-$226	$600	-$22
2-Bedroom (MR)	$588/600	N/A	N/A	$600	-$12
3-Bedroom (30%)	$465	$465	$0	$720	-$135
3-Bedroom (40%)	$620	$620	$0	$720	-$100
3-Bedroom (50%)	$673/720	$775	-$102	$720	-$47
3-Bedroom (60%)	$683/720	$930	-$247	$720	-$37
3-Bedroom (MR)	$693/720-$799	N/A	N/A	$720	**-$27 - +$77**

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

Submarket Vacancy Rates: "The overall occupancy is reported to be 92.8%" (p. 19)

Absorption Projections: "Absorption in 2003 will likely be less than 2002 based on absorption data to date. This submarket has a history of positive and negative absorption in adjoining years although the newer product has had a positive impact on absorption overall. It is evident that the bulk of absorption will come from within the submarket or nearby adjoining submarkets and not from new household growth. Positive absorption is anticipated in 2002, but only at nominal levels after leveling off in midyear or the third quarter. It was noted that the newest property in the vicinity, Oak Arbor Townhomes, which had first occupancy on January 22, 2003, has filled 18 units within the last 30 days. It does appear that there is still demand and absorption could be positive providing the property is appealing to the tenancy." (p. 25)

Known Planned Development: "According to representatives for the city permit department, there have been no recent apartment permits, nor are any rumored. The Oak Arbor Townhomes [9% LIHTC #01139] located at Berry and McGallion have recently been completed. They are the newest property in the neighborhood, with first occupancy in January 2003. They reportedly have 94 units with 70 of said units offering LIHTC restricted rents. The Concord at Tidwell Apartments have broken ground, which were proposed to be 300+/- units with affordable rents…Other than these latter properties, no other new properties have been erected in the immediate vicinity in the last two years." (p. 2)

Effect on Existing Housing Stock: "The subject property will have minimal effect on the market, and will open up the property to a greater pool of possible renters." (p. 74)

Other Relevant Information: "According to interviews with local market participants, access to cable TV is the primary amenity request of tenants. The subject property does not currently have cable TV access. To achieve the rent levels noted in this report, access to this feature is required and recommended." (p. 25)

The Underwriter found the market study to provide sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are for the 30% and 40% AMI units are set at the LIHTC maximum rents, but the 50% and 60% AMI unit rents are significantly ($73-$247) below the maximum program rents and the one- and three-bedroom market rate unit rents are $5 and $77, respectively, above the Market Analyst's estimated market rents. The Underwriter adjusted rents on the LIHTC and market rate units to the lower of the LIHTC maximum rents or the Market Analyst's estimated market rents, which results in an additional $21,576 in potential gross income. There is the potential for significant additional income (approximately $319K) if the Applicant chooses to increase rents to the maximum allowed. On the other hand, if the HAP contract continues the maximum rents would be severely adjusted. The current inferred HAP rents would reduce gross potential rent by $210K and severely impact NOI. The Applicant stated that the property will pay all utilities, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; as a result of the Underwriter's rent adjustments the Underwriter's effective gross income exceeds the Applicant's by $19,958.

Expenses: The Applicant's estimate of total operating expense is 2% lower than the Underwriter's estimate, an acceptable deviation. The Applicant provided two years' of historical operating data for the property, upon which the Underwriter placed considerable weight in evaluating the Applicant's estimates. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($33.5K lower), repairs and maintenance ($28.6K lower), property tax ($45.9K higher). Due to the property's restricted profit potential as a Section 236 property it is likely that the historical expenses are somewhat higher than average, and will be adjusted when if the property is released from HUD constrictions.

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 the TDHCA underwriting guidelines of 1.10 to 1.30. Again it should be noted that this conclusion is based on Non-HAP contract rents.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$280,000	**Date of Valuation:**	2/	14/	2003
Existing Building(s) "as is":	$760,000	**Date of Valuation:**	2/	14/	2003
Total Value "as is":	$1,040,000 ($5,200/unit)	**Date of Valuation:**	2/	14/	2003

Appraiser: Aaron & Wright, Inc. **City:** Houston **Phone:** (713) 942-8980

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser used the sales comparison approach to estimate the value of the land as vacant and the cost, sales comparison, and income approaches to value the development as a whole. The land value was concluded to be $280,000. The appraiser placed the greatest weight upon the income approach to conclude an "as improved" market value of $4,750,000, then subtracted $48,000 in estimated rent loss during the rehabilitation and $3,662,483 in rehabilitation costs to arrive at an "as is" market value of $1,040,000. It should be noted, however, that the appraiser used market (unrestricted) rents rather than HAP or LIHTC or even mixed-income rents in deriving the income capitalization approach valuation, therefore this valuation could be considered inflated. Given the great disparity between the appraised valuation and the purchase price, the appraiser noted that, "As such, the purchaser appears to be purchasing the subject property above market value."

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for the purposes of this analysis the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property and especially the building portion of acquisition. It is a condition of this report that the Applicant submit documentation from the Applicant's accountant and tax attorney that the limited partner investors are comfortable that the acquisition basis is justified considering the as-is appraised value, and that the cost differential is not for land, goodwill, or similar ineligible costs.

ASSESSED VALUE

Land:	$435,600	**Assessment for the Year of:**	2002
Building:	$1,404,400	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$1,840,000 ($9,200/unit)	**Tax Rate:**	2.9626

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase option		
Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$ 4,700,000	**Other Terms/Conditions:**	
Seller:	Northline Point Apartments, LC	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition cost of $4,700,000 is significantly in excess of either the 2002 tax assessed value of $1,840,000 or the as-is appraised value of $1,040,000. Per the TDHCA underwriting guidelines, the Underwriter determined the eligible value of the improvements by prorating the sales price by the appraiser's concluded as-is improvements-to-total value ratio ($760,000/$1,040,000 = 73% X $4.7M = $3,434,615). Receipt, review, and acceptance of documentation from the Applicant's CPA and tax attorney and the limited party investors that they are comfortable. Thus the acquisition eligible basis is justified considering the as is appraised value and that the cost differential is not for land, goodwill or similar potentially ineligible costs.

Sitework Cost: The Applicant's claimed sitework costs of $685 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate of $6,600 per unit is in compliance with the TDHCA minimum guideline of $6,000 per unit, was verified by a third party architect, and is therefore regarded as reasonable as submitted. The low level of rehabilitation suggests limited rehabilitation needs.

Fees: The Applicant's contractor's fees for general requirements and general and administrative expenses are within the maximums allowed by TDHCA guidelines, but the Applicant's contractor's profit exceeds the 6% maximum allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by $6,336 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $3,817.

Other: The Applicant's contingency cost exceeds the Department's guideline of 10% of site work and direct construction costs for rehabilitation developments by $19,114.

Conclusion: Despite the overstated fees and contingency allowance, the Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter and reflected on the THHCA column is used to calculate eligible basis. The Applicant used lower applicable percentages of 3.57% and 8.12% rather than the underwriting rates of 3.63% and 8.64% used for applications received in February 2002, and also miscalculated the applicable fraction by using the unit fraction of 80% instead of the lower net rentable square footage fraction of 77.15%. The Applicant also allocated the developer fees evenly between the acquisition and rehabilitation areas instead of splitting them in accordance with the 69%/31% acquisition/rehabilitation eligible basis allocation. As a result of these adjustments, an eligible basis of $6,349,020 is used to determine a credit allocation of $311,282 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 CONSTRUCTION or GAP FINANCING

Source: Mitchell Mortgage Company, LLC **Contact:** Wendy Maceo

Principal Amount: $5,189,519 **Interest Rate:** (See below)

Additional Information: 2 portions: $4.8M fixed-rate loan forward-funded with permanent loan proceeds, interest rate to be fixed at permanent rate lock at 25 basis points over FNMA pass-through rate; $389,519 funded by lender, adjustable interest rate to be 225 basis points over LIBOR with rate floor of 5%. Construction to be completed within 12 months of loan closing.

Amortization: N/ yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Mitchell Mortgage Company, LLC **Contact:** Wendy Maceo

Principal Amount: $4,800,000 **Interest Rate:** Estimated & underwritten at 7.2%

Additional Information:

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

Annual Payment: $390,982 **Lien Priority:** 1st **Commitment Date** 2/ 26/ 2003

LIHTC SYNDICATION

Source: The Enterprise Social Investment Corporation **Contact:** Diana Morreale

Address: 8419 Emmett F. Lowry Expressway **City:** Texas City

State: TX **Zip:** 77591 **Phone:** (409) 908-9400 **Fax:** (409) 908-9404

Net Proceeds: $2,842,132 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $720,350 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

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

LIHTC Syndication: The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred fees of $720,350 amount to 72% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $311,282 annually for ten years, resulting in syndication proceeds of approximately $2,425,573. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $1,136,910, which represents approximately 86% of the total eligible fee and which should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, significant additional deferred developer's fee may not be available to fund any development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Donald Sowell is president and sole owner of the General Partner, president of the Developer, architectural firm, and property manager, and a shareholder of the General Contractor. Michael Sowell, principal of the General Contractor, is the son of Donald Sowell. These are permissible relationships for LIHTC-funded developments.

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

Financial Highlights

- The Applicant and Developer are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, DSD Development, Inc., submitted an unaudited financial statement as of March 19, 2003 listing total assets of $1,000, consisting entirely of cash. No liabilities were reported.
- Donald Sowell, the 100% owner of the General Partner and Developer, submitted an unaudited joint financial statement with his wife Beatrice and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and Developer are new entities formed for the purpose of developing the project.
- The General Partner, DSD Development, Inc., listed participation in three previous LIHTC-funded developments totaling 518 units since 1998.
- Donald Sowell listed participation in 37 previous LIHTC-funded housing developments totaling 2,275 units since 1981.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental risks exist regarding lead-based paint, asbestos-containing materials, and potential soil contamination.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	Jim Anderson	**Date:**	June 16, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	June 16, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Northline Point Apartments, Houston, 9% LIHTC #03153

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util Allow	Wtr, Swr, Trsh
TC (30%)	2	1	1	664	$335	$335	$670	$0.50	$45.00	$34.62
TC (40%)	3	1	1	664	447	447	1,341	0.67	45.00	34.62
TC (50%)	3	1	1	664	558	500	1,500	0.75	45.00	34.62
TC (60%)	29	1	1	664	670	500	14,500	0.75	45.00	34.62
MR	3	1	1	664		500	1,500	0.75	45.00	34.62
TC (30%)	3	2	1	884	402	402	1,206	0.45	57.00	40.62
TC (40%)	7	2	1	884	536	536	3,752	0.61	57.00	40.62
TC (50%)	7	2	1	884	670	600	4,200	0.68	57.00	40.62
TC (60%)	43	2	1	884	804	600	25,800	0.68	57.00	40.62
MR	4	2	1	884		600	2,400	0.68	57.00	40.62
TC (30%)	3	3	2	1,034	465	465	1,395	0.45	69.00	46.62
TC (40%)	6	3	2	1,034	620	620	3,720	0.60	69.00	46.62
TC (50%)	6	3	2	1,034	775	720	4,320	0.70	69.00	46.62
TC (60%)	48	3	2	1,034	930	720	34,560	0.70	69.00	46.62
MR	9	3	2	1,034		720	6,480	0.70	69.00	46.62
MR	24	3	2	1,144		720	17,280	0.63	69.00	46.62
TOTAL:	200		**AVERAGE:**	925	$609	$623	$124,624	$0.67	$60.36	$42.30

INCOME	Total Net Rentable Sq Ft:	185,040	**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT			$1,495,488	$1,473,912		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$11.00	26,400	26,400	$11.00	Per Unit Per Month	
Other Support Income:			0	0			
POTENTIAL GROSS INCOME			$1,521,888	$1,500,312			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(114,142)	(112,524)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,407,746	$1,387,788			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.54%	$320	0.35	$63,922	$30,457	$0.16	$152	2.19%
Management		5.00%	352	0.38	70,387	$69,810	0.38	349	5.03%
Payroll & Payroll Tax		12.80%	901	0.97	180,129	$180,962	0.98	905	13.04%
Repairs & Maintenance		4.96%	349	0.38	69,805	$82,160	0.44	411	5.92%
Utilities		12.91%	909	0.98	181,804	$173,630	0.94	868	12.51%
Water, Sewer, & Trash		6.44%	453	0.49	90,658	$89,832	0.49	449	6.47%
Property Insurance		5.77%	406	0.44	81,163	$88,605	0.48	443	6.38%
Property Tax	2.9626	6.66%	468	0.51	93,695	$139,620	0.75	698	10.06%
Reserve for Replacements		4.26%	300	0.32	60,000	$60,000	0.32	300	4.32%
Other Expenses: security		2.90%	204	0.22	40,800	$40,800	0.22	204	2.94%
TOTAL EXPENSES		66.23%	$4,662	$5.04	$932,364	$955,876	$5.17	$4,779	68.88%
NET OPERATING INC		33.77%	$2,377	$2.57	$475,382	$431,912	$2.33	$2,160	31.12%
DEBT SERVICE									
Mitchell Mortgage		27.77%	$1,955	$2.11	$390,982	$390,982	$2.11	$1,955	28.17%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.00%	$422	$0.46	$84,400	$40,930	$0.22	$205	2.95%
AGGREGATE DEBT COVERAGE RATIO					1.22	1.10			
RECOMMENDED+A64 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)		57.56%	$23,500	$25.40	$4,700,000	$4,700,000	$25.40	$23,500	56.20%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.68%	685	0.74	136,994	136,994	0.74	685	1.64%
Direct Construction		14.49%	5,915	6.39	1,183,006	1,183,006	6.39	5,915	14.15%
Contingency	10.00%	1.62%	660	0.71	132,000	151,114	0.82	756	1.81%
General Req'ts	6.00%	0.97%	396	0.43	79,200	79,200	0.43	396	0.95%
Contractor's G & A	2.00%	0.32%	132	0.14	26,400	26,400	0.14	132	0.32%
Contractor's Profit	6.00%	0.97%	396	0.43	79,200	85,536	0.46	428	1.02%
Indirect Construction		1.75%	716	0.77	143,112	143,112	0.77	716	1.71%
Ineligible Costs		2.34%	955	1.03	190,964	190,964	1.03	955	2.28%
Developer's G & A	2.00%	1.35%	552	0.60	110,418	199,852	1.08	999	2.39%
Developer's Profit	13.00%	8.79%	3,589	3.88	717,715	799,406	4.32	3,997	9.56%
Interim Financing		3.75%	1,532	1.66	306,359	306,359	1.66	1,532	3.66%
Reserves		4.42%	1,803	1.95	360,540	360,540	1.95	1,803	4.31%
TOTAL COST		100.00%	$40,830	$44.13	$8,165,908	$8,362,483	$45.19	$41,812	100.00%
Recap-Hard Construction Costs		*20.04%*	***$8,184***	***$8.85***	***$1,636,800***	***$1,662,250***	***$8.98***	***$8,311***	*19.88%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Mitchell Mortgage	58.78%	$24,000	$25.94	$4,800,000	$4,800,000	$4,800,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$995,441
LIHTC Syndication Proceeds	34.80%	$14,211	$15.36	2,842,132	2,842,132	2,425,573	% of Dev. Fee Deferred
Deferred Developer Fees	8.82%	$3,602	$3.89	720,350	720,350	1,136,910	114%
Additional (excess) Funds Required	-2.41%	($983)	($1.06)	(196,574)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,165,908	$8,362,483	$8,362,483	$1,724,759

Northline Point Apartments, Houston, 9% LIHTC #03153

PAYMENT COMPUTATION

Primary	$4,800,000	Term	360
Int Rate	7.20%	DCR	1.22

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.22

Additional	$2,842,132	Term	
Int Rate		Aggregate DCR	1.22

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$390,982
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$84,400

Primary	$4,800,000	Term	360
Int Rate	7.20%	DCR	1.22

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

Additional	$2,842,132	Term	0
Int Rate	0.00%	Aggregate DCR	1.22

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

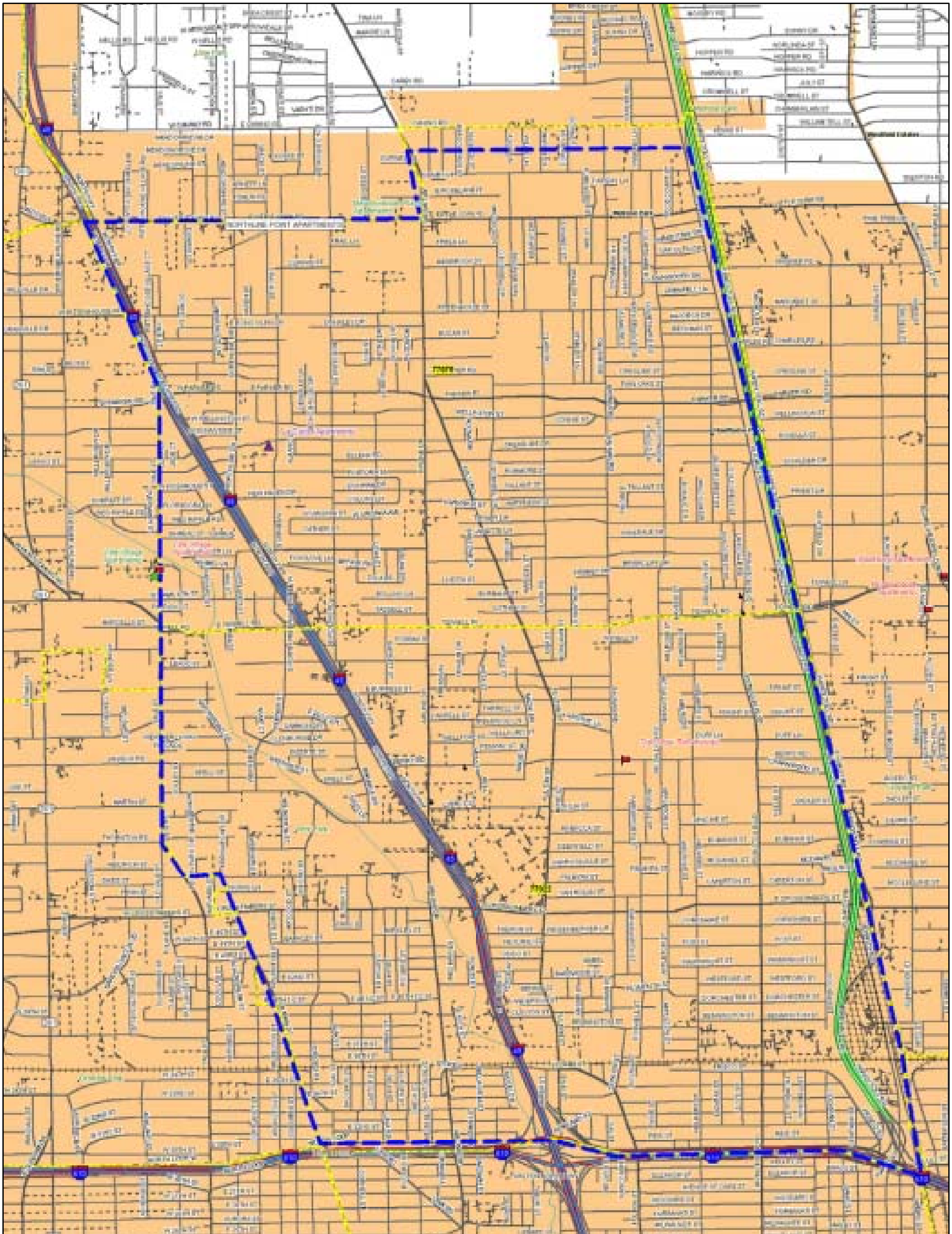
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,495,488	$1,540,353	$1,586,563	$1,634,160	$1,683,185	$1,951,273	$2,262,060	$2,622,347	$3,524,215
Secondary Income	26,400	27,192	28,008	28,848	29,713	34,446	39,932	46,293	62,213
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,521,888	1,567,545	1,614,571	1,663,008	1,712,898	1,985,719	2,301,992	2,668,640	3,586,429
Vacancy & Collection Loss	(114,142)	(117,566)	(121,093)	(124,726)	(128,467)	(148,929)	(172,649)	(200,148)	(268,982)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,407,746	$1,449,979	$1,493,478	$1,538,283	$1,584,431	$1,836,790	$2,129,343	$2,468,492	$3,317,447
EXPENSES at 4.00%									
General & Administrative	$63,922	$66,479	$69,138	$71,904	$74,780	$90,981	$110,693	$134,675	$199,351
Management	70,387	72,499	74,674	76,914	79,222	91,839	106,467	123,425	165,872
Payroll & Payroll Tax	180,129	187,335	194,828	202,621	210,726	256,380	311,926	379,506	561,761
Repairs & Maintenance	69,805	72,598	75,501	78,521	81,662	99,355	120,880	147,069	217,698
Utilities	181,804	189,076	196,640	204,505	212,685	258,764	314,826	383,034	566,984
Water, Sewer & Trash	90,658	94,284	98,055	101,977	106,057	129,034	156,990	191,002	282,729
Insurance	81,163	84,409	87,786	91,297	94,949	115,520	140,548	170,998	253,118
Property Tax	93,695	97,443	101,341	105,394	109,610	133,358	162,250	197,402	292,203
Reserve for Replacements	60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Other	40,800	42,432	44,129	45,894	47,730	58,071	70,652	85,959	127,241
TOTAL EXPENSES	$932,364	$968,955	$1,006,988	$1,046,521	$1,087,613	$1,318,701	$1,599,132	$1,939,480	$2,854,078
NET OPERATING INCOME	$475,382	$481,024	$486,490	$491,762	$496,818	$518,088	$530,210	$529,012	$463,369
DEBT SERVICE									
First Lien Financing	$390,982	$390,982	$390,982	$390,982	$390,982	$390,982	$390,982	$390,982	$390,982
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	$84,400	$90,042	$95,508	$100,780	$105,836	$127,106	$139,228	$138,030	$72,387
DEBT COVERAGE RATIO	1.22	1.23	1.24	1.26	1.27	1.33	1.36	1.35	1.19

LIHTC Allocation Calculation - Northline Point Apartments, Houston, 9% LIHTC #03153

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	$150,000	$1,265,385				
Purchase of buildings	$4,550,000	$3,434,615	$4,550,000	$3,434,615		
(2) Rehabilitation/New Construction Cost	$4,700,000	$4,700,000				
On-site work	$136,994	$136,994			$136,994	$136,994
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$1,183,006	$1,183,006			$1,183,006	$1,183,006
(4) Contractor Fees & General Requirements						
Contractor overhead	$26,400	$26,400			$26,400	$26,400
Contractor profit	$85,536	$79,200			$79,200	$79,200
General requirements	$79,200	$79,200			$79,200	$79,200
(5) Contingencies	$151,114	$132,000			$132,000	$132,000
(6) Eligible Indirect Fees	$143,112	$143,112			$143,112	$143,112
(7) Eligible Financing Fees	$306,359	$306,359			$306,359	$306,359
(8) All Ineligible Costs	$190,964	$190,964				
(9) Developer Fees			$682,500	$515,192	$312,941	$312,941
Developer overhead	$199,852	$110,418				
Developer fee	$799,406	$717,715				
(10) Development Reserves	$360,540	$360,540				
TOTAL DEVELOPMENT COSTS	$13,062,483	$12,865,908	$5,232,500	$3,949,808	$2,399,212	$2,399,212

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			$5,232,500	$3,949,808	$2,399,212	$2,399,212
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$5,232,500	$3,949,808	$3,118,975	$3,118,975
Applicable Fraction			77.15%	77.15%	77.15%	77.15%
TOTAL QUALIFIED BASIS			$4,036,637	$3,047,098	$2,406,148	$2,406,148
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$146,530	$110,610	$200,673	$200,673
Syndication Proceeds		**0.7792**	**$1,141,789**	**$861,892**	**$1,563,681**	**$1,563,681**

Total Credits (Eligible Basis Method)	**$347,203**	**$311,282**
Syndication Proceeds	**$2,705,470**	**$2,425,573**
Requested Credits	**$364,740**	
Syndication Proceeds	**$2,842,124**	
Gap of Syndication Proceeds Needed	**$3,562,483**	
Credit Amount	**$457,186**	



Scale 1 : 34,375

1" = 2860 ft

0 1000 2000 3000 4000 5000 ft

0 200 400 600 800 1000 m

TN

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4.5°E

Zoom Level: 12-5 Datum: WGS84

TDHCA #

03178

Region 6

Development Name: **Jacinto Manor** TDHCA #: **03178**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Jacinto City
Site Address: 9701 Market St.
County: Harris
Zip Code: 77029

☐ TTC ☐ DDA ☐ QCT

Purpose / Activity: New Construction

Targeted Units: Family: 0 Elderly: 200 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: Jacinto Manor, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Artisan/American Corp.	H. Elizabeth Young	.59% of Owner
Inland General Construction Co.	Vernon R. Young, Jr.	.41% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$782,354** Allocation over 10 Years: $7,823,540

Credits Requested $782,354 Eligible Basis Amount: $805,953 Equity/Gap Amount $795,294

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	16	16	0	32
40%	0	8	8	0	16
50%	0	16	16	0	32
60%	0	40	40	0	80
MR	0	20	20	0	40
Total	0	100	100	0	

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
- ☑ Recreation facilities
- ☑ 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
- ☑ Computer Facility with Internet
- ☑ Public Phones

UNIT AMENITIES (no extra cost to tenant)

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

BUILDING INFORMATION

Total Development Cost:	$13,593,541
Gross Building Square Feet	207,513
Total Net Rentable Area Square Feet:	161,200
Average Square Feet/Unit	806
Cost Per Net Rentable Square Foot	$84.33
Credits per Low Income Uni	$4,890

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,342,032
Total Expenses:	$732,000
Net Operating Income	$610,032
Estimated 1st Year Debt Coverage Ratio	1.15

FINANCING

Permanent Principal Amount:	$7,317,000
Applicant Equity:	$102,125
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7892

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Artisan/American Corp.	Market Analyst:	O'Connor & Associates
Housing GC:	Inland General Construction Co.	Originator/UW:	NA
Engineer:	Brown & Gay	Appraiser:	O'Connor & Associates
Cost Estimator:	NA	Attorney:	Andrews, Kurth, Mayor, ... Keaton
Architect:	JRM Architects, Inc.	Accountant:	Novogradac & Company, LLC
Property Manager	Investors Management Group, LLC	Supp Services	Child & Adult Development Center
Syndicator:	SunAmerica	Permanent Lender	Davis-Penn Mortgage Company

Project Name: Jacinto Manor | Project Number: 03178

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Mike Jackson, Mayor, City of Jacinto City, S
TX Representative: Joe Moreno, District 143, S
TX Senator: Mario Gallegos, Jr., District 6, S
US Representative: Gene Green, S
US Senator:

Comment from Other Public Officials:

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 100 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of clarification of the status of the easement located along the east property line and identified in the title commitment by closing of the construction loan.

Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

Explanation: **This Development has a competitive score in the Elderly 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 # **03178** Name: **Jacinto Manor** City: **Houston**

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: 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, May 23, 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 EEF Date 5 /16/2003

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 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03178

DEVELOPMENT NAME

Jacinto Manor

APPLICANT

Name:	Jacinto Manor, Ltd.			**Type:**	For Profit		
Address:	5325 Katy Freeway, Suite One			**City:**	Houston	**State:**	TX
Zip:	77007	**Contact:**	H Elizabeth Young	**Phone:**	(713) 626-1400	**Fax:**	(713) 626-1098

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Artisan/American Corporation	**(%):**	0.0059	**Title:**	Managing General Partner/Developer
Name:	Inland General Construction Company	**(%):**	0.0041	**Title:**	Co-General Partner/General Contractor

PROPERTY LOCATION

Location:	Approximately 9701 Market Street			☐ **QCT**	☐ **DDA**
City:	Jacinto City	**County:**	Harris	**Zip:**	77029

REQUEST

Amount	Interest Rate	Amortization	Term
1) $782,354	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $782,354 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of clarification of the status of the easement located along the east property line and identified in the title commitment by closing of the construction loan.
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
3. Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	200	**# Rental Buildings**	1	**# Common Area Bldgs**	0	**# of Floors**	3	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 161,200 **Av Un SF:** 806 **Common Area SF:** 46,313 **Gross Bldg SF:** 207,513

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer with connections, cable, ceiling fans, laminated counter tops, heatpump.

ON-SITE AMENITIES

Community room, common dining, commercial kitchen, management offices, laundry facilities, restrooms, computer/business center, central mailroom, monitored unit security, perimeter fencingwith limited access gate(s); four 3-stop elevators.

Uncovered Parking: 212 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Jacinto Manor is a proposed new construction development of 200 units of mixed income housing for the elderly located in Harris County. The development is comprised of a single residential building housing one- and two-bedroom units as well as many common areas.

Architectural Review: The E-shaped three-story building includes elevators located at the head of each wing. Some residents will be required to walk in excess of 300 feet in order to use an elevator. The four elevators serve 138 upper floor units or a moderate to high 34.5 units each. The department currently has no formal requirement for the number of units each elevator should serve; however additional dispersed elevators would likely improve the marketability to senior residents. However, there are interior stairways and sitting/entertainment areas located intermittently on each floor. The exterior of the building will have minimal ornamentation, but appears to be attractive.

Supportive Services: The Applicant plans to contract with Child & Adult Development Center to provide community advancement, family skills development, education and personal growth services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 9.3 acres 405,108 square feet **Zoning/ Permitted Uses:** Independent Seniors Living >55 yrs

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the north side of Market Street, west of Oates Road, Harris County.

Adjacent Land Uses:

- **North:** vacant land and commercial development
- **South:** railroad track, vacant land and industrial development
- **East:** vacant land

- **West:** vacant land and commercial development

Site Access: The subject site is located east of Loop 610 South and south of Interstate Highway 10. Other principle thoroughfares include Beltway 8, State Highway 225, Market Street, Maxey Road, Federal Road and Clinton Drive.

Public Transportation: Transportation is available via private automobile and the METRO bus system.

Shopping & Services: Whitter Elementary, Woodland Junior High and Furr Senior High School are all located within ±2.0 miles radius. Shopping convenient to the subject property includes neighborhood shopping and strip centers. Numerous recreational facilities are located throughout the Houston area. Medical facilities include the Northshore Medical Hospital on Interstate 10 near Uvalde and the Tidelands General Hospital located on Interstate 10 east of Beltway 8.

Special Adverse Site Characteristics: An exception in the title commitment states, "NOTE: The road easement located along the east property line…would be cut from 60 feet to 30 feet when a release was executed and IF AND ONLY IF arrangements could be made with the owners of land east of subject property to extend the road 30 feet east thereof. We find no such release or agreements with adjoining property owner. If said easement has been reduced in width, we shall require evidence in recordable form, satisfactory to this Company…" The submitted site plan indicates that the building would not be affected by a 60-foot easement along the east property line. However, it appears that the parking spaces along the east property line may abut the easement. Receipt, review and acceptance of clarification of the status of this easement are a condition of this report.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 19, 2003 was prepared by Phase Engineering, Inc. and contained the following conclusion: "This assessment has revealed no evidence of recognized environmental conditions in connection with the 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 elderly tenants, while 160 of the units (80%) will be income restricted. Thirty-two 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, 32 of the units (16%) will be reserved for households earning 50% or less of AMGI, 80 units (40%) 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	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated February 27, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Primary Market: "The subject's primary market is defined as that area within zip codes 77012, 77013, 77015, 77029, 77506 and 77547." (p. 10)

Population: The estimated 2001 population of the Primary Market Area was 165,140 and is expected to increase to approximately 178,793 by 2006. Within the primary market area there were estimated to be 49,584 households in 2001.

Total Local/Submarket Demand for Rental Units:

ANNUAL TARGETED 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	61	3%	171	9%
Resident Turnover	1,676	88%	1,704	91%
Other Sources:	174	9%	N/A	
TOTAL ANNUAL DEMAND	1,911	**100%**	1,875	**100%**

Ref: p. 68

Inclusive Capture Rate: The Market Analyst has concluded an inclusive capture rate for the 320 total unstabilized restricted units in the market area of 16.75%. (p. 69) Uvalde Ranch, which was included in the Market Analyst's capture rate estimate, is not at the time of this underwriting report being considered for a 2003 LIHTC allocation due to a lower score. The Underwriter calculated an inclusive capture rate of 8.50% based upon a revised supply of unstabilized comparable affordable units of only the subject 160 restricted units divided by a revised demand of 1,875.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,256 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$281	$281	$0	$675	-$394
1-Bedroom (40%)	$393	$393	$0	$675	-$282
1-Bedroom (50%)	$504	$504	$0	$675	-$171
1-Bedroom (60%)	$616	$616	$0	$675	-$59
1-Bedroom (MR)	$670	N/A		$675	-$5
2-Bedroom (30%)	$333	$333	$0	$805	-$472
2-Bedroom (40%)	$467	$467	$0	$805	-$338
2-Bedroom (50%)	$601	$601	$0	$805	-$204
2-Bedroom (60%)	$735	$735	$0	$805	-$70
2-Bedroom (MR)	$804	N/A		$805	-$1

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

Primary Market Occupancy Rates: "The average occupancy in the subject's primary market area was reported at 92.11%...The selected comparable apartments surveyed in the primary market area of the proposed subject complex exhibited strong occupancy rates, with a median occupancy level of 96%..." (p. 10)

Absorption Projections: "Based on our research, most projects that are constructed in the Houston area typically lease-up within 12 months. Pre-leasing should commence prior to completion of the construction." (p. 12) "…we project that the subject property will lease an average of 25-30 units per month until it reaches stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within 6-8 months following completion." (p. 71)

Known Planned Development: "To the best of our knowledge, there is one proposed LIHTC project in which applications will be filed with the TDHCA located within the subject's primary market area (excluding the subject). The project is Uvalde Ranch." (p. 47)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's effective gross income figure is based on the 2003 LIHTC rents and underwriting guidelines for secondary income and vacancy loss. Therefore, it compares favorably with the Underwriter's estimate and is considered to be generally acceptable.

Expenses: The Applicant's total annual operating expense estimate of $3,660 per unit is within 5% of the Underwriter's estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity.

In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guideline of 1.10 to 1.25.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 5.2569 + 16.4738 acres	$675,890	**Assessment for the Year of:**	2002
1 acre:	$31,103	**Valuation by:**	Harris County Appraisal District
Total Value: 9.3 acres prorated	$289,258	**Tax Rate:**	2.308

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	03/ 01/ 2004	**Anticipated Closing Date:**	03/ 01/ 2004
Acquisition Cost:	$729,194	**Other Terms/Conditions:**	2 tracts (4.04 & 5.26 acres)
Sellers:	Frost Interest, Ltd., LLP Vernon W Frost, Jr., Ann Frost Bailey, Trustee for the Ann Frost Bailey Trust and Betty Frost McAleer	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Despite being two and half times the prorated assessed 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 $5,785 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $310K or 4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $206K 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 developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $30,916.

Conclusion: The Applicant's total development cost figure is within 5% of the Underwriter's estimate; therefore, the Applicant's total development cost, as adjusted by the Underwriter for overstated interim interest and developer fees, is used to calculate eligible basis and the overall need for funds. An adjusted eligible basis of $12,079,632 results in eligible annual tax credits of $805,953, which is $23,599 more than requested. Therefore, the Applicant's requested credits of $782,354 will be compared to the gap in need to determine the recommended tax credit award.

FINANCING STRUCTURE

LONG TERM/PERMANENT FINANCING

Source: Davis-Penn Mortgage Company **Contact:** Ray Landry

Principal Amount: $7,317,000 **Interest Rate:** 6.75%, fixed

Additional Information: 2-year construction period

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $529,771 **Lien Priority:** 1st **Commitment Date** 02/ 27/ 2003

LIHTC SYNDICATION

Source: SunAmerica **Contact:** Lee Stevens

Address: 8144 Walnut Hill Lane **City:** Dallas

State: TX **Zip:** 75231 **Phone:** (214) 932-2500 **Fax:** (214) 932-2549

Net Proceeds: $6,189,416 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 79¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 26/ 2003

Additional Information: Bridge loan of $5,493,288, interest rate of Prime + 2% on >$3,713,650

APPLICANT EQUITY

Amount: $87,125 **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.

LIHTC Syndication: The syndication proceeds will be contributed in three phases with the majority used to repay a bridge loan provided by SunAmerica during the construction period. A slight inconsistency in the commitment letter leads to a more conservative estimate of the syndication proceeds to be $6,174,416.

Deferred Developer's Fees: The Applicant's anticipated deferred fees amount to 5% of total developer fees.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter for overstated interim interest and developer fees, is used to calculate eligible basis and eligible annual tax credits of $805,953, which is higher than the requested tax credits. The overall gap in need supports the requested annual tax credits of $782,354. A slight reduction in anticipated syndication funds indicates a need for an increase in the total deferred developer fee to $102,125. Deferred fees in this amount appear to be repayable from development cash flow within two years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, developer, general contractor, and property manager are related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights: Inland General Construction reported total assets of $420K as of February 19, 2003. Total liabilities equaled $54K for a net worth of $365K.

Artisan/American Corporation reported total assets of $1.3M as of February 19, 2003. Total liabilities equaled $551K for a net worth of $731K.

A joint interim financial statement was also provided by Vernon and Elizabeth Young, owners of the co-general partners.

Background & Experience: Artisan/American Corporation has indicated participation in one tax credit development totaling 198 units in 2002. Inland General Construction and Vernon R Young, Jr. have received certificates of experience from the Department.

SUMMARY OF SALIENT RISKS AND ISSUES
• None noted.

Underwriter:	*Lisa Vecchietti*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Jacinto Manor, Jacinto City, LIHTC 03178

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
TC 30%	16	1	1	676	$335	$281	$4,496	$0.42	$54.00	$30.00
TC 40%	8	1	1	676	447	393	3,144	0.58	54.00	30.00
TC 50%	16	1	1	676	558	504	8,064	0.75	54.00	30.00
TC 60%	40	1	1	676	670	616	24,640	0.91	54.00	30.00
MR	20	1	1	676		670	13,400	0.99	54.00	30.00
TC 30%	16	2	1	936	402	333	5,328	0.36	69.00	36.00
TC 40%	8	2	1	936	536	467	3,736	0.50	69.00	36.00
TC 50%	16	2	1	936	670	601	9,616	0.64	69.00	36.00
TC 60%	40	2	1	936	804	735	29,400	0.79	69.00	36.00
MR	20	2	1	936		804	16,080	0.86	69.00	36.00
TOTAL:	200		**AVERAGE:**	806	$491	$590	$117,904	$0.73	$61.50	$33.00

			TDHCA	APPLICANT		
INCOME	Total Net Rentable Sq Ft:	161,200			USS Region	6
POTENTIAL GROSS RENT			$1,414,848	$1,414,848	IREM Region	Houston
Secondary Income	Per Unit Per Month:	$15.00	36,000	36,000	$15.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$1,450,848	$1,450,848		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(108,814)	(108,816)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$1,342,034	$1,342,032		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.86%	$393	0.49	$78,614	$63,800	$0.40	$319	4.75%
Management		5.00%	336	0.42	67,102	$65,000	0.40	325	4.84%
Payroll & Payroll Tax		13.48%	905	1.12	180,936	$175,000	1.09	875	13.04%
Repairs & Maintenance		4.85%	325	0.40	65,084	$70,000	0.43	350	5.22%
Utilities		5.04%	339	0.42	67,704	$80,000	0.50	400	5.96%
Water, Sewer, & Trash		5.37%	360	0.45	72,032	$52,000	0.32	260	3.87%
Property Insurance		2.50%	168	0.21	33,581	$40,000	0.25	200	2.98%
Property Tax	2.308	8.60%	577	0.72	115,400	$140,000	0.87	700	10.43%
Reserve for Replacements		2.98%	200	0.25	40,000	$40,000	0.25	200	2.98%
Supportive Services, Compliance		0.46%	31	0.04	6,200	$6,200	0.04	31	0.46%
TOTAL EXPENSES		54.15%	$3,633	$4.51	$726,654	$732,000	$4.54	$3,660	54.54%
NET OPERATING INC		45.85%	$3,077	$3.82	$615,381	$610,032	$3.78	$3,050	45.46%
DEBT SERVICE									
First Lien Mortgage		39.48%	$2,649	$3.29	$529,771	$529,771	$3.29	$2,649	39.48%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.38%	$428	$0.53	$85,609	$80,261	$0.50	$401	5.98%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

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)		5.24%	$3,646	$4.52	$729,194	$729,194	$4.52	$3,646	5.36%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.32%	5,785	7.18	1,157,000	1,157,000	7.18	5,785	8.51%
Direct Construction		52.36%	36,401	45.16	7,280,299	6,970,000	43.24	34,850	51.27%
Contingency	4.82%	2.92%	2,032	2.52	406,350	406,350	2.52	2,032	2.99%
General Req'ts	5.78%	3.51%	2,438	3.02	487,620	487,620	3.02	2,438	3.59%
Contractor's G & A	1.93%	1.17%	813	1.01	162,540	162,540	1.01	813	1.20%
Contractor's Profit	5.78%	3.51%	2,438	3.02	487,620	487,620	3.02	2,438	3.59%
Indirect Construction		1.55%	1,077	1.34	215,300	215,300	1.34	1,077	1.58%
Ineligible Costs		2.90%	2,017	2.50	403,403	403,403	2.50	2,017	2.97%
Developer's G & A	1.86%	1.44%	1,003	1.24	200,658	0	0.00	0	0.00%
Developer's Profit	13.00%	10.11%	7,029	8.72	1,405,862	1,606,520	9.97	8,033	11.82%
Interim Financing		4.44%	3,088	3.83	617,598	617,598	3.83	3,088	4.54%
Reserves		2.52%	1,752	2.17	350,397	350,397	2.17	1,752	2.58%
TOTAL COST		100.00%	$69,519	$86.25	$13,903,840	$13,593,541	$84.33	$67,968	100.00%
Recap-Hard Construction Costs		*71.79%*	***$49,907***	***$61.92***	***$9,981,429***	***$9,671,130***	***$59.99***	***$48,356***	*71.15%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	52.63%	$36,585	$45.39	$7,317,000	$7,317,000	$7,317,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,575,604
LIHTC Syndication Proceeds	44.52%	$30,947	$38.40	6,189,416	6,189,416	6,174,416	% of Dev. Fee Deferred
Deferred Developer Fees	0.63%	$436	$0.54	87,125	87,125	102,125	6%
Additional (excess) Funds Required	2.23%	$1,551	$1.92	310,299	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,903,840	$13,593,541	$13,593,541	$2,389,189.06

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Jacinto Manor, Jacinto City, LIHTC 03178

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.21	$6,481,852
Adjustments				
Exterior Wall Finish	1.00%		$0.40	$64,819
Elderly	5.00%		2.01	324,093
Roofing			0.00	0
Subfloor			(0.67)	(108,541)
Floor Cover			1.92	309,504
Porches/Balconies	$29.24	0	0.00	0
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	200	2.02	325,000
Interior Stairs	$865	12	0.06	10,380
Floor Insulation			0.00	0
Heat Pump			1.73	278,876
Garages/Carports			0.00	0
Common Areas	$40.21	46,313	11.55	1,862,246
Elevators	$48,575	4	1.21	194,300
SUBTOTAL			60.44	9,742,528
Current Cost Multiplier	1.03		1.81	292,276
Local Multiplier	0.89		(6.65)	(1,071,678)
TOTAL DIRECT CONSTRUCTION COSTS			$55.60	$8,963,125
Plans, specs, survy, bld prm	3.90%		($2.17)	($349,562)
Interim Construction Interes	3.38%		(1.88)	(302,505)
Contractor's OH & Profit	11.50%		(6.39)	(1,030,759)
NET DIRECT CONSTRUCTION COSTS			$45.16	$7,280,299

PAYMENT COMPUTATION

Primary	$7,317,000	Term	480
Int Rate	6.75%	DCR	1.16

Secondary		Term	
Int Rate		Subtotal DCR	1.16

Additional		Term	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

Primary Debt Service	$529,771
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$80,261

Primary	$7,317,000	Term	480
Int Rate	6.75%	DCR	1.15

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

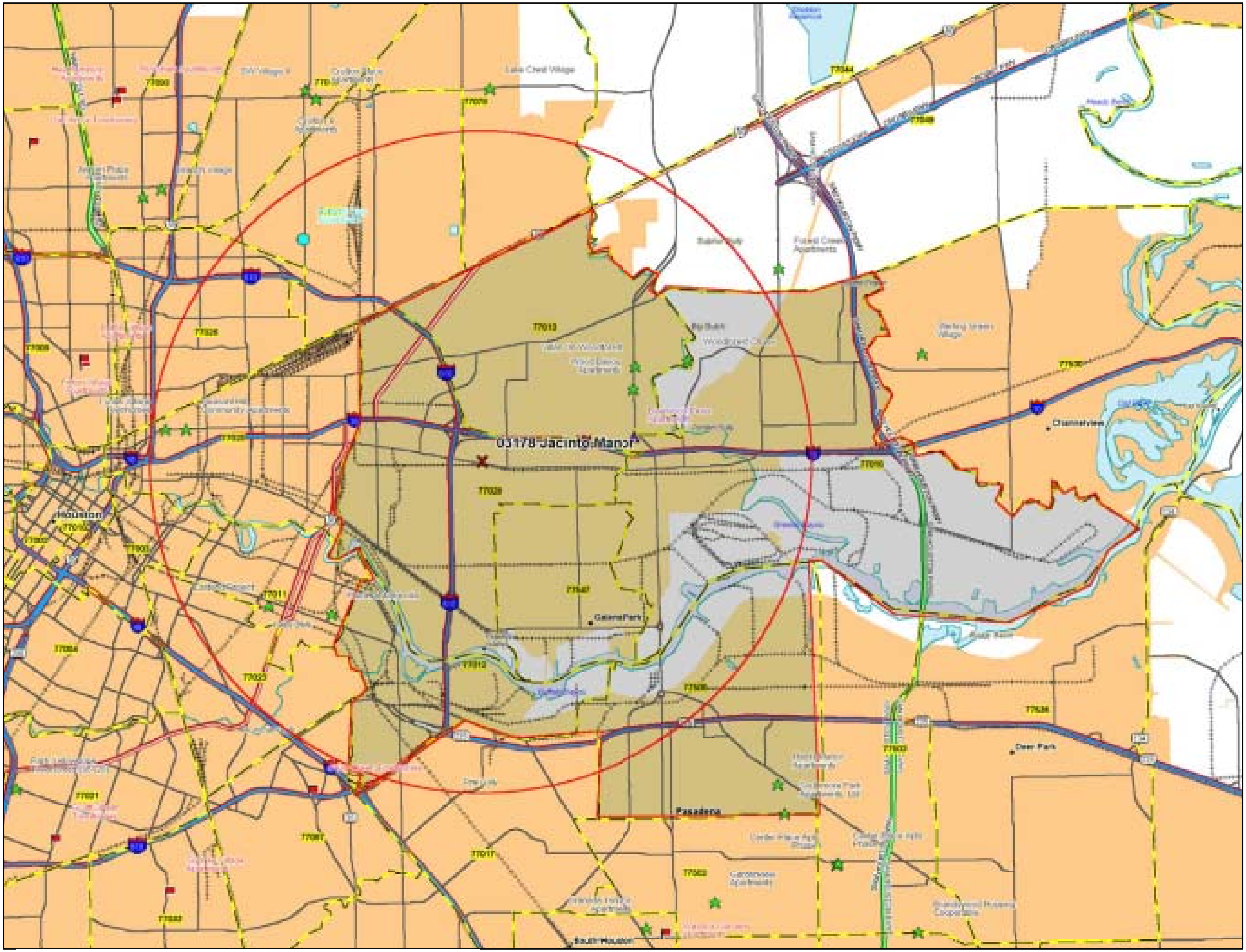
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,414,848	$1,457,293	$1,501,012	$1,546,043	$1,592,424	$1,846,056	$2,140,085	$2,480,945	$3,334,182
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,450,848	1,494,373	1,539,205	1,585,381	1,632,942	1,893,028	2,194,538	2,544,071	3,419,018
Vacancy & Collection Loss	(108,816)	(112,078)	(115,440)	(118,904)	(122,471)	(141,977)	(164,590)	(190,805)	(256,426)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,342,032	$1,382,295	$1,423,764	$1,466,477	$1,510,472	$1,751,050	$2,029,947	$2,353,265	$3,162,592
EXPENSES at 4.00%									
General & Administrative	$63,800	$66,352	$69,006	$71,766	$74,637	$90,807	$110,481	$134,417	$198,970
Management	65,000	66950.12	68958.62332	71027.38202	73158.20348	84810.40862	98318.50794	113978.0973	153177.0318
Payroll & Payroll Tax	175,000	182,000	189,280	196,851	204,725	249,080	303,043	368,699	545,764
Repairs & Maintenance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Utilities	80,000	83,200	86,528	89,989	93,589	113,865	138,534	168,548	249,492
Water, Sewer & Trash	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Insurance	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Property Tax	140,000	145,600	151,424	157,481	163,780	199,264	242,435	294,959	436,611
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	6,200	6,448	6,706	6,974	7,253	8,825	10,736	13,062	19,336
TOTAL EXPENSES	$732,000	$760,630	$790,386	$821,312	$853,454	$1,034,159	$1,253,347	$1,519,246	$2,233,318
NET OPERATING INCOME	$610,032	$621,665	$633,378	$645,166	$657,018	$716,891	$776,601	$834,019	$929,274
DEBT SERVICE									
First Lien Financing	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771
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	$80,261	$91,894	$103,607	$115,394	$127,246	$187,120	$246,829	$304,248	$399,503
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.24	1.35	1.47	1.57	1.75

LIHTC Allocation Calculation - Jacinto Manor, Jacinto City, LIHTC 03178

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	$729,194	$729,194		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,157,000	$1,157,000	$1,157,000	$1,157,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,970,000	$7,280,299	$6,970,000	$7,280,299
(4) Contractor Fees & General Requirements				
Contractor overhead	$162,540	$162,540	$162,540	$162,540
Contractor profit	$487,620	$487,620	$487,620	$487,620
General requirements	$487,620	$487,620	$487,620	$487,620
(5) Contingencies	$406,350	$406,350	$406,350	$406,350
(6) Eligible Indirect Fees	$215,300	$215,300	$215,300	$215,300
(7) Eligible Financing Fees	$617,598	$617,598	$617,598	$617,598
(8) All Ineligible Costs	$403,403	$403,403		
(9) Developer Fees			$1,575,604	
Developer overhead		$200,658		$200,658
Developer fee	$1,606,520	$1,405,862		$1,405,862
(10) Development Reserves	$350,397	$350,397		
TOTAL DEVELOPMENT COSTS	$13,593,541	$13,903,840	$12,079,632	$12,420,846

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		$12,079,632	$12,420,846
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,079,632	$12,420,846
Applicable Fraction		80%	80%
TOTAL QUALIFIED BASIS		$9,663,705	$9,936,677
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$805,953	$828,719
Syndication Proceeds	**0.7892**	**$6,360,662**	**$6,540,332**
Total Credits (Eligible Basis Method)		**$805,953**	**$828,719**
Syndication Proceeds		**$6,360,662**	**$6,540,332**
Requested Credits		**$782,354**	
Syndication Proceeds		**$6,174,416**	
Gap of Syndication Proceeds Needed		**$6,276,541**	
Credit Amount		**$795,294**	



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TDHCA

03182

Region 6

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

Development Name: **The Manor at Jersey Village** TDHCA #: **03182**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 12400 Castlebridge Drive
City: Jersey Village County: Harris Zip Code: 77065

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

Targeted Units: Family: 0 Elderly: 200 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: The Manor at Jersey Village, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Artisan/American Corp.	H. Elizabeth Young	.59% of Owner
Inland General Construction Co.	Vernon R. Young, Jr.	.41% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$782,354** Allocation over 10 Years: $7,823,540
Credits Requested $782,354 Eligible Basis Amount: $857,840 Equity/Gap Amount $904,360

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	16	16	0	32
40%	0	8	8	0	16
50%	0	16	16	0	32
60%	0	40	40	0	80
MR	0	20	20	0	40
Total	0	100	100	0	

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:	$14,460,539
Gross Building Square Feet	223,161
Total Net Rentable Area Square Feet:	161,200
Average Square Feet/Unit	806
Cost Per Net Rentable Square Foot	$89.71
Credits per Low Income Uni	$4,890

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,342,032
Total Expenses:	$732,000
Net Operating Income	$610,032
Estimated 1st Year Debt Coverage Ratio	1.15

FINANCING

Permanent Principal Amount:	$7,317,000
Applicant Equity:	$963,561
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7899

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Artisan/American Corp.	Market Analyst:	O'Connor & Associates
Housing GC:	Inland General Construction Co.	Originator/UW:	NA
Engineer:	Brown & Gay	Appraiser:	O'Connor & Associates
Cost Estimator:	NA	Attorney:	Andrews, Kurth, Mayor... et.all
Architect:	JRM Architects, Inc.	Accountant:	Novogradac & Company, LLC
Property Manager	Investors Management Group, LLC	Supp Services	Child & Adult Development Center
Syndicator:	SunAmerica	Permanent Lender	Davis-Penn Mortgage Company

Project Name: The Manor at Jersey Village Project Number: 03182

PUBLIC COMMENT SUMMARY

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

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **3** Opposition: **1**

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	NC	
TX Representative:	Gary Elkins, District 135, N	
TX Senator:	Jon Lindsay, District 7, S	
US Representative:	Kevin Brady, S	
US Senator:	John Cornyn, United States Senator, N	

General Summary of Comment: One letter of opposition was received from the Cypress-Fairbanks Independent School District (ISD). The stated reason for opposition is that the ISD is adamantly opposed to House Bill 3383 that allows the removal of taxable property from its tax roll. The ISD thinks that the construction of the tax credit development will cause a removal of taxable property from its tax roll, causing gross loss in income for the district. It should be noted that this development also had some support.

DEPARTMENT EVALUATION

Points Awarded: 100 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

Explanation: This Development has a competitive score in the Elderly Set-Aside and in its region.

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 # **03182** Name: **The Manor @ Jersey Village** City: **Jersey Villag**

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: 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, May 23, 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 EEF Date 5 /16/2003

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 3 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03182

DEVELOPMENT NAME

The Manor at Jersey Village

APPLICANT

Name:	The Manor at Jersey Village, Ltd.			**Type:**	For Profit		
Address:	5325 Katy Freeway, Suite One			**City:**	Houston	**State:**	TX
Zip:	77007	**Contact:**	H Elizabeth Young	**Phone:**	(713) 626-1400	**Fax:**	(713) 626-1098

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Artisan/American Corporation	**(%):**	0.0059	**Title:**	Managing General Partner/Developer
Name:	Inland General Construction Company	**(%):**	0.0041	**Title:**	Co-General Partner/General Contractor

PROPERTY LOCATION

Location:	12400 Castlebridge Drive			☐ **QCT**	☐ **DDA**
City:	Jersey Village	**County:**	Harris	**Zip:**	77065

REQUEST

Amount	Interest Rate	Amortization	Term
1) $782,354	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $782,354 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms of the proposed debt or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 1 **# Common Area Bldgs** 0 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 161,200 **Av Un SF:** 806 **Common Area SF:** 61,961 **Gross Bldg SF:** 223,161

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer with connections, cable, ceiling fans, laminated counter tops, heatpump.

ON-SITE AMENITIES

Community room, common dining, commercial kitchen, management offices, laundry facilities, restrooms, computer/business center, central mailroom, monitored unit security, perimeter fencing with limited access gate(s); three 3-stop elevators.

Uncovered Parking: 212 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Jacinto Manor is a proposed new construction development of 200 units of mixed income housing for the elderly located in Harris County. The development is comprised of a single residential building housing one- and two-bedroom units as well as many common areas.

Architectural Review: The three-story building includes elevators located along the central hall. There are interior stairways and sitting/entertainment areas located intermittently on each floor. The exterior of the building will have minimal ornamentation, but appears to be attractive. The three centrally located elevators serve 140 upper floor units which represents a fairly high 47 units per elevator. The Department currently has no clear guideline on this issue other than all upper floor elderly units must be served by an elevator. The limited number of elevators per potential upper floor residents could prove to be a long term marketing obstacle for the development and consideration of a fourth elevator would be prudent.

Supportive Services: The Applicant plans to contract with Child & Adult Development Center to provide community advancement, family skills development, education and personal growth services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 6.0 acres 261,360 square feet **Zoning/ Permitted Uses:** Special Use--to be issued at transfer of ownership

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the north side of Castlebridge Street, northwest of West Road, in Jersey Village, Harris County.

Adjacent Land Uses:

- **North:** single-family residential

- **South:** regional office for the Texas Department of Safety
- **East:** vacant land
- **West:** vacant land

Site Access: The principal thoroughfares in the area include US Highway 290, Beltway 8, Jones Road, West Road, and FM 1960/Highway 6.

Public Transportation: Transportation is available via the METRO bus system. The proximity to the nearest stop is not known.

Shopping & Services: Emmott Elementary, Bang Elementary, Hairgrove Elementary, Cook Junior High and Cypress Falls Senior High are all located within ±2.0 miles radius. Shopping in the area includes neighborhood shopping and strip centers near the subject property. Recreational facilities in the subject area include Grant Wood Park, Independence Park, Bear Creek Park, and Jersey Lake. Medical facilities include the Columbia/HCA Hospital and the Cypress-Fairbanks Medical Center Hospital, both located northeast of the subject off Jones Road.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 14, 2003 was prepared by Phase Engineering, Inc. and contained the following conclusion: "This assessment has revealed no evidence of recognized environmental conditions in connection with the 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 elderly tenants, while 160 of the units (80%) will be income restricted. Thirty-two 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, 32 of the units (16%) will be reserved for households earning 50% or less of AMGI, 80 units (40%) 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	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated March 15, 2003 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Primary Market: "The subject's primary market is defined as that area within zip codes 77429, 77433, 77095, 77064, 77041, and 77040." (p. 10)

Population: The estimated 2001 population of the Primary Market Area was 220,117 and is expected to increase to approximately 253,807 by 2006. Within the primary market area there were estimated to be 75,171 households in 2001.

Total Local/Submarket Demand for Rental Units:

ANNUAL TARGETED 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	42	7%	159	25%
Resident Turnover	473	84%	487	75%
Other Sources:	52	9%	N/A	
TOTAL ANNUAL DEMAND	567	**100%**	646	**100%**

Ref: p. 66

Inclusive Capture Rate: The Market Analyst has calculated a capture rate of 70.61% for the seniors' development. (p. 67) The Underwriter calculated a concentration capture rate of 25% based upon a revised supply of unstabilized affordable units of only the subject 160 restricted units divided by a revised demand of 646. Elderly developments are allowed a capture rate of up to 100% as acceptable.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,721 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$281	$281	$0	$675	-$394
1-Bedroom (40%)	$393	$393	$0	$675	-$282
1-Bedroom (50%)	$504	$504	$0	$675	-$171
1-Bedroom (60%)	$616	$616	$0	$675	-$59
1-Bedroom (MR)	$670	N/A		$675	-$5
2-Bedroom (30%)	$333	$333	$0	$875	-$542
2-Bedroom (40%)	$467	$467	$0	$875	-$408
2-Bedroom (50%)	$601	$601	$0	$875	-$274
2-Bedroom (60%)	$735	$735	$0	$875	-$140
2-Bedroom (MR)	$804	N/A		$875	-$71

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

Primary Market Occupancy Rates: "The average occupancy in the subject's primary market area was reported at 93.87%." (p. 10)

Absorption Projections: "…we project that the subject property will lease an average of 25-30 units per month until it reaches stabilized occupancy…within 6-8 months following completion." (p. 69)

Known Planned Development: The market analyst indicated that an LIHTC development is currently under construction in the market area. Research reveals that there are two LIHTC projects that are likely to be unstabilized in the area, but neither is restricted to elderly tenants. Therefore, the units are not considered to be comparable in calculating the capture rate.

The Underwriter found the market study provided sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's effective gross income figure is based on the 2003 LIHTC rents and underwriting guidelines for secondary income and vacancy loss. Therefore, it compares favorably with the Underwriter's estimate and is considered to be generally acceptable.

Expenses: The Applicant's total annual operating expense estimate of $3,660 per unit is within 5% of the Underwriter's estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity.

In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guideline of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 35.0074 acres	$1,448,660	**Assessment for the Year of:**	2002
1 acre:	$41,382	**Valuation by:**	Harris County Appraisal District
Total Value: 6.0 acres prorated	$248,292	**Tax Rate:**	3.21677

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase And Sale Agreement		
Contract Expiration Date:	05/ 31/ 2004	**Anticipated Closing Date:**	05/ 31/ 2004
Acquisition Cost:	$875,556	**Other Terms/Conditions:**	
Seller:	Highway 290 (Houston) Investors, LP	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Despite being over three times the assessed 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 $5,785 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $747K or 10% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, which suggest the Applicant's costs are understated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $206K 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 developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $30,916.

Conclusion: The Applicant's total development cost figure is not within 5% of the Underwriter's estimate; therefore, the Underwriter's total development cost is used to calculate eligible basis and the overall need for funds. An eligible basis of $12,857,320 results in eligible annual tax credits of $857,840, which is $75,486 more than requested. Therefore, the Applicant's requested credits of $782,354 will be compared to the gap in need to determine the recommended tax credit award.

FINANCING STRUCTURE

LONG TERM/PERMANENT FINANCING

Source: Davis-Penn Mortgage Company **Contact:** Ray Landry

Principal Amount: $7,317,000 **Interest Rate:** 6.75%, fixed

Additional Information: 2-year construction period

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $565,486 **Lien Priority:** 1st **Commitment Date** 02/ 27/ 2003

LIHTC SYNDICATION

Source: SunAmerica **Contact:** Lee Stevens

Address: 8144 Walnut Hill Lane **City:** Dallas

State: TX **Zip:** 75231 **Phone:** (214) 932-2500 **Fax:** (214) 932-2549

Net Proceeds: $6,189,416 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 79¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 26/ 2003

Additional Information: Bridge loan of $5,458,514, interest rate of Prime + 2% on >$3,713,650

APPLICANT EQUITY

Amount: $207,351 **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.

LIHTC Syndication: The syndication proceeds will be contributed in three phases with the majority used to repay a bridge loan provided by SunAmerica during the construction period. A slight inconsistency in the commitment letter leads to a more conservative estimate of the syndication proceeds to be $6,174,416.

Deferred Developer's Fees: The Applicant's anticipated deferred fees amount to 13% of total developer fees.

Financing Conclusions: As stated above, the Underwriter's total development cost is used to calculate eligible basis and eligible annual tax credits of $857,840, which is higher than the requested tax credits. The overall gap in need supports the requested annual tax credits of $782,354. A slight reduction in anticipated syndication funds and use of the Underwriter's total development cost indicates a need for an increase in the total deferred developer fee to $963,561. Deferred fees in this amount appear to be repayable from development cash flow within ten years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, developer, general contractor, and property manager are related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights: Inland General Construction reported total assets of $420K as of February 19, 2003. Total liabilities equaled $54K for a net worth of $365K.

Artisan/American Corporation reported total assets of $1.3M as of February 19, 2003. Total liabilities equaled $551K for a net worth of $731K.

A joint interim financial statement was also provided by Vernon and Elizabeth Young, owners of the co-general partners.

Background & Experience: Artisan/American Corporation has indicated participation in one tax credit development totaling 198 units in 2002. Inland General Construction and Vernon R Young, Jr. have received certificates of experience from the Department.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

Underwriter: _________________ **Date:** June 9, 2003
Lisa Vecchietti

Director of Real Estate Analysis: _________________ **Date:** June 9, 2003
Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Manor at Jersey Village, Jersey Village, LIHTC 03182

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
TC 30%	16	1	1	676	$335	$281	$4,496	$0.42	$54.00	$30.00
TC 40%	8	1	1	676	447	393	3,144	0.58	54.00	30.00
TC 50%	16	1	1	676	558	504	8,064	0.75	54.00	30.00
TC 60%	40	1	1	676	670	616	24,640	0.91	54.00	30.00
MR	20	1	1	676		670	13,400	0.99	54.00	30.00
TC 30%	16	2	1	936	402	333	5,328	0.36	69.00	36.00
TC 40%	8	2	1	936	536	467	3,736	0.50	69.00	36.00
TC 50%	16	2	1	936	670	601	9,616	0.64	69.00	36.00
TC 60%	40	2	1	936	804	735	29,400	0.79	69.00	36.00
MR	20	2	1	936		804	16,080	0.86	69.00	36.00
TOTAL:	200		**AVERAGE:**	806	$491	$590	$117,904	$0.73	$61.50	$33.00

INCOME	Total Net Rentable Sq Ft:	161,200	**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT			$1,414,848	$1,414,848		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$15.00	36,000	36,000	$15.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$1,450,848	$1,450,848			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(108,814)	(108,816)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,342,034	$1,342,032			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.86%	$393	0.49	$78,614	$63,800	$0.40	$319	4.75%
Management		5.00%	336	0.42	67,102	$65,000	0.40	325	4.84%
Payroll & Payroll Tax		13.48%	905	1.12	180,936	$175,000	1.09	875	13.04%
Repairs & Maintenance		4.85%	325	0.40	65,084	$70,000	0.43	350	5.22%
Utilities		5.04%	339	0.42	67,704	$80,000	0.50	400	5.96%
Water, Sewer, & Trash		5.37%	360	0.45	72,032	$52,000	0.32	260	3.87%
Property Insurance		3.00%	202	0.25	40,300	$40,000	0.25	200	2.98%
Property Tax	3.21677	9.59%	643	0.80	128,671	$140,000	0.87	700	10.43%
Reserve for Replacements		2.98%	200	0.25	40,000	$40,000	0.25	200	2.98%
Supportive Services, Compliance		0.46%	31	0.04	6,200	$6,200	0.04	31	0.46%
TOTAL EXPENSES		55.64%	$3,733	$4.63	$746,644	$732,000	$4.54	$3,660	54.54%
NET OPERATING INC		44.36%	$2,977	$3.69	$595,391	$610,032	$3.78	$3,050	45.46%
DEBT SERVICE									
First Lien Mortgage		39.48%	$2,649	$3.29	$529,771	$529,771	$3.29	$2,649	39.48%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.89%	$328	$0.41	$65,619	$80,261	$0.50	$401	5.98%
AGGREGATE DEBT COVERAGE RATIO					1.12	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

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)		5.87%	$4,247	$5.27	$849,420	$849,420	$5.27	$4,247	6.19%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.00%	5,785	7.18	1,157,000	1,157,000	7.18	5,785	8.44%
Direct Construction		53.36%	38,584	47.87	7,716,772	6,970,000	43.24	34,850	50.82%
Contingency	4.58%	2.81%	2,032	2.52	406,350	406,350	2.52	2,032	2.96%
General Req'ts	5.50%	3.37%	2,438	3.02	487,620	487,620	3.02	2,438	3.56%
Contractor's G & A	1.83%	1.12%	813	1.01	162,540	162,540	1.01	813	1.19%
Contractor's Profit	5.50%	3.37%	2,438	3.02	487,620	487,620	3.02	2,438	3.56%
Indirect Construction		1.49%	1,077	1.34	215,300	215,300	1.34	1,077	1.57%
Ineligible Costs		2.79%	2,017	2.50	403,403	403,403	2.50	2,017	2.94%
Developer's G & A	1.28%	1.00%	720	0.89	143,916	0	0.00	0	0.00%
Developer's Profit	13.00%	10.11%	7,313	9.07	1,462,604	1,606,520	9.97	8,033	11.71%
Interim Financing		4.27%	3,088	3.83	617,598	617,598	3.83	3,088	4.50%
Reserves		2.42%	1,752	2.17	350,397	350,397	2.17	1,752	2.56%
TOTAL COST		100.00%	$72,303	$89.71	$14,460,539	$13,713,767	$85.07	$68,569	100.00%
Recap-Hard Construction Costs		*72.04%*	***$52,090***	***$64.63***	***$10,417,902***	***$9,671,130***	***$59.99***	***$48,356***	*70.52%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	50.60%	$36,585	$45.39	$7,317,000	$7,317,000	$7,317,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,575,604
LIHTC Syndication Proceeds	42.80%	$30,947	$38.40	6,189,416	6,189,416	6,179,979	% of Dev. Fee Deferred
Deferred Developer Fees	1.43%	$1,037	$1.29	207,351	207,351	963,561	61%
Additional (excess) Funds Required	5.16%	$3,734	$4.63	746,772	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$14,460,539	$13,713,767	$14,460,539	$2,389,189.06

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

The Manor at Jersey Village, Jersey Village, LIHTC 03182

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.21	$6,481,852
Adjustments				
Exterior Wall Finish	1.00%		$0.40	$64,819
Elderly	5.00%		2.01	324,093
Roofing			0.00	0
Subfloor			(0.67)	(108,541)
Floor Cover			1.92	309,504
Porches/Balconies	$29.24	0	0.00	0
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	200	2.02	325,000
Interior Stairs	$865	16	0.09	13,840
Floor Insulation			0.00	0
Heating/Cooling			1.73	278,876
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$40.21	61,961	15.46	2,491,452
Elevators	$48,575	3	0.90	145,725
SUBTOTAL			64.06	10,326,619
Current Cost Multiplier	1.03		1.92	309,799
Local Multiplier	0.89		(7.05)	(1,135,928)
TOTAL DIRECT CONSTRUCTION COSTS			$58.94	$9,500,489
Plans, specs, survy, bld prm	3.90%		($2.30)	($370,519)
Interim Construction Interes	3.38%		(1.99)	(320,642)
Contractor's OH & Profit	11.50%		(6.78)	(1,092,556)
NET DIRECT CONSTRUCTION COSTS			$47.87	$7,716,772

PAYMENT COMPUTATION

Primary	$7,317,000	Term	480
Int Rate	6.75%	DCR	1.12

Secondary		Term	
Int Rate		Subtotal DCR	1.12

Additional		Term	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	$529,771
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$80,261

Primary	$7,317,000	Term	480
Int Rate	6.75%	DCR	1.15

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

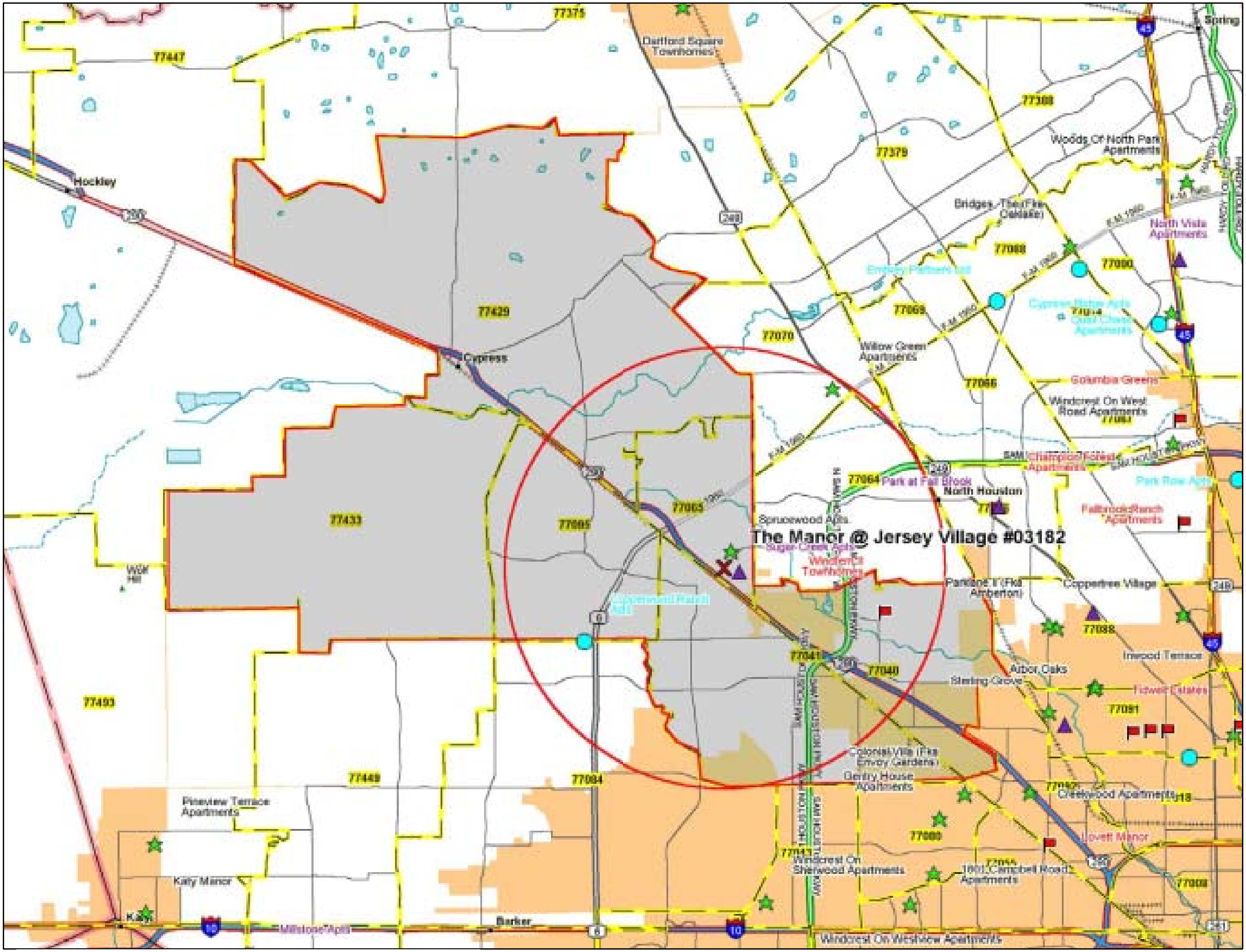
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,414,848	$1,457,293	$1,501,012	$1,546,043	$1,592,424	$1,846,056	$2,140,085	$2,480,945	$3,334,182
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,450,848	1,494,373	1,539,205	1,585,381	1,632,942	1,893,028	2,194,538	2,544,071	3,419,018
Vacancy & Collection Loss	(108,816)	(112,078)	(115,440)	(118,904)	(122,471)	(141,977)	(164,590)	(190,805)	(256,426)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,342,032	$1,382,295	$1,423,764	$1,466,477	$1,510,472	$1,751,050	$2,029,947	$2,353,265	$3,162,592
EXPENSES at 4.00%									
General & Administrative	$63,800	$66,352	$69,006	$71,766	$74,637	$90,807	$110,481	$134,417	$198,970
Management	65,000	66950.12	68958.62332	71027.38202	73158.20348	84810.40862	98318.50794	113978.0973	153177.0318
Payroll & Payroll Tax	175,000	182,000	189,280	196,851	204,725	249,080	303,043	368,699	545,764
Repairs & Maintenance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Utilities	80,000	83,200	86,528	89,989	93,589	113,865	138,534	168,548	249,492
Water, Sewer & Trash	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Insurance	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Property Tax	140,000	145,600	151,424	157,481	163,780	199,264	242,435	294,959	436,611
Reserve for Replacements	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Other	6,200	6,448	6,706	6,974	7,253	8,825	10,736	13,062	19,336
TOTAL EXPENSES	$732,000	$760,630	$790,386	$821,312	$853,454	$1,034,159	$1,253,347	$1,519,246	$2,233,318
NET OPERATING INCOME	$610,032	$621,665	$633,378	$645,166	$657,018	$716,891	$776,601	$834,019	$929,274
DEBT SERVICE									
First Lien Financing	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771	$529,771
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	$80,261	$91,894	$103,607	$115,394	$127,246	$187,120	$246,829	$304,248	$399,503
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.24	1.35	1.47	1.57	1.75

LIHTC Allocation Calculation - The Manor at Jersey Village, Jersey Village, LIHTC 03182

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	$849,420	$849,420		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,157,000	$1,157,000	$1,157,000	$1,157,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,970,000	$7,716,772	$6,970,000	$7,716,772
(4) Contractor Fees & General Requirements				
Contractor overhead	$162,540	$162,540	$162,540	$162,540
Contractor profit	$487,620	$487,620	$487,620	$487,620
General requirements	$487,620	$487,620	$487,620	$487,620
(5) Contingencies	$406,350	$406,350	$406,350	$406,350
(6) Eligible Indirect Fees	$215,300	$215,300	$215,300	$215,300
(7) Eligible Financing Fees	$617,598	$617,598	$617,598	$617,598
(8) All Ineligible Costs	$403,403	$403,403		
(9) Developer Fees			$1,575,604	
Developer overhead		$143,916		$143,916
Developer fee	$1,606,520	$1,462,604		$1,462,604
(10) Development Reserves	$350,397	$350,397		
TOTAL DEVELOPMENT COSTS	$13,713,767	$14,460,539	$12,079,632	$12,857,320

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		$12,079,632	$12,857,320
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,079,632	$12,857,320
Applicable Fraction		80%	80%
TOTAL QUALIFIED BASIS		$9,663,705	$10,285,856
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$805,953	$857,840
Syndication Proceeds	**0.7899**	**$6,366,392**	**$6,776,261**
Total Credits (Eligible Basis Method)		**$805,953**	**$857,840**
Syndication Proceeds		**$6,366,392**	**$6,776,261**
Requested Credits		**$782,354**	
Syndication Proceeds		**$6,179,979**	
Gap of Syndication Proceeds Needed			**$7,143,539**
Credit Amount			**$904,336**



Scale: 1 : 187,500 Zoom Level: 10-1 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.6°E

TDHCA

03231

Region 6

Development Name: **Montgomery Meadows** TDHCA #: **03231**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: Old Montgomery Rd. @ Cline St.
City: Huntsville County: Walker Zip Code: 77340

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

Targeted Units: Family: 0 Elderly: 56 Handicapped/Disabled 4 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Montomery Meadows, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Lucky B Properties, Inc.	Bryan Brown	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$382,286** Allocation over 10 Years: $3,822,860
Credits Requested $411,107 Eligible Basis Amount: $382,286 Equity/Gap Amount $383,617

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	26	24	0	50
MR	0	2	4	0	6
Total	0	28	28	0	

Total LI Units: 50
Owner/Employee Units: 0
Total Project Units: 56
Applicable Fraction: 89.00

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:	$4,273,828
Gross Building Square Feet	51,998
Total Net Rentable Area Square Feet:	50,960
Average Square Feet/Unit	910
Cost Per Net Rentable Square Foot	$83.87
Credits per Low Income Uni	$7,646

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$347,053
Total Expenses:	$207,709
Net Operating Income	$139,344
Estimated 1st Year Debt Coverage Ratio	1.30

FINANCING

Permanent Principal Amount:	$1,282,000
Applicant Equity:	$0
Equity Source:	NA
Syndication Rate:	$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Emmanuel H. Glockzin, Jr.	Market Analyst:	J. Mikeska & Company
Housing GC:	Brazos Valley Construction, Inc.	Originator/UW:	NA
Engineer:	Garrett Engineering	Appraiser:	J. Mikeska & Company
Cost Estimator:	NA	Attorney:	Stephen B. Syptak, Attorney
Architect:	Myriad Designs, Inc.	Accountant:	Lou Ann Monty & Associates
Property Manager	Cambridge Interests, Inc.	Supp Services	Affordable Caring Housing, Inc.
Syndicator:	Boston Capital Corp.	Permanent Lender	First National Bank

Project Name: Montgomery Meadows | Project Number: 03231

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:	William Green, Mayor, City of Huntsville, S	Dee McFarland, President, Huntsville Chamber of Commerce, S
TX Representative:	Lois Kolkhorst, District 13, N	Dan Ellis, State Representative District 18, S
TX Senator:	Steve Ogden, District 5, S	Mary B. Harrelson, Director, Walker County Housing Authority, S
US Representative:	Jim Turner, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 81 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by $182,000 or any combination of additional debt plus initial deferred developer fee totaling the same amount.

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

Alternate Recommendation: NA

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

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

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

Explanation: **This Development has an acceptable 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 # **03231** Name: **Montgomery Meadows** City: **Huntsville**

LIHTC 9% [x] 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: [x] N/A [ ] Yes [ ] No

Noncompliance Reported on National Previous Participation Certification: [ ] Yes [ ] No

Portfolio Management and Compliance

Projects in Material Noncompliance: No [x] Yes [ ] # of Projects: 0

Total # of Projects monitored: 22 Projects grouped by score 0-9 22 10-19 0 20-29 0

Total # monitored with a score less than 30: 22 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable [x] 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 [x] 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 [x] 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 [x] 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 [x] 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 [x] 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 14, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03231

DEVELOPMENT NAME

Montgomery Meadows

APPLICANT

Name:	Montgomery Meadows , LTD.			**Type:**	For Profit		
Address:	4500 Carter Creek Parkway, Suite 101			**City:**	Bryan	**State:**	TX
Zip:	77802	**Contact:**	Emanuel Glockzin	**Phone:**	(979) 846-8878	**Fax:**	(979) 846-0783

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Lucky B Properties, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Claire E. Brown			**Title:**	51% Owner of MGP
Name:	Bryan B. Brown			**Title:**	49% Owner of MGP
Name:	Emanuel H. Glockzin, Jr.			**Title:**	Developer

PROPERTY LOCATION

Location:	Old Montgomery Road near Cline Street			☐ **QCT**	☒ **DDA**
City:	Huntsville	**County:**	Walker	**Zip:**	77340

REQUEST

Amount	Interest Rate	Amortization	Term
1) $411,107	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $382,286 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a revised permanent loan commitment reflecting an increase in the debt by $182,000 or any combination of additional debt plus initial deferred developer fee totaling the same amount.
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:	56	**# Rental Buildings**	14	**# Common Area Bldgs**	1	**# of Floors**	1	**Age:**	N/A yrs	**Vacant:**	N/A	at	/ /

Net Rentable SF: 50,960 **Av Un SF:** 910 **Common Area SF:** 1,038 **Gross Bldg SF:** 51,998

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 95% brick veneer 5% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Amenities include a 1,038 SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, central mailroom, is located near the entrance of the property.

Uncovered Parking: 90 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Montgomery Meadows is a moderately dense 9.33 units per acres new construction development of 56 units of mixed income housing located in south central Huntsville. The development is comprised of 14 evenly distributed small fourplex residential buildings as follows:

- (7) Building Type A with 4 one-bedroom/ one-bath units;
- (7) Building Type B with 4 two-bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. The units all have covered patios.

Supportive Services: Affordable Caring Housing, Inc. will provide supportive services that will consist of: adult education, health and nutritional training and social events. The services will be optional and the cost of the services is included in the rent.

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

SITE ISSUES

SITE DESCRIPTION

Size: 6.0 acres 261,360 square feet **Zoning/ Permitted Uses:** Management District

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Huntsville is located in Walker County approximately 170 miles south of Dallas/Fort Worth, 70 miles north of Houston, and approximately 54 miles east of Bryan/College Station. The site is an irregularly-shaped parcel located in the south central area of Huntsville. The site is situated on the northwest side of Old Montgomery Road.

Adjacent Land Uses:

- **North:** Huntsville Family Medicine Clinic
- **South:** Mobile Home development
- **East:** Private Residence

∉ **West:** Wooded Tract

Site Access: Access to the property is from the northeast or southwest along Old Montgomery Road. The development is to have one main entry from Old Montgomery Road. Access to Interstate Highway 45 is less than one-half mile west, which provides connections to all other major roads serving the Huntsville area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Local shopping is provided along the major thoroughfares which include IH-45, Sam Houston Avenue, and State Highways 30 and 19. There are numerous restaurants, grocery stores and health care services in the area.

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 21, 2003 was prepared by Hodges Engineering, Inc. and contained the following findings and recommendations:

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Fifty of the units (89% of the total) will be reserved for low-income/elderly tenants. All of the affordable units will be reserved for households earning 60% or less of AMGI and the remaining six units (11%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$20,220	$23,160	$26,040	$28,920	$31,260	$33,540

MARKET HIGHLIGHTS

A market feasibility study dated March 19, 2003 was prepared by J. Mikeska & Company and highlighted the following findings:

Definition of Market Area: "The market area is formed by the Walker County line" (p. 1.3) The market area includes over 800 square miles; however a market area this large is typical for rural areas.

Population: The estimated 2000 population of Walker County was 61,758 and is expected to increase by 12% to approximately 68,906 by 2007. Within the primary market area there were estimated to be 19,231 households in 2002.

Total Local/Submarket Demand for Rental Units: "It is estimated there is a total demand for 291 low income units at 60% of MFI in the EMA eligible under the Low Income Tax Credit Program. Subject will offer 50 units at 60% under this program" (p. 4.13)

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	33	11%	84	17%
Resident Turnover/55+	258	89%	400	83%
TOTAL ANNUAL DEMAND	291	**100%**	484	**100%**

Ref: p. 4.11

Inclusive Capture Rate: "Based on this analysis, the Market Analyst is of the opinion that the subject will easily capture 19.2% of this estimated demand." (p. 4.14) The Underwriter calculated a capture rate of 10%

based upon a higher recalculated demand.

Local Housing Authority Waiting List Information: "Walker County Housing Authority oversees 251 vouchers and their waiting list has been closed since last year. They have 10 families on their list and they will soon reopen the waiting list and take up to 100 before closing it again." (p. 4.13)

Market Rent Comparables: The Market Analyst surveyed 11 comparable apartment projects in the market area. "They do not represent all apartments in Huntsville, but are those considered most similar to subject regarding location." (p. 4.5)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$492	$492	$0	$575	-$83
1-Bedroom (MR)	$575	N/A	N/A	$575	$0
2-Bedroom (60%)	$586	$586	$0	$675	-$89
2-Bedroom (MR)	$675	N/A	N/A	$675	$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 Occupancy Rates: "The average occupancy rate of those rental units surveyed in the submarket area is 93.8%." (p. 4.12)

Absorption Projections: "We estimate that the subject will reach 92.5% occupancy in 9 to 12 months from start of construction." (p. 1.6)

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents and the Market Analyst's confirmation that the maximum tax credit rents can be achieved currently, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of $47.5K in potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,588 per unit is within 4% of a TDHCA database-derived estimate of $3,709 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($4.8K lower), payroll ($12K higher), repairs and maintenance ($5.8K lower), utilities ($4.4K lower), water, sewer, and trash ($14.7K lower), insurance ($11.1K higher), and property taxes ($3K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with additional information provided by the Applicant.

Conclusion: The Applicant's estimated income and the Applicant's net operating income are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the 2003 rent limits being used, the Underwriter's estimated debt coverage ratio (DCR) of 1.51 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of at least $14,891 annually. Based upon the terms indicated in the permanent loan commitment an additional $182,000 in debt should be realized.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 6.0 acres $325,000 **Date of Valuation:** 2/ 19/ 2003

Appraiser: J. Mikeska & Company **City:** Hempstead **Phone:** (979) 921-7530

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: After considering the tract's location, physical features, as well as the current trends within the immediate neighborhood, it is my opinion that the highest and best use for the subject site would be for future multifamily residential.

Conclusion: Based on this analysis, the market value of the subject property is estimated to be: $325,000

ASSESSED VALUE

Land: 21.929 acres	$219,290	**Assessment for the Year of:**	2002
1 ac:	$10,000	**Valuation by:**	Walker County Appraisal District
Prorated 6.0 acres:	$60,000	**Tax Rate:**	2.895

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	10/ 15/ 2003	**Anticipated Closing Date:**	10/ 15/ 2003
Acquisition Cost:	$145,000	**Other Terms/Conditions:**	$100 earnest money
Seller:	College Main Apartments, Ltd	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The seller, College Main Apartments, Ltd, is controlled by Elaina and Emanuel Glockzin, Jr. which are also the Developer and General Contractor on the development Montgomery Meadows. They acquired the site as part of a larger 21.929 acre parcel in December 1999 at a cost of $477,615. This amounts to a prorated cost of $.50 per SF or $130,000 for the subject 6.0 acres. The Applicant provided documentation of holding costs or improvements made to the site that would provide justification for a higher non-arm's-length sale, therefore the acquisition/transfer price included is accepted.

Sitework Cost: The Applicant's claimed sitework costs of $7,000 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

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.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $3,113.

Conclusion: As a result of the overstated development fees and slightly higher construction costs the Applicant's total development cost estimate is not within 5% of the Underwriter's verifiable estimate and is therefore the Underwriter's projected costs is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $3,966,350 is used to determine a credit allocation of $382,286 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. The Applicant also miscalculated the applicable fraction by using 90.0% instead of the square footage fraction of 88.90%.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: First National Bank **Contact:** Nora Thompson

Principal Amount: $1,100,000 **Interest Rate:** 7.5%

Additional Information: Interest only for one year

Amortization: N/A yrs **Term:** 1 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: First National Bank **Contact:** Nora Thompson

Principal Amount: $1,100,000 **Interest Rate:** 7.5%

Additional Information:

Amortization: 30 yrs **Term:** 16 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $93,137 **Lien Priority:** 1st **Commitment Date** 2/ 13/ 2003

LIHTC SYNDICATION

Source: Boston Capital Corporation **Contact:** Thomas W. W. Dixon

Address: One Boston Place **City:** Boston

State: MA **Zip:** 02108 **Phone:** (617) 624-8900 **Fax:** (617) 624-8999

Net Proceeds: $3,206,634 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 12/ 23/ 2002

APPLICANT EQUITY

Amount: $213,366 **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. Based upon the additional debt service capacity resulting from the higher achievable 2003 rents, an additional $182,000 in debt could be achieved at the proposed rates and terms and still yield a 1.30 DCR. The increase in debt could alternatively be derived from an increase in deferred developer fees as the additional cash flow would provide significant support for a rapid repayment term.

LIHTC Syndication: Boston Capital has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,206,634 based on a syndication factor of 78%. The funds would be disbursed in a 3-phased pay-in schedule:

1. 75% paid at the latest to occur of (i) Tax Credit Set Aside, (ii) closing of the Construction Mortgage Loan, (iii) receipt of a commitment acceptable to BCP for the Permanent Mortgage Loan, (iv) receipt of a final and approved set of construction drawings or;
2. 15% paid on the latest to occur of (i) the Completion Date, (ii) Updated Insurance Certificates, (iii) and updated title insurance policy in form and substance satisfactory to BCP, which policy in no event shall contain a survey exception, (iv) receipt of a contractor's payoff letter and Estoppel Letter from each lender or (v) satisfaction of all of the conditions to the payment of the first Installment;
3. 10% paid on the latest to occur of (i) State Designation, (ii) Cost Certification, (iii) Initial 100% Occupancy Date, (iv) closing of the Permanent Mortgage Loan), (v) receipt of 100% tax credit compliance audit, (vi) Rental Achievement or (vii) satisfaction of all of the conditions to the payment of the First and Second Installments.

Financing Conclusions: Based on the gap of funds approach and the Underwriter's total cost, the LIHTC allocation should not exceed $383,606 which is more than the eligible basis recommendation of $382,286 annually for ten years, resulting in syndication proceeds of approximately $2,991,828. This represents a $28,821 reduction from the requested credit amount of $411,107 or 8%. Based on the underwriting analysis, the Applicant will have no deferred developer fee. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, or the developer choose not to obtain additional serviceable debt, deferred developer's fee will be available to fund these amounts.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Architect and Property Manager 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 principals of the General Partner, Claire E. Brown and Bryan B. Brown, submitted an unaudited joint financial statement as of February 20, 2003 and anticipated to be guarantors of the development.
- The principals of the Developer, Elaina D. Glockzin and Emanuel H. Glockzin, Jr., submitted an unaudited joint financial statement as of December 31, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer Emanuel H. Glockzin has completed 24 LIHTC/affordable housing developments totaling 978 units since 1986.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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 seller of the property has an identity of interest with the Applicant.
- 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:	Carl Hoover	**Date:**	June 14, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	June 14, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Montgomery Meadows, Huntsville, LIHTC #03231

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	26	1	1	811	$542	$492	$12,792	$0.61	$50.00	$30.00
MR	2	1	1	811		575	1,150	0.71	50.00	30.00
TC (60%)	24	2	2	1,009	651	586	14,064	0.58	65.00	33.00
MR	4	2	2	1,009		675	2,700	0.67	65.00	33.00
TOTAL:	56		AVERAGE:	910	$531	$548	$30,706	$0.60	$57.50	$31.50

INCOME	Total Net Rentable Sq Ft:	50,960			TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT					$368,472	$320,952		IREM Region	
Secondary Income		Per Unit Per Month:	$10.00		6,720	6,720	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$375,192	$327,672			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(28,139)	(24,576)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$347,053	$303,096			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.93%	$306	0.34	$17,111	$12,300	$0.24	$220	4.06%
Management		5.00%	310	0.34	17,353	$13,500	0.26	241	4.45%
Payroll & Payroll Tax		12.56%	778	0.86	43,590	$56,057	1.10	1,001	18.49%
Repairs & Maintenance		5.80%	360	0.40	20,146	$14,343	0.28	256	4.73%
Utilities		2.84%	176	0.19	9,853	$5,466	0.11	98	1.80%
Water, Sewer, & Trash		5.74%	356	0.39	19,935	$5,219	0.10	93	1.72%
Property Insurance		7.38%	457	0.50	25,600	$36,691	0.72	655	12.11%
Property Tax	2.895	9.34%	579	0.64	32,424	$35,667	0.70	637	11.77%
Reserve for Replacements		3.23%	200	0.22	11,200	$11,200	0.22	200	3.70%
Other Expenses: Comp Fees,Supp		3.02%	187	0.21	10,496	$10,496	0.21	187	3.46%
TOTAL EXPENSES		59.85%	$3,709	$4.08	$207,709	$200,939	$3.94	$3,588	66.30%
NET OPERATING INC		40.15%	$2,488	$2.73	$139,344	$102,157	$2.00	$1,824	33.70%
DEBT SERVICE									
First National Bank		26.59%	$1,648	$1.81	$92,296	$93,137	$1.83	$1,663	30.73%
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		13.56%	$840	$0.92	$47,047	$9,020	$0.18	$161	2.98%
AGGREGATE DEBT COVERAGE RATIO					1.51	1.10			
RECOMMENDED DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.39%	$2,589	$2.85	$145,000	$145,000	$2.85	$2,589	3.21%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.17%	7,000	7.69	392,000	392,000	7.69	7,000	8.67%
Direct Construction		51.75%	39,491	43.40	2,211,509	2,355,000	46.21	42,054	52.10%
Contingency	1.27%	0.77%	589	0.65	33,000	33,000	0.65	589	0.73%
General Req'ts	6.00%	3.66%	2,789	3.07	156,211	180,000	3.53	3,214	3.98%
Contractor's G & A	2.00%	1.22%	930	1.02	52,070	60,000	1.18	1,071	1.33%
Contractor's Profit	6.00%	3.66%	2,789	3.07	156,211	180,000	3.53	3,214	3.98%
Indirect Construction		7.21%	5,500	6.04	308,000	308,000	6.04	5,500	6.81%
Ineligible Costs		0.75%	571	0.63	32,000	32,000	0.63	571	0.71%
Developer's G & A	2.00%	1.61%	1,232	1.35	68,980	45,000	0.88	804	1.00%
Developer's Profit	13.00%	10.49%	8,007	8.80	448,370	500,000	9.81	8,929	11.06%
Interim Financing		3.28%	2,500	2.75	140,000	140,000	2.75	2,500	3.10%
Reserves		3.05%	2,330	2.56	130,478	150,000	2.94	2,679	3.32%
TOTAL COST		100.00%	$76,318	$83.87	$4,273,828	$4,520,000	$88.70	$80,714	100.00%
Recap-Hard Construction Costs		*70.22%*	***$53,589***	***$58.89***	***$3,001,000***	***$3,200,000***	***$62.79***	***$57,143***	*70.80%*

SOURCES OF FUNDS

						RECOMMENDED	
First National Bank	25.74%	$19,643	$21.59	$1,100,000	$1,100,000	$1,282,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$517,350
LIHTC Syndication Proceeds	75.03%	$57,261	$62.92	3,206,634	3,206,634	2,991,828	% of Dev. Fee Deferred
Deferred Developer Fees	4.99%	$3,810	$4.19	213,366	213,366		0%
Additional (excess) Funds Required	-5.76%	($4,396)	($4.83)	(246,172)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$4,273,828	$4,520,000	$4,273,828	$695,758.56

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Montgomery Meadows, Huntsville, LIHTC #03231

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Mixed Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 48.22	$2,457,056
Adjustments				
Exterior Wall Finish	7.18%		$3.46	$176,294
Elderly	5.00%		2.41	122,853
Roofing			0.00	0
Subfloor			(2.13)	(108,290)
Floor Cover			1.92	97,843
Porches/Balconies	$17.20	2,436	0.82	41,899
Plumbing	$700	(28)	(0.38)	(19,600)
Built-In Appliances	$1,625	28	0.89	45,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	74,911
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$68.39	1,038	1.39	70,985
Other:			0.00	0
SUBTOTAL			58.07	2,959,451
Current Cost Multiplier	1.03		1.74	88,784
Local Multiplier	0.89		(6.39)	(325,540)
TOTAL DIRECT CONSTRUCTION COSTS			$53.43	$2,722,694
Plans, specs, survy, bld prm	3.90%		($2.08)	($106,185)
Interim Construction Interest	3.38%		(1.80)	(91,891)
Contractor's OH & Profit	11.50%		(6.14)	(313,110)
NET DIRECT CONSTRUCTION COSTS			$43.40	$2,211,509

PAYMENT COMPUTATION

Primary	$1,100,000	Term	360
Int Rate	7.50%	DCR	1.51

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.51

Additional	$3,206,634	Term	
Int Rate		Aggregate DCR	1.51

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$107,567
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$31,776

Primary	$1,282,000	Term	360
Int Rate	7.50%	DCR	1.30

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$3,206,634	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

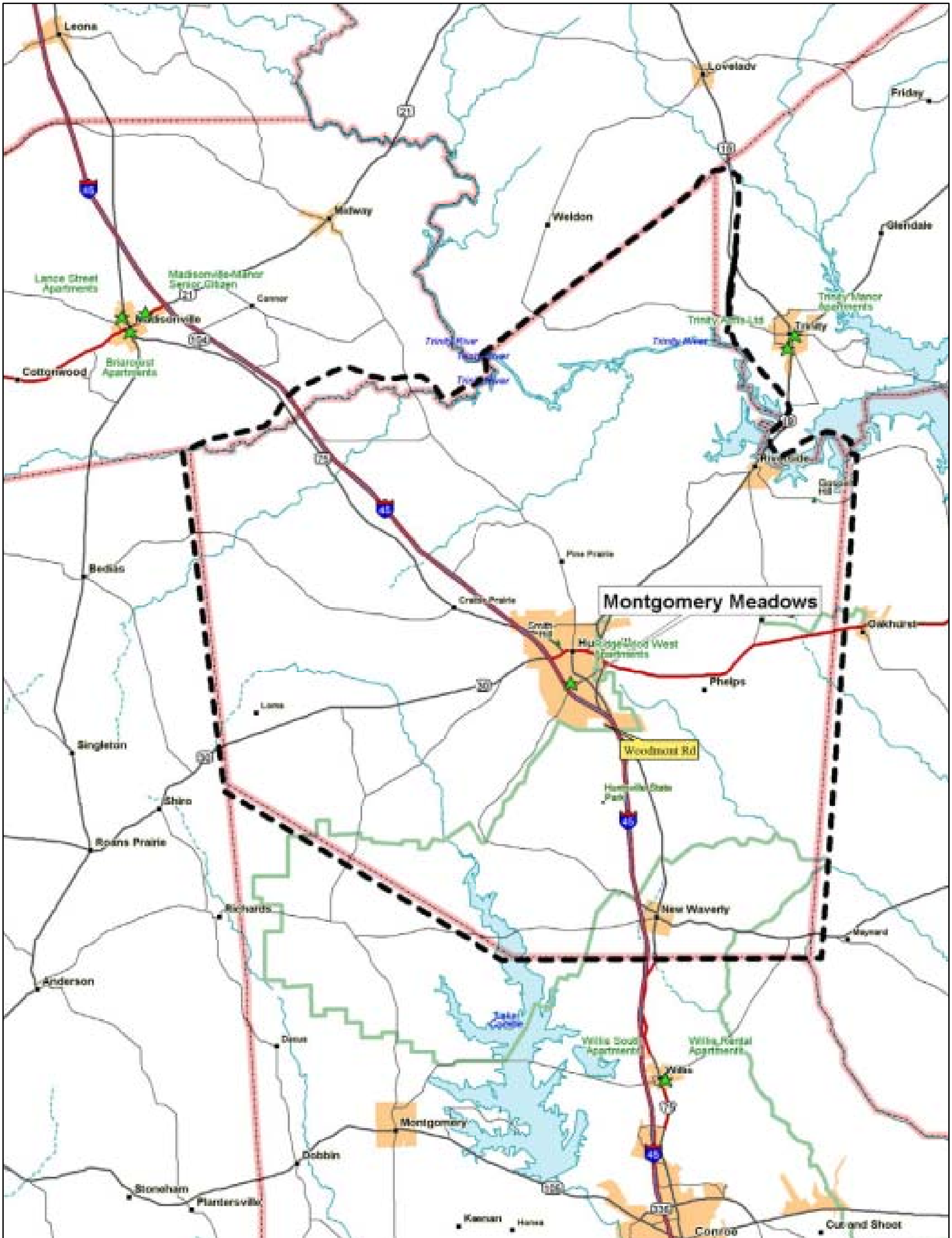
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$368,472	$379,526	$390,912	$402,639	$414,718	$480,772	$557,347	$646,118	$868,328
Secondary Income	6,720	6,922	7,129	7,343	7,563	8,768	10,165	11,784	15,836
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	375,192	386,448	398,041	409,982	422,282	489,540	567,512	657,901	884,165
Vacancy & Collection Loss	(28,139)	(28,984)	(29,853)	(30,749)	(31,671)	(36,716)	(42,563)	(49,343)	(66,312)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$347,053	$357,464	$368,188	$379,234	$390,611	$452,825	$524,948	$608,559	$817,852
EXPENSES at 4.00%									
General & Administrative	$17,111	$17,795	$18,507	$19,248	$20,017	$24,354	$29,631	$36,050	$53,363
Management	17,353	17,873	18,409	18,962	19,531	22,641	26,247	30,428	40,893
Payroll & Payroll Tax	43,590	45,334	47,147	49,033	50,995	62,043	75,485	91,839	135,944
Repairs & Maintenance	20,146	20,952	21,790	22,662	23,568	28,674	34,887	42,445	62,829
Utilities	9,853	10,247	10,657	11,084	11,527	14,024	17,063	20,759	30,729
Water, Sewer & Trash	19,935	20,733	21,562	22,425	23,322	28,374	34,522	42,001	62,172
Insurance	25,600	26,624	27,689	28,797	29,948	36,437	44,331	53,935	79,837
Property Tax	32,424	33,721	35,070	36,473	37,931	46,149	56,148	68,312	101,119
Reserve for Replacements	11,200	11,648	12,114	12,598	13,102	15,941	19,395	23,597	34,929
Other	10,496	10,916	11,352	11,807	12,279	14,939	18,176	22,113	32,733
TOTAL EXPENSES	$207,709	$215,844	$224,299	$233,087	$242,220	$293,578	$355,883	$431,480	$634,548
NET OPERATING INCOME	$139,344	$141,620	$143,889	$146,147	$148,390	$159,247	$169,065	$177,079	$183,305
DEBT SERVICE									
First Lien Financing	$107,567	$107,567	$107,567	$107,567	$107,567	$107,567	$107,567	$107,567	$107,567
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	$31,776	$34,053	$36,322	$38,580	$40,823	$51,680	$61,498	$69,512	$75,737
DEBT COVERAGE RATIO	1.30	1.32	1.34	1.36	1.38	1.48	1.57	1.65	1.70

LIHTC Allocation Calculation - Montgomery Meadows, Huntsville, LIHTC #03231

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	$145,000	$145,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$392,000	$392,000	$392,000	$392,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,355,000	$2,211,509	$2,355,000	$2,211,509
(4) Contractor Fees & General Requirements				
Contractor overhead	$60,000	$52,070	$54,940	$52,070
Contractor profit	$180,000	$156,211	$164,820	$156,211
General requirements	$180,000	$156,211	$164,820	$156,211
(5) Contingencies	$33,000	$33,000	$33,000	$33,000
(6) Eligible Indirect Fees	$308,000	$308,000	$308,000	$308,000
(7) Eligible Financing Fees	$140,000	$140,000	$140,000	$140,000
(8) All Ineligible Costs	$32,000	$32,000		
(9) Developer Fees			$541,887	
Developer overhead	$45,000	$68,980		$68,980
Developer fee	$500,000	$448,370		$448,370
(10) Development Reserves	$150,000	$130,478		
TOTAL DEVELOPMENT COSTS	$4,520,000	$4,273,828	$4,154,467	$3,966,350

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		$4,154,467	$3,966,350
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$5,400,807	$5,156,255
Applicable Fraction		88.90%	88.90%
TOTAL QUALIFIED BASIS		$4,801,165	$4,583,765
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$400,417	$382,286
Syndication Proceeds	**0.7799**	**$3,122,941**	**$2,981,532**
Total Credits (Eligible Basis Method)		**$400,417**	**$382,286**
Syndication Proceeds		**$3,122,941**	**$2,981,532**
Requested Credits		**$411,107**	
Syndication Proceeds		**$3,206,314**	
Gap of Syndication Proceeds Needed			**$2,991,828**
Credit Amount			**$383,606**



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1" = 6.31 mi

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03236

Region 6

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

Development Name: **Little York Villas** TDHCA #: **03236**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Houston
Site Address: 6900 Block of Nuben & W. Little York
County: Harris Zip Code: 77091

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

Targeted Units: Family: 128 Elderly: 0 Handicapped/Disabled 9 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Little York Villas, L.P.

Principal Names	Principal Contact	Percentage Ownership
Songhai Little York, LLC	Cherno M. Njie	.01% of Owner
Songhai Ventures, Inc.	Cherno M. Njie	100% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$816,242** Allocation over 10 Years: $8,162,420
Credits Requested $816,242 Eligible Basis Amount: $817,243 Equity/Gap Amount $852,732

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	11	11	22
40%	0	0	15	15	30
50%	0	0	23	28	51
60%	0	0	0	0	0
MR	0	0	15	10	25
Total	0	0	64	64	

Total LI Units: 103
Owner/Employee Units: 0
Total Project Units: 128
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:	$10,814,865
Gross Building Square Feet	136,644
Total Net Rentable Area Square Feet:	131,200
Average Square Feet/Unit	1,025
Cost Per Net Rentable Square Foot	$82.43
Credits per Low Income Uni	$7,925

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$865,488
Total Expenses:	$490,036
Net Operating Income	$375,452
Estimated 1st Year Debt Coverage Ratio	1.12

FINANCING

Permanent Principal Amount:	$4,164,409
Applicant Equity:	$284,409
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Songhai Little York, LLC	Market Analyst:	Apartment Market Data Research
Housing GC:	Affordable Housing Construction	Originator/UW:	NA
Engineer:	Kimley-Horn & Associates, Inc.	Appraiser:	Butler Burgher
Cost Estimator:	Affordable Housing Construction	Attorney:	Shackelford, Melton, & McKinley
Architect:	Beeler, Guest & Owens Architects	Accountant:	Reznick, Fedder & Silverman
Property Manager	Southwest Housing Management	Supp Services	Housing Services of Texas
Syndicator:	Paramount Financial Group	Permanent Lender	Bank One, N.A.

Project Name: Little York Villas Project Number: 03236

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: **6**

☐ 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	El Franco Lee, Harris County Commissioner, S
TX Representative:	Sylvester Turner, District 139, N	Daisy A. Stiner, Director Housing and Community Development, N
TX Senator:	John Whitmire, District 15 , N	Kenton R. Pickles, Administrative Manager, City of Houston, N
US Representative:	Sheila Jackson Lee, S	
US Senator:		

General Summary of Comment: Six letters of opposition were received. The stated reasons for opposition include: 1) There are two other tax credit developments in the area that have low occupancy rates, 2) The tax credit development across from the proposed development is "not well kept and drug infested", 3) There are tax credit units being developed less than three miles away from the proposed development, and 4) The writer does not support housing for the elderly. It should be noted that there is also some support for this development.

DEPARTMENT EVALUATION

Points Awarded: 100 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property.

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

Alternate Recommendation: NA

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

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

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

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

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 # **03236** Name: **Little York Villas** City: **Houston**

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: 1 Projects grouped by score 0-9 1 10-19 0 20-29 0

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

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, May 23, 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 EEF Date 5 /16/2003

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 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	May 28, 2003	**PROGRAM:**	9% LIHTC	**FILE NUMBER:**	03236

DEVELOPMENT NAME

Little York Villas Apartments

APPLICANT

Name:	Little York Villas, L.P.			**Type:**	For Profit		
Address:	1106 Clayton Lane, Suite 524W			**City:**	Austin	**State:**	TX
Zip:	78723	**Contact:**	Cherno Njie	**Phone:**	(512) 458-5577	**Fax:**	(512) 458-5565

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Songhai Little York, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	El Dorado Housing Development Corp. (EDHDC)	**(%):**		**Title:**	Co-Developer
Name:	Songhai Ventures, Inc. (SVI)	**(%):**	N/A	**Title:**	Sole member of MGP
Name:	Songhai Little York Development, LLC (SLYD)	**(%):**	N/A	**Title:**	Co-Developer
Name:	Cherno Njie	**(%):**	N/A	**Title:**	49% owner of SVI & 100% owner of SLYD
Name:	Nwaeju Njie	**(%):**	N/A	**Title:**	51% owner of SVI
Name:	Carlos Herrera	**(%):**	N/A	**Title:**	100% owner of EDHDC

PROPERTY LOCATION

Location:	Southwest corner of intersection of West Little York Road & Nuben Street	☒ **QCT**	☐ **DDA**		
City:	Houston	**County:**	Harris	**Zip:**	77091

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$816,242	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $816,242 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property;
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: 128 **# Rental Buildings** 7 **# Common Area Bldgs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Net Rentable SF: 131,200 **Av Un SF:** 1,025 **Common Area SF:** 5,444 **Gross Bldg SF:** 136,644

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% stucco/25% cultured stone veneer with wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 5,444-SF community building with activity room, management offices, maintenance & laundry facilities, kitchen, restrooms, computer/business center, & a swimming pool are located at the entrance to the property. In addition, an equipped children’s play area is to be located in the middle of the property, which will have perimeter fencing with a limited access gate.

Uncovered Parking: 259 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Little York Villas Apartments is a moderately dense (12 units per acre) new construction development of 128 units of mixed income housing located in northwest Houston. The development is comprised of seven evenly distributed medium-to-large size, garden style, walk-up residential buildings as follows:

- Three Building Type A with 12 two-bedroom/two-bath units and eight three-bedroom/two-bath units;
- One Building Type B with 20 two-bedroom/two-bath units;
- Two Building Type E with 16 three-bedroom/two-bath units; and
- One Building Type H with eight two-bedroom/two-bath units and eight three-bedroom/two-bath units.

Architectural Review: The building elevations are functional and attractive, with pitched roofs and a significant amount of stone veneer accent. The units are well laid out, and both types feature covered porches or balconies with storage closets.

Supportive Services: The Applicant intends to use Housing Services of Texas to provide supportive services at no cost to the tenants and has included $18,000/year in the operating budget for these services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 10.68 acres 465,221 square feet **Zoning/ Permitted Uses:** No zoning in Houston

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a nearly rectangularly-shaped parcel located in the northwest area of Houston, approximately nine miles from the central business district. The site is situated on the southwest corner of the intersection of West Little York Road and Nuben Street.

Adjacent Land Uses:

- **North:** West Little York Road with multifamily residential beyond (Inwood Terrace Apartments, LIHTC #93099)

- **South:** single-family residential
- **East:** Nuben Street with vacant land and a church beyond
- **West:** commercial/industrial (Tom Wheatley Valve Company)

Site Access: Access to the property is from the east or west along West Little York Road or the north or south from Nuben Street. The development is to have a single entry from Little York Road. Access to Interstate Highway 45 is 2.8 miles east, which provides connections to all other major roads serving the Houston area.

Public Transportation: Although public bus transportation is available in Houston, the proximity of the nearest stop to the site is unknown.

Shopping & Services: The site is within two miles of two major grocery/pharmacies, and shopping centers and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The title commitment lists a notice of demolition order and a contractual lien affidavit that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 21, 2003, was prepared by Tidewater Environmental Services, Inc. and contained the following findings and recommendations: "Based on investigations of the subject property completed to date, Tidewater Environmental Services found no recognized environmental conditions in connection with the subject property. Therefore, Tidewater Environmental does not recommend further field studies and/or environmental research at this time." (p. 16)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 103 of the units (80% of the total) will be reserved for low-income tenants. 22 of the units (17%) will be reserved for households earning 30% or less of AMGI, 30 units (23%) will be reserved for households earning 40% or less of AMGI, 51 units (40%) will be reserved for households earning 50% or less of AMGI, and the remaining 25 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	$20,850	$23,850	$26,800	$29,800	$32,200	$34,550

MARKET HIGHLIGHTS

A market feasibility study dated March 31, 2002, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: "For this analysis we utilized a 'primary market area' comprising a 62-square mile trade area in northwest Houston." (p. 31) The site is approximately three miles south of the northern boundary of the sub market, four miles north of the southern boundary, five miles from the eastern and western boundary.

Population: The estimated 2002 population of the primary market area (PMA) was 242,312 and is expected to increase by 5.7% to approximately 256,032 by 2007. Within the PMA there were estimated to be 83,739 households in 2002. (p. 54-55)

Total Local/Submarket Demand for Rental Units: "The PMA is projected to continue to grow well into the year 2007. This growth will result in the additional need for housing, and based upon the tenure profile of the area 44.8% of the housing will be in rental units. Additionally, due to the economic base of the population and the average income levels of the area, there will be a strong need for more affordable rental housing." (p. 107)

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	29	1%	75	1%
Resident Turnover	5,406	98%	5,105	99%
Other Sources: 10 yrs pent-up demand	56	1%	0	0%
TOTAL ANNUAL DEMAND	**5,491**	**100%**	**5,180**	**100%**

Ref: p. 47

Inclusive Capture Rate: The analyst calculated an inclusive capture rate of 8.19%, but included all 192 of the Fountains at Tidwell Apartments' units as unstabilized comparable units instead of just the 141 LIHTC units, and did not include any of Woodglen Village's 250 LIHTC units, although the analyst reported the development to be in lease-up. (p. 48) In a supplemental letter the analyst confirmed the lease-up status of Woodglen and added those units to the numerator of the inclusive capture rate to conclude 12.75%. The Underwriter calculated an inclusive capture rate of 14.2% based upon a revised supply of unstabilized comparable affordable units of 736 (excluding rehab) divided by a revised demand of 5,180 units. If all restricted and unrestricted units from unstabilized developments were included, the Underwriter's capture rate would increase to 24.9%. Finally, if two unstabilized transactions that are just north of the analyst's defined market area but south of Sam Houston Parkway (a more natural geographic boundary) were included, the restricted unit capture rate would rise to 22%. The total capture rate on restricted and unrestricted rate units would exceed 25%; however, this does not include the additional marginal demand from this area not included in the market analyst's market area. Moreover, unrestricted units are not included in the guidelines for inclusive capture rate.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The market analyst surveyed four comparable apartment projects totaling 904 units in the market area. "The Little York Villas Apartments, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates. The 'base rent' (street asking rate) for each unit type is significantly lower than comparable market rate projects." (p. 105)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Avg. Market**	**Differential**
2-Bedroom (30%)	$346	$356	-$10	$777	-$431
2-Bedroom (40%)	$479	$490	-$11	$777	-$298
2-Bedroom (50%)	$612	$624	-$12	$777	-$165
2-Bedroom (MR)	$678	N/A	N/A	$777	-$99
3-Bedroom (30%)	$400	$410	-$10	$879	-$479
3-Bedroom (40%)	$554	$565	-$11	$879	-$325
3-Bedroom (50%)	$707	$720	-$13	$879	-$172
3-Bedroom (MR)	$783	N/A	N/A	$879	-$96

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

Submarket Vacancy Rates: "The current occupancy of the market area is 93.0% as a result of ever-increasing demand." (p. 84) "…the overall average occupancy for income-restricted units is 92.0%...and the overall average occupancy for market rate units is 96.1%." (p. 105)"

Absorption Projections: "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up schedule]." (p. 81)

Known Planned Development: The analyst identified the following affordable projects currently under development in the PMA (p. 82):

∉ Fallbrook Ranch Apartments, 9% LIHTC #02080, 196 total units/156 tax credit units

- Yale Village Apartments, 9% LIHTC #02019, 250 total/tax credit units (rehab)
- Fountains at Tidwell Apartments, 9% LIHTC #01042, 188 total units/141 tax credit units
- Dominion Square Apartments, 4% LIHTC #00016T, 136 total/tax credit units (rehab)
- Woodglen Village Apartments, 4% LIHTC #99012T, 250 total/tax credit units (in lease-up)

The analyst excluded Windfern II, a 2000 9% LIHTC transaction that included 86 restricted and 144 total units and is located in the far northwestern section of the market area. The development has not submitted for cost certification yet and is assumed to be stabilized. The market area excludes two developments located within five miles north of the site. These are Champion Forest (115 restricted, 192 total units awarded in 2001 as a 2002 forward commitment) and Fallbrook Apartments (280 restricted units funded as a bond transaction in late 2001).

Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout north Houston, and especially at quality affordable housing communities." (p. 82)

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. The Applicant miscalculated tenant-paid utility allowances by including the range and refrigerator allowances and by using slightly lower superseded allowances, which results in the Applicant's potential gross income estimate being understated by $8,532. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the revised utility allowances the Underwriter's effective gross income estimate exceeds the Applicant's by $7,893.

Expenses: The Applicant's estimate of total operating expense is 3% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's general and administrative expense estimate is significantly ($18.5K) lower than the database averages. The Underwriter discussed this difference with the Applicant but was unable to reconcile it despite additional information provided by the Applicant.

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 the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 10.692 acres	$234,520	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$234,520	**Tax Rate:**	3.02477

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved property commercial contract		
Contract Expiration Date:	90 days after notice of LIHTC approval by TDHCA Board	**Anticipated Closing Date:**	11/ 15/ 2003
Acquisition Cost:	$578,749	**Other Terms/Conditions:**	$5,000 earnest money
Seller:	Mrs. Claude Maurer	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $578,749 ($1.24/SF or $21,934/acre) is reasonably substantiated by the tax assessed value of $234,520 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,500 per unit are the maximum allowed under TDHCA guidelines without third party verification.

Direct Construction Cost: The Applicant's costs are 6.5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated. A significant area of difference is that the Underwriter calculated 32,000 square feet of porches, balconies, and breezeways whereas the Applicant included only 6,464 square feet in the application though the floor plans provided clearly reflect a significantly larger number.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $40,775 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.

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. The Applicant did not reduce eligible basis by the amount of the below market rate city HOME loan in accordance with Section 42(i)(2) of the Internal Revenue Code, and indicated that this was because the HOME funds would be applied to the land purchase or other ineligible basis. This is not generally accepted practice and is not accepted by TDHCA, and therefore the Underwriter reduced the Applicant's eligible basis by $281,409. As a result an eligible basis of $9,367,297 is used to determine a credit allocation of $817,243 from this method. This is $1,001 more than initially requested, however, due to the Applicant's use of a lower applicable percentage of 8.10% rather than the 8.34% underwriting rate used for applications received in February 2003. Therefore, the syndication proceeds from the Applicant's request of $816,242 times the applicable percentage of 8.34% will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank One, N.A. **Contact:** Pauline Allen

Principal Amount: $3,883,000 **Interest Rate:** Variable, 6-month LIBOR + 250 basis points, estimated & underwritten at 7.5%

Additional Information: Commitment in amount of $4,400,000, interest-only payments

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

LONG TERM/PERMANENT FINANCING

Source: Bank One, N.A. **Contact:** Pauline Allen

Principal Amount: $3,883,000 **Interest Rate:** 10-year U.S. Treasury rate + 270 basis points, estimated & underwritten at 7.5%

Additional Information:

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

Annual Payment: $325,806 **Lien Priority:** 1st **Commitment Date** 2/ 27/ 2003

LONG TERM/PERMANENT FINANCING

Source: City of Houston HOME funds **Contact:** Ken Fickes

Principal Amount: $281,409 **Interest Rate:** 1% requested

Additional Information: Application only, amount & terms unconfirmed

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

Annual Payment: $10,861 **Lien Priority:** 2nd **Commitment Date** 2/ 26/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Group, Inc. **Contact:** Dale Cook

Address: 150 East Main Street, Suite 301 **City:** Fredericksburg

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

Net Proceeds: $6,371,561 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 2/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $278,892 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The City of Houston HOME funds were not confirmed as to the terms or even amount, therefore they are extremely speculative. Based upon the 1% rate anticipated by the Applicant they would need to be removed from eligible basis or relinquish the 130% boost for being in a QCT. Alternatively, if the interest rate on the HOME funds was increased to the applicable federal rate (AFR), no adjustments to eligible basis would be required and the full 130% high cost area adjustment could remain, however, the credit amount recommended would still be the lower amount requested. If the HOME funds are not awarded to this development the effect would be negligible to the projected DCR and would not affect the current amount, but would double the anticipated deferred developer fee, which would still be repayable in a satisfactory period of time.

LIHTC Syndication: The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $278,892 amount to 27% of the total eligible fees.

Financing Conclusions: Since the Applicant's total development costs were approximately 3% less than the Underwriter's estimate, the Applicant's adjusted development costs were used to determine eligible basis. This eligible basis amount was reduced by the amount of the below market rate City of Houston HOME loan, and the applicable percentage rate was adjusted in order to reflect the current underwriting rate of 8.34%. These adjustments increased the recommended tax credit allocation to $817,243 per year. However, this is $1,001 more than the Applicant's request. Therefore, the maximum potential tax credit allocation for this development should be $816,242. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased slightly $284,409, which represents approximately 27% of the eligible fee and which should be repayable from cash flow within six years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis or should the HOME funds not be awarded to this development, additional deferred developer's fee should be available to fund those development cost overruns or shortfalls.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The General Contractor is affiliated with the Property Manager. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant, General Partner, and Developer are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The sole member of the General Partner, Songhai Ventures, Inc., submitted an unaudited financial statement as of January 15, 2003 reporting total assets of $587K and consisting of $85K in cash, $165K in receivables, $300K in partnership interests, and $37K in office equipment and automobiles. Liabilities totaled $65K, resulting in a net equity of $522K. The partnership assets are questionable in that $150K are associated with a 4% LIHTC application (Selinsky Villas Apartments) which was withdrawn earlier this year and the other $150K are in pending 4% LIHTC applications. These assets could not be accrued until the transactions they represent have materialized. This has the effect of reducing net equity to $222K.
- The Co-Developer, El Dorado Housing Development Corporation, submitted an unaudited financial statement as of May 13, 2003 reporting total assets of $610K and consisting of $10K in cash and $600K in securities. No liabilities were reported.
- Cherno and Nwaeju Njie and Carlos Herrera, owners of the General Partner, Developer, and Co-Developer, submitted unaudited financial statements and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant, General Partner, and Developer are new entities formed for the purpose of developing the project.
- Cherno and Nwaeju Njie, owners of the General Partner, listed participation in one previous 280-unit LIHTC-funded housing development, but this project (Selinsky Villas, 4% LIHTC #02482) was terminated by the applicant during the application stage. Mr. Njie is also the former Manager of the TDHCA Tax Credit Program and has significant experience in tax credit developments from that perspective.
- Carlos Herrera, the sole member of the Co-Developer, submitted a TDHCA certificate of experience in constructing or developing residential units or comparable commercial property and listed ongoing participation in three previous LIHTC-funded housing developments totaling 409 units since 2001.

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 principals of the Applicant do not appear to have the financial capacity to support the project if needed.

Underwriter:	*Jim Anderson*	**Date:**	May 28, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	May 28, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Little York Villas Apartments, Houston, 9% LIHTC #03236

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (30%)	11	2	2	950	$402	$356	$3,916	$0.37	$46.00	$40.62
TC (40%)	15	2	2	950	536	490	7,350	0.52	46.00	40.62
TC (50%)	23	2	2	950	670	624	14,352	0.66	46.00	40.62
MR	15	2	2	950		678	10,170	0.71	46.00	40.62
TC (30%)	11	3	2	1,100	465	410	4,510	0.37	55.00	46.62
TC (40%)	15	3	2	1,100	620	565	8,475	0.51	55.00	46.62
TC (50%)	28	3	2	1,100	775	720	20,160	0.65	55.00	46.62
MR	10	3	2	1,100		783	7,830	0.71	55.00	46.62
TOTAL:	128		**AVERAGE:**	1,025	$500	$600	$76,763	$0.59	$50.50	$43.62

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	131,200						USS Region	6
POTENTIAL GROSS RENT					$921,156	$912,624		IREM Region	Houston
Secondary Income			Per Unit Per Month:	$15.00	23,040	23,040	$15.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$944,196	$935,664			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(70,815)	(70,176)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$873,381	$865,488			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.14%	$350	0.34	$44,860	$26,340	$0.20	$206	3.04%
Management		5.00%	341	0.33	43,669	$44,796	0.34	350	5.18%
Payroll & Payroll Tax		12.75%	870	0.85	111,360	$120,000	0.91	938	13.87%
Repairs & Maintenance		8.14%	555	0.54	71,059	$64,700	0.49	505	7.48%
Utilities		2.26%	155	0.15	19,780	$23,000	0.18	180	2.66%
Water, Sewer, & Trash		5.21%	355	0.35	45,472	$48,708	0.37	381	5.63%
Property Insurance		2.85%	195	0.19	24,928	$22,272	0.17	174	2.57%
Property Tax	3.02477	10.24%	698	0.68	89,405	$87,000	0.66	680	10.05%
Reserve for Replacements		2.93%	200	0.20	25,600	$25,600	0.20	200	2.96%
Other: spt svcs, compl fees, sec		3.16%	216	0.21	27,620	$27,620	0.21	216	3.19%
TOTAL EXPENSES		57.68%	$3,936	$3.84	$503,753	$490,036	$3.74	$3,828	56.62%
NET OPERATING INC		42.32%	$2,888	$2.82	$369,628	$375,452	$2.86	$2,933	43.38%
DEBT SERVICE									
Bank One		37.30%	$2,545	$2.48	$325,806	$325,806	$2.48	$2,545	37.64%
City of Houston Funds		1.24%	$85	$0.08	10,861	10,861	$0.08	$85	1.25%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		3.77%	$258	$0.25	$32,961	$38,785	$0.30	$303	4.48%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.12			
RECOMMENDED DEBT COVERAGE RATIO						1.12			

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)		5.17%	$4,521	$4.41	$578,749	$578,749	$4.41	$4,521	5.35%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.58%	7,500	7.32	960,000	960,000	7.32	7,500	8.88%
Direct Construction		51.25%	44,792	43.70	5,733,348	5,361,597	40.87	41,887	49.58%
Contingency	4.72%	2.83%	2,469	2.41	316,080	316,080	2.41	2,469	2.92%
General Req'ts	5.67%	3.39%	2,963	2.89	379,296	379,296	2.89	2,963	3.51%
Contractor's G & A	1.89%	1.13%	988	0.96	126,432	126,432	0.96	988	1.17%
Contractor's Profit	5.67%	3.39%	2,963	2.89	379,296	379,296	2.89	2,963	3.51%
Indirect Construction		6.00%	5,245	5.12	671,422	671,422	5.12	5,245	6.21%
Ineligible Costs		2.12%	1,855	1.81	237,409	237,409	1.81	1,855	2.20%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	11.56%	9.28%	8,111	7.91	1,038,159	1,038,159	7.91	8,111	9.60%
Interim Financing		3.72%	3,253	3.17	416,425	416,425	3.17	3,253	3.85%
Reserves		3.13%	2,734	2.67	350,000	350,000	2.67	2,734	3.24%
TOTAL COST		100.00%	$87,395	$85.26	$11,186,616	$10,814,865	$82.43	$84,491	100.00%
Recap-Hard Construction Costs		*70.57%*	***$61,675***	***$60.17***	***$7,894,452***	***$7,522,701***	***$57.34***	***$58,771***	*69.56%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Bank One	34.71%	$30,336	$29.60	$3,883,000	$3,883,000	$3,883,000	Developer Fee Available
City of Houston Funds	2.52%	$2,199	$2.14	281,409	281,409	281,409	$1,038,159
LIHTC Syndication Proceeds	56.96%	$49,778	$48.56	6,371,561	6,371,561	6,366,047	% of Dev. Fee Deferred
Deferred Developer Fees	2.49%	$2,179	$2.13	278,892	278,892	284,409	27%
Additional (excess) Funds Required	3.32%	$2,904	$2.83	371,754	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$11,186,616	$10,814,865	$10,814,865	$1,264,084.82

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Little York Villas Apartments, Houston, 9% LIHTC #03236

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.56	$5,452,061
Adjustments				
Exterior Wall Finish	2.00%		$0.83	$109,041
9-Ft. Ceilings	3.25%		1.35	177,192
Roofing			0.00	0
Subfloor			(0.81)	(106,010)
Floor Cover			1.92	251,904
Porches/Balconies	$24.67	32,000	6.02	789,440
Plumbing	$615	384	1.80	236,160
Built-In Appliances	$1,625	128	1.59	208,000
Stairs	$1,625	36	0.45	58,500
Floor Insulation			0.00	0
Heating/Cooling			1.47	192,864
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.70	5,444	2.31	303,239
Other:			0.00	0
SUBTOTAL			58.48	7,672,391
Current Cost Multiplier	1.03		1.75	230,172
Local Multiplier	0.89		(6.43)	(843,963)
TOTAL DIRECT CONSTRUCTION COSTS			$53.80	$7,058,600
Plans, specs, survy, bld prm	3.90%		($2.10)	($275,285)
Interim Construction Interest	3.38%		(1.82)	(238,228)
Contractor's OH & Profit	11.50%		(6.19)	(811,739)
NET DIRECT CONSTRUCTION COSTS			$43.70	$5,733,348

PAYMENT COMPUTATION

Primary	$3,883,000	Term	360
Int Rate	7.50%	DCR	1.13

Secondary	$281,409	Term	360
Int Rate	1.00%	Subtotal DCR	1.10

Additional	$6,371,561	Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$325,806
Secondary Debt Service	10,861
Additional Debt Service	0
NET CASH FLOW	$38,785

Primary	$3,883,000	Term	360
Int Rate	7.50%	DCR	1.15

Secondary	$281,409	Term	360
Int Rate	1.00%	Subtotal DCR	1.12

Additional	$6,371,561	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

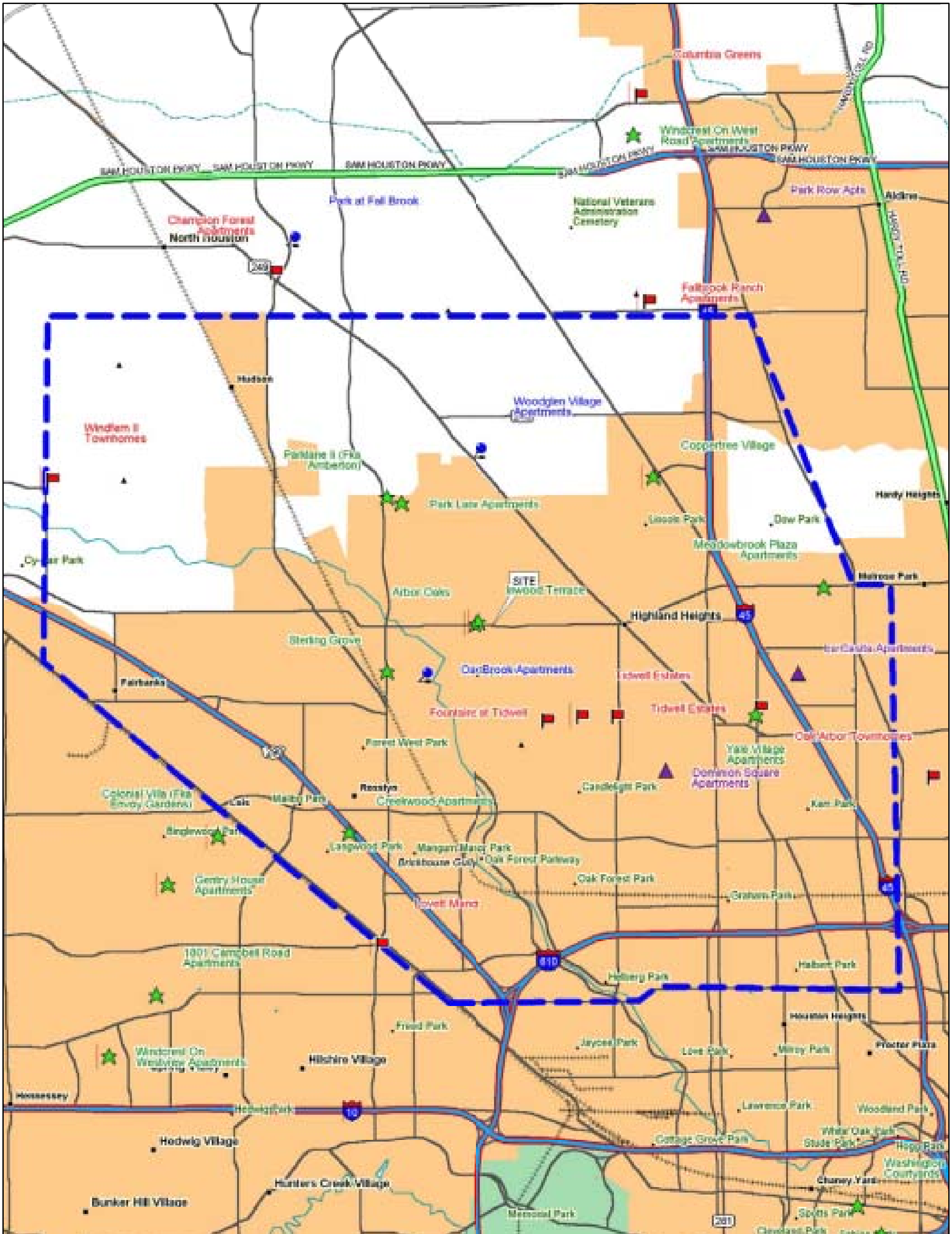
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$912,624	$940,003	$968,203	$997,249	$1,027,166	$1,190,767	$1,380,426	$1,600,292	$2,150,658
Secondary Income	23,040	23,731	24,443	25,176	25,932	30,062	34,850	40,401	54,295
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	935,664	963,734	992,646	1,022,425	1,053,098	1,220,829	1,415,276	1,640,692	2,204,954
Vacancy & Collection Loss	(70,176)	(72,280)	(74,448)	(76,682)	(78,982)	(91,562)	(106,146)	(123,052)	(165,372)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$865,488	$891,454	$918,197	$945,743	$974,116	$1,129,267	$1,309,130	$1,517,641	$2,039,582
EXPENSES at 4.00%									
General & Administrative	$26,340	$27,394	$28,489	$29,629	$30,814	$37,490	$45,612	$55,494	$82,145
Management	44,796	46,140	47,524	48,950	50,418	58,449	67,758	78,550	105,565
Payroll & Payroll Tax	120,000	124,800	129,792	134,984	140,383	170,797	207,801	252,822	374,238
Repairs & Maintenance	64,700	67,288	69,980	72,779	75,690	92,088	112,039	136,313	201,777
Utilities	23,000	23,920	24,877	25,872	26,907	32,736	39,829	48,458	71,729
Water, Sewer & Trash	48,708	50,656	52,683	54,790	56,981	69,327	84,346	102,620	151,903
Insurance	22,272	23,163	24,089	25,053	26,055	31,700	38,568	46,924	69,459
Property Tax	87,000	90,480	94,099	97,863	101,778	123,828	150,656	183,296	271,323
Reserve for Replacements	25,600	26,624	27,689	28,797	29,948	36,437	44,331	53,935	79,837
Other	27,620	28,725	29,874	31,069	32,311	39,312	47,829	58,191	86,137
TOTAL EXPENSES	$490,036	$509,190	$529,096	$549,784	$571,286	$692,164	$838,770	$1,016,604	$1,494,113
NET OPERATING INCOME	$375,452	$382,264	$389,102	$395,959	$402,830	$437,103	$470,360	$501,037	$545,469
DEBT SERVICE									
First Lien Financing	$325,806	$325,806	$325,806	$325,806	$325,806	$325,806	$325,806	$325,806	$325,806
Second Lien	10,861	10,861	10,861	10,861	10,861	10,861	10,861	10,861	10,861
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$38,785	$45,597	$52,434	$59,292	$66,162	$100,436	$133,693	$164,369	$208,801
DEBT COVERAGE RATIO	1.12	1.14	1.16	1.18	1.20	1.30	1.40	1.49	1.62

LIHTC Allocation Calculation - Little York Villas Apartments, Houston, 9% LIHTC #03236

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	$578,749	$578,749		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$960,000	$960,000	$960,000	$960,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$5,361,597	$5,733,348	$5,361,597	$5,733,348
(4) Contractor Fees & General Requirements				
Contractor overhead	$126,432	$126,432	$126,432	$126,432
Contractor profit	$379,296	$379,296	$379,296	$379,296
General requirements	$379,296	$379,296	$379,296	$379,296
(5) Contingencies	$316,080	$316,080	$316,080	$316,080
(6) Eligible Indirect Fees	$671,422	$671,422	$671,422	$671,422
(7) Eligible Financing Fees	$416,425	$416,425	$416,425	$416,425
(8) All Ineligible Costs	$237,409	$237,409		
(9) Developer Fees				
Developer overhead				
Developer fee	$1,038,159	$1,038,159	$1,038,159	$1,038,159
(10) Development Reserves	$350,000	$350,000	$ 1,291,582	$ 1,347,345
TOTAL DEVELOPMENT COSTS	$10,814,865	$11,186,616	$9,648,706	$10,020,458

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		$281,409	$281,409
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$9,367,297	$9,739,049
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$12,177,487	$12,660,763
Applicable Fraction		80.47%	80.47%
TOTAL QUALIFIED BASIS		$9,799,071	$10,187,958
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$817,243	$849,676
Syndication Proceeds	**0.7799**	**$6,373,850**	**$6,626,804**
Total Credits (Eligible Basis Method)		**$817,243**	**$849,676**
Syndication Proceeds		**$6,373,850**	**$6,626,804**
Requested Credits		**$816,242**	
Syndication Proceeds		**$6,366,047**	
Gap of Syndication Proceeds Needed		**$6,650,456**	
Credit Amount		**$852,708**	



DELORME

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TDHCA #

03245

Region 6

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

Development Name: **Meadows Place Senior Village** TDHCA #: **03245**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Meadows Place
Site Address: 12221 South Kirkwood
County: Fort Bend Zip Code: 77477

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

Targeted Units: Family: 0 Elderly: 182 Handicapped/Disabled 30 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Meadows Place Village L.P.

Principal Names	Principal Contact	Percentage Ownership
Chaparral Group, Inc.	Rae Fairfield	.01% of Owner
Rae Fairfield	Rae Fairfield	53% of GP
Stephen Fairfield	Stephen Fairfield	33% of GP
Al Fairfield	Al Fairfield	14% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$675,605** Allocation over 10 Years: $6,756,050

Credits Requested $681,630 Eligible Basis Amount: $675,605 Equity/Gap Amount $741,355

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	30	0	0	30
40%	0	14	0	0	14
50%	0	29	0	0	29
60%	0	27	45	0	72
MR	0	0	37	0	37
Total	0	100	82	0	

Total LI Units: 145
Owner/Employee Units: 0
Total Project Units: 182
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:	$12,624,000
Gross Building Square Feet	167,416
Total Net Rentable Area Square Feet:	131,050
Average Square Feet/Unit	720
Cost Per Net Rentable Square Foot	$96.33
Credits per Low Income Uni	$4,659

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,284,425
Total Expenses:	$724,679
Net Operating Income	$559,746
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$6,767,883
Applicant Equity:	$519,370
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7899

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Meadows Management, LLC	Market Analyst:	Apartment Market Data Research
Housing GC:	Luxury Living Constructors, Inc.	Originator/UW:	NA
Engineer:	Pate Engineering	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Coats, Rose, Yale, Ryman & Lee
Architect:	Insite Architecture	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	Greystone Asset Management	Supp Services	NA
Syndicator:	Muni Mae Midland, LLC	Permanent Lender	Southwest Bank of Texas

Project Name: Meadows Place Senior Village   Project Number: 03245

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Mark McGrath, Mayor, City of Meadows Place, S	Terry Henley, Mayor Pro Tem, S
TX Representative:	Charlie Howard, District 26, S	
TX Senator:	Kyle Janek, District 17, S	
US Representative:		
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 99 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of plans that include at least two elevators spread through the four story structure.

Receipt, review, and acceptance of revised permanent loan commitment(s) reflecting a total lien debt service not to exceed $508,860.

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 Elderly 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 # **03245** Name: **Meadows Place Senior Village** City: **Meadows Pla**

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 1 10-19 1 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, May 23, 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 EEF Date 5 /16/2003

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 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 9, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03245

DEVELOPMENT NAME

Meadows Place Senior Village

APPLICANT

Name:	Meadows Place Village, L.P.			**Type:**	For Profit		
Address:	11123 Katy Freeway			**City:**	Houston	**State:**	TX
Zip:	77079	**Contact:**	Rae Fairfield	**Phone:**	(713) 468-1500	**Fax:**	(713) 468-3833

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Chaparral Group, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Rae Fairfield			**Title:**	53% Owner of MGP
Name:	Stephan Fairfield			**Title:**	33% Owner of MGP
Name:	Al Fairfield			**Title:**	14% Owner of MGP

PROPERTY LOCATION

Location:	12221 South Kirkwood		☐ **QCT**		☐ **DDA**
City:	Meadows Place	**County:**	Fort Bend	**Zip:**	77477

REQUEST

Amount	Interest Rate	Amortization	Term
1) $681,630	N/A	N/A	N/A

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

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $675,605 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of plans that include at least two elevators spread through the four story structure.
2. Receipt, review, and acceptance of revised permanent loan commitment(s) reflecting total debt service not to exceed $508,860.
3. 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: 182 **# Rental Buildings** 2 **# Common Area Bldngs** 0 **# of Floors** 4 **Age:** N/A yrs **Vacant:** N/A

Net Rentable SF: 131,050 **Av Un SF:** 720 **Common Area SF:** 36,366 **Gross Bldg SF:** 167,416

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 45% stucco/30% brick veneer/25% 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, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

Each of the two structures will have common area on each floor that will consist of: media rooms, crafts rooms, card rooms, and libraries. In addition a common pool, exercise room, picnic area and walking trail will be provided.

Uncovered Parking: 181 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Meadows Place Senior Village is a very dense 34 units per acres new construction development of 182 units of mixed income housing located in Meadow Place. The development is comprised of one two story and one four story residential buildings as follows:

- (1) Building Type A with 67 one-bedroom/ one-bath units, 34 two- bedroom/ one-bath units, and 18 two - bedroom/ two-bath units;
- (1) Building Type B with 33 one-bedroom/ one-bath units, 20 two- bedroom/ one-bath units, and 10 two-bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional. Each building is designed with one centrally located elevator. In the larger four story building this means that 96 upper floor units (119 units total) will be served by just one elevator. While the Department has no formal units per elevator ratio, Department rules do require that all elderly developments with two or more stories be elevator served. Robert Beyer, President of Elevator Advisors, Inc. recommends one elevator for every 60 to 90 units with a maximum distance of 150 feet from the most distant unit for residential buildings. He also recommends one oversized elevator to accommodate furniture. Therefore, this report is conditioned upon receipt, review and acceptance of revised plans that include at least two elevators spread throughout the four story structure.

Supportive Services: Sheltering Arms Senior Services will provide supportive services that will consist of: counseling services, senior employment training, and social event planning. The services will be optional and the cost of the services is included in the rent.

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

SITE ISSUES

SITE DESCRIPTION

Size: 5.278 acres 229,910 square feet **Zoning/ Permitted Uses:** C-3

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is a developed tract of land located at 12221 South Kirkwood, Meadows Place, Texas. The location is in the southwest quadrant of the Houston MSA which is more specifically described as the southeast corner of the intersection of West Airport Boulevard and Kirkwood Road.

Adjacent Land Uses:

- **North:** Walgreen, strip center, church, residential properties
- **South:** Vacant land, commercial properties, Sugar Grove
- **East:** Sams Club and vacant properties, US 59
- **West:** Kirkwood, vacant land, residential

Site Access: Access to the property is from the north or south along South Kirkwood Drive or the northwest or southeast from West Airport Boulevard. The development is to have two main entries, one from the west from South Kirkwood and one from the northeast from West Airport Boulevard. Access to Interstate Highway 59 is less that a mile southeast, which provides connections to all other major roads serving the Houston area.

Public Transportation: The availability of public transportation was not discussed in the Application but a park and ride is located about a mile from the site.

Shopping & Services: The site is within a few miles of major grocery shopping, shopping centers, hospitals, and a variety of other retail establishments and restaurants.

Site Inspection Findings: TDHCA staff performed a site inspection on April 16, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT

A Phase I Environmental Site Assessment report dated March, 2003 was prepared by The Murillo Company Environmental Consultants and contained the following findings and recommendations:

Findings: No direct evidence was found indicating recognized environmental conditions exist at the subject site.

Recommendations: No further action at this time.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred forty-five of the units (80% of the total) will be reserved for low-income/elderly tenants. Thirty of the units (16%) will be reserved for households earning 30% or less of AMGI, 14 of the units (8%) will be reserved for households earning 40% or less of AMGI, 29 of the units (16%) will be reserved for households earning 50% or less of AMGI, 72 of the units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 37 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	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated March 28, 2003 was prepared by Apartment MarketData Research Services and highlighted the following findings:

Definition of Primary Market Area: "For this analysis we utilized a primary market area comprising a 53 square mile Trade Area in southwest Houston." (p. 30) This represents a 4.1 mile radius around the site.

Population: The estimated 2000 population of the primary market area was 236,901 and is expected to increase by 15% to approximately 273,398 by 2007. Within the primary market area there were estimated to be 80,092 households in 2000.

Total Local/Submarket Demand for Rental Units: "Utilizing the household growth analysis, and based on the forecast growth in population and households, it is projected that the market will accommodate an average of 145 additional units per year into 2007." (p. 56)

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	92	6%	147	3%
Resident Turnover	1,510	94%	4,655	97%
TOTAL ANNUAL DEMAND	1,602	**100%**	4,802	**100%**

Ref: p. 44

Inclusive Capture Rate: The Market Analyst indicated a capture rate of 9.1%. The Underwriter calculated an inclusive capture rate of 3% based upon a revised demand of 4,802.

Market Rent Comparables: The Market Analyst surveyed 1,372 existing income restricted comparable apartment projects and 2,155 conventional units in the market area. (p. 88)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$281	$281	$0	$667	-$386
1-Bedroom (40%)	$393	$393	$0	$667	-$274
1-Bedroom (50%)	$504	$504	$0	$667	-$163
1-Bedroom (60%)	$616	$616	$0	$667	-$51
2-Bedroom (60%)	$735	$735	$0	$987	-$252
2-Bedroom (MR)	$775	N/A	N/A	$987	-$212
2-Bedroom (MR)	$815	N/A	N/A	$987	-$172

(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)

Market Area Occupancy Rates: "The current occupancy of the market area is 91.4% as a result of stable demand." (p. 103)

Absorption Projections: "Absorption over the previous twelve years is estimated to be 449 units per year. We expect this to increase as the number of new household continues to grow, and as additional rental units become available." (p. 103)

Other Relevant Information: "Additionally, due to the economic base of the population and the average income levels of the area, there will be a strong need for more affordable rental housing." (p. 103)

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,586 per unit is 10% less than the TDHCA database-derived estimate of $3,982 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 ($47K lower), insurance ($21K higher) and property tax ($21.3K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with the additional information provided by the Applicant. The general and administrative difference may be derived from the Applicant's expectation that supportive service expenses are accounted for in G & A. They are not because they can cause a sizeable variance in expectation. In this case the $55K in supportive services projected represents 77% of the Applicant's anticipated G & A expense and is likely overstated. Nonetheless, the entire supportive service expense amount is treated as an other expense and accounted for by the Underwriter in addition to and separate from normal G & A expense.

Conclusion: The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in general & administrative expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.99 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to $508,818 by a reduction of the loan amount or interest rate.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (5.278) acres	$663,860	**Assessment for the Year of:**	2002
Tax Rate:	2.9767	**Valuation by:**	Fort Bend County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	8/ 1/ 2003	**Anticipated Closing Date:**	8/ 1/ 2003
Acquisition Cost:	$1,150,000	**Other Terms/Conditions:**	$10,000 earnest money
Seller:	The Grove Town Center-Texas, Ltd.	**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 $4,000 per unit are considered reasonable if not low compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $274.7K or 4% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's eligible contingency exceeds the 5% maximum guideline by $44,362 and this amount was removed to ineligible costs. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $50,944.

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 is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $10,674,249 is used to determine a credit allocation of $675,605 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 CONSTRUCTION or GAP FINANCING

Source:	Southwest Bank of Texas			**Contact:**	Brian Stoker
Principal Amount:	$7,802,756	**Interest Rate:**	6%		
Amortization:	N/A yrs	**Term:**	2 yrs	**Commitment:**	☐ LOI ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source:	Southwest Bank of Texas			**Contact:**	Brian Stoker
Principal Amount:	$7,194,056	**Interest Rate:**	6.5%		
Amortization:	30 yrs	**Term:**	18 yrs	**Commitment:**	☐ LOI ☐ Firm ☒ Conditional

Annual Payment:	$545,656	**Lien Priority:**	1st	**Commitment Date**	2/ 28/ 2003

HOME/LONG TERM/PERMANENT FINANCING

Source:	Fort Bend County-HOME	**Contact:**	Carol Borrego
Principal Amount:	$300,000	**Interest Rate:**	4.5%
Additional Information:	Applicable Federal Rate will apply		
Amortization: 30 yrs	**Term:** 30 yrs	**Commitment:**	☒ LOI ☐ Firm ☐ Conditional
Annual Payment:	$18,241	**Lien Priority:** 2nd	**Commitment Date** / /

LIHTC SYNDICATION

Source:	MuniMae Midland			**Contact:**	Dan Flick		
Address:	13455 Noel Road, Suite 1430			**City:**	Dallas		
State:	TX	**Zip:**	75240	**Phone:**	(888) 323-5794	**Fax:**	(972) 404-9133
Net Proceeds:	$5,129,844	**Net Syndication Rate (per $1.00 of 10-yr LIHTC)**	79¢				
Commitment	☐ LOI	☐ Firm	☒ Conditional	**Date:**	2/ 27/ 2003		

Additional information: The proceeds are based upon credits of $674,980.

APPLICANT EQUITY

Amount:	$100	**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 Underwriter's proforma reflects the need to reduce debt service to no more than $508,861. Since the HOME loan is at a lower interest rate, and a reduction in rate would require a reduction in basis, the most effective debt service reduction would involve the primary loan. The interest rate and amortization term appear to be competitive in the current market environment thus the most likely solution is a reduction in the primary loan amount of $726,173.

LIHTC Syndication: MuniMae Midland LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,129,844 based on a syndication factor of 79% and $6,750 fewer credits than requested by the Applicant. The funds would be disbursed in a 4-phased pay-in schedule:

1. 30% paid at the latest to occur of (i) admission of the Investment Partnership to the Operating Partnership, (ii) closing of the construction loan and Project land acquisition;
2. 30% paid within ten (10) business days of 50% construction completion as evidenced by MEC's inspecting architect;
3. 20% paid within thirty (30) days of the later of: (i) completion of the Project; or (ii) receipt by the Investment Partnership of the cost and credit certification from the independent accountants; or (iii) application for Form(s) 8609;
4. 20% paid within thirty (30) days of the later of: (i) closing of the permanent loan; or (ii) receipt of the Form(s) 8609; or (iii) 90% physical occupancy for three (3) consecutive calendar months; or (iv) 1.15 Debt Service Coverage for ninety (90) days.

The Underwriter's recalculation of Applicant's credits results in higher syndication proceeds of $5,336,747.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $100 amount to less than 1% of the total fees. The Underwriter's analysis reflects an increase in deferral to $519,370 or 36% of the eligible fee.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed $675,605 annually for ten years, resulting in syndication proceeds of approximately $5,336,747. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $519,370 which should be repayable from cash flow with in ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis or should the HOME funds not be allocated, additional deferred developer's fee will be available to fund those development gaps.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor 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 is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statement.
- The General Partner, Chaparral Group, Inc. submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $5.4M and consisting of $1.2M in cash, $731K in receivables, $36.5K in real property, and $3.5M in partnership interests. Liabilities totaled $554K, resulting in a net worth of $4.9M.
- The principals of the General Partner, Chaparral Group, Inc., submitted an unaudited financial statement as of December 31, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Stephen Fairfield, one of the principals of the General Partner, has completed five LIHTC/affordable housing developments totaling 532 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development only has one elevator per building and Building Type I is a four story structure which would be serving 96 units on floors two, three, and four.
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Meadows Place Senior Village, Meadows Place, LIHTC #03245

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (30%)	30	1	1	644	$335	$281	$8,430	$0.44	$54.00	$30.00
TC (40%)	14	1	1	644	447	393	5,502	0.61	54.00	30.00
TC (50%)	29	1	1	644	558	504	14,616	0.78	54.00	30.00
TC (60%)	27	1	1	644	670	616	16,632	0.96	54.00	30.00
TC (60%)	45	2	1	779	804	735	33,075	0.94	69.00	36.00
MR	9	2	1	779	775	775	6,975	0.99	69.00	36.00
MR	28	2	2	878	815	815	22,820	0.93	69.00	36.00
TOTAL:	182		**AVERAGE:**	720	$640	$594	$108,050	$0.82	$60.76	$32.70

INCOME	Total Net Rentable Sq Ft:	131,050		**TDHCA**	**APPLICANT**		USS Region	6
POTENTIAL GROSS RENT				$1,296,600	$1,296,600		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$15.00	32,760	32,760	$15.00	Per Unit Per Month	
Other Support Income: Retail Space				59,208	59,208			
POTENTIAL GROSS INCOME				$1,388,568	$1,388,568			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(104,143)	(104,148)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,284,425	$1,284,420			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.77%	$337	0.47	61,280	$14,755	$0.11	$81	1.15%
Management		5.00%	353	0.49	64,221	$64,221	0.49	353	5.00%
Payroll & Payroll Tax		12.16%	858	1.19	156,199	$148,000	1.13	813	11.52%
Repairs & Maintenance		5.95%	420	0.58	76,467	$72,470	0.55	398	5.64%
Utilities		2.63%	186	0.26	33,837	$31,886	0.24	175	2.48%
Water, Sewer, & Trash		4.84%	342	0.47	62,160	$51,325	0.39	282	4.00%
Property Insurance		3.05%	216	0.30	39,224	$60,060	0.46	330	4.68%
Property Tax	2.9767	10.54%	744	1.03	135,440	$114,172	0.87	627	8.89%
Reserve for Replacements		2.83%	200	0.28	36,400	$36,400	0.28	200	2.83%
Other Expenses: Supp Serv, Comp		4.63%	327	0.45	59,450	$59,450	0.45	327	4.63%
TOTAL EXPENSES		56.42%	$3,982	$5.53	$724,679	$652,739	$4.98	$3,586	50.82%
NET OPERATING INC		43.58%	$3,076	$4.27	$559,747	$631,681	$4.82	$3,471	49.18%
DEBT SERVICE									
Southwest Bank of Texas		42.48%	$2,998	$4.16	$545,656	$545,656	$4.16	$2,998	42.48%
Fort Bend County-HOME		1.42%	$100	$0.14	18,241	18,241	$0.14	$100	1.42%
Fort Bend County-HOME		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-0.32%	($23)	($0.03)	($4,150)	$67,784	$0.52	$372	5.28%
AGGREGATE DEBT COVERAGE RATIO					0.99	1.12			
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)		8.94%	$6,319	$8.78	$1,150,000	$1,150,000	$8.78	$6,319	9.11%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.66%	4,000	5.56	728,000	728,000	5.56	4,000	5.77%
Direct Construction		47.59%	33,625	46.70	6,119,710	5,844,968	44.60	32,115	46.30%
Contingency	5.00%	2.66%	1,881	2.61	342,385	373,010	2.85	2,050	2.95%
General Req'ts	5.73%	3.05%	2,157	3.00	392,643	392,643	3.00	2,157	3.11%
Contractor's G & A	1.91%	1.02%	719	1.00	130,881	130,881	1.00	719	1.04%
Contractor's Profit	5.73%	3.05%	2,157	3.00	392,643	392,643	3.00	2,157	3.11%
Indirect Construction		5.88%	4,158	5.78	756,832	756,832	5.78	4,158	6.00%
Ineligible Costs		3.24%	2,288	3.18	416,343	416,343	3.18	2,288	3.30%
Developer's G & A	9.97%	7.42%	5,244	7.28	954,486	962,158	7.34	5,287	7.62%
Developer's Profit	5.03%	3.74%	2,643	3.67	481,079	481,079	3.67	2,643	3.81%
Interim Financing		5.50%	3,886	5.40	707,340	707,340	5.40	3,886	5.60%
Reserves		2.24%	1,583	2.20	288,103	288,103	2.20	1,583	2.28%
TOTAL COST		100.00%	$70,662	$98.13	$12,860,445	$12,624,000	$96.33	$69,363	100.00%
Recap-Hard Construction Costs		*63.03%*	***$44,540***	***$61.86***	***$8,106,262***	***$7,862,145***	***$59.99***	***$43,199***	*62.28%*

SOURCES OF FUNDS						RECOMMENDED	
Southwest Bank of Texas	55.94%	$39,528	$54.90	$7,194,056	$7,194,056	$6,467,883	Developer Fee Available
Fort Bend County-HOME	2.33%	$1,648	$2.29	300,000	300,000	300,000	$1,435,565
LIHTC Syndication Proceeds	39.89%	$28,186	$39.14	5,129,844	5,129,844	5,336,747	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$1	$0.00	100	100	519,370	36%
Additional (excess) Funds Required	1.84%	$1,299	$1.80	236,445	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$12,860,445	$12,624,000	$12,624,000	$1,785,673.29

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Meadows Place Senior Village, Meadows Place, LIHTC #03245

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.91	$5,361,904
Adjustments				
Exterior Wall Finish	2.65%		$1.08	$142,090
Elderly	5.00%		2.05	268,095
9' Ceilings	3.30%		1.35	176,943
Subfloor			(0.67)	(88,240)
Floor Cover			1.92	251,616
Porte Cahe/Porches	$13.92	600	0.06	8,352
Plumbing	$615	84	0.39	51,660
Built-In Appliances	$1,625	182	2.26	295,750
Stairs	$865	16	0.11	13,840
Common/Retail Area	$40.91	4,921	1.54	201,342
Heating/Cooling			1.47	192,644
Elevators	$43,750	2	0.67	87,500
All Cooridor/Lobby Areas	$40.91	36,366	11.35	1,487,913
Fireplaces	$3,725	2	0.06	7,450
SUBTOTAL			64.55	8,458,860
Current Cost Multiplier	1.03		1.94	253,766
Local Multiplier	0.89		(7.10)	(930,475)
TOTAL DIRECT CONSTRUCTION COSTS			$59.38	$7,782,151
Plans, specs, survy, bld prm	3.90%		($2.32)	($303,504)
Interim Construction Interest	3.38%		(2.00)	(262,648)
Contractor's OH & Profit	11.50%		(6.83)	(894,947)
NET DIRECT CONSTRUCTION COSTS			$48.23	$6,321,052

PAYMENT COMPUTATION

Primary	$7,194,056	Term	360
Int Rate	6.50%	DCR	1.03

Secondary	$300,000	Term	360
Int Rate	4.50%	Subtotal DCR	0.99

Additional		Term	
Int Rate		Aggregate DCR	0.99

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$490,577
Secondary Debt Service	18,241
Additional Debt Service	0
NET CASH FLOW	$50,929

Primary	$6,467,883	Term	360
Int Rate	6.50%	DCR	1.14

Secondary	$300,000	Term	360
Int Rate	4.50%	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	$1,296,600	$1,335,498	$1,375,563	$1,416,830	$1,459,335	$1,691,769	$1,961,224	$2,273,596	$3,055,523
Secondary Income	32,760	33,743	34,755	35,798	36,872	42,744	49,552	57,445	77,201
Other Support Income: Retail S	59,208	60,984	62,814	64,698	66,639	77,253	89,557	103,822	139,528
POTENTIAL GROSS INCOME	1,388,568	1,430,225	1,473,132	1,517,326	1,562,846	1,811,766	2,100,334	2,434,862	3,272,251
Vacancy & Collection Loss	(104,143)	(107,267)	(110,485)	(113,799)	(117,213)	(135,882)	(157,525)	(182,615)	(245,419)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,284,425	$1,322,958	$1,362,647	$1,403,526	$1,445,632	$1,675,884	$1,942,809	$2,252,248	$3,026,833
EXPENSES at 4.00%									
General & Administrative	$61,280	$63,731	$66,280	$68,931	$71,689	$87,220	$106,117	$129,107	$191,110
Management	64,221	66,148	68,132	70,176	72,282	83,794	97,140	112,612	151,342
Payroll & Payroll Tax	156,199	162,447	168,945	175,703	182,731	222,320	270,486	329,088	487,130
Repairs & Maintenance	76,467	79,526	82,707	86,015	89,456	108,836	132,416	161,105	238,474
Utilities	33,837	35,191	36,599	38,063	39,585	48,161	58,596	71,290	105,527
Water, Sewer & Trash	62,160	64,647	67,233	69,922	72,719	88,473	107,642	130,962	193,856
Insurance	39,224	40,793	42,425	44,122	45,887	55,828	67,923	82,639	122,326
Property Tax	135,440	140,857	146,492	152,351	158,445	192,773	234,538	285,351	422,390
Reserve for Replacements	36,400	37,856	39,370	40,945	42,583	51,809	63,033	76,689	113,519
Other	59,450	61,828	64,301	66,873	69,548	84,616	102,948	125,252	185,404
TOTAL EXPENSES	$724,679	$753,024	$782,483	$813,101	$844,923	$1,023,831	$1,240,839	$1,504,097	$2,211,078
NET OPERATING INCOME	$559,747	$569,935	$580,164	$590,425	$600,709	$652,053	$701,970	$748,151	$815,754
DEBT SERVICE									
First Lien Financing	$490,577	$490,577	$490,577	$490,577	$490,577	$490,577	$490,577	$490,577	$490,577
Second Lien	18,241	18,241	18,241	18,241	18,241	18,241	18,241	18,241	18,241
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$50,929	$61,117	$71,346	$81,608	$91,891	$143,235	$193,152	$239,333	$306,937
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.28	1.38	1.47	1.60

LIHTC Allocation Calculation - Meadows Place Senior Village, Meadows Place, LIHTC #03245

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,150,000	$1,150,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$728,000	$728,000	$728,000	$728,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard c	$5,844,968	$6,119,710	$5,844,968	$6,119,710
(4) Contractor Fees & General Requirements				
Contractor overhead	$130,881	$130,881	$130,881	$130,881
Contractor profit	$392,643	$392,643	$392,643	$392,643
General requirements	$392,643	$392,643	$392,643	$392,643
(5) Contingencies	$373,010	$342,385	$328,648	$342,385
(6) Eligible Indirect Fees	$756,832	$756,832	$756,832	$756,832
(7) Eligible Financing Fees	$707,340	$707,340	$707,340	$707,340
(8) All Ineligible Costs	$416,343	$416,343		
(9) Developer Fees			$1,392,293	
Developer overhead	$962,158	$954,486		$954,486
Developer fee	$481,079	$481,079		$481,079
(10) Development Reserves	$288,103	$288,103		
TOTAL DEVELOPMENT COSTS	$12,624,000	$12,860,445	$10,674,249	$11,005,999

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		$10,674,249	$11,005,999
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$10,674,249	$11,005,999
Applicable Fraction		75.89%	75.89%
TOTAL QUALIFIED BASIS		$8,100,781	$8,352,550
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$675,605	$696,603
Syndication Proceeds	**0.7899**	**$5,336,747**	**$5,502,611**
Total Credits (Eligible Basis Method)		**$675,605**	**$696,603**
Syndication Proceeds		**$5,336,747**	**$5,502,611**
Requested Credits		**$681,630**	
Syndication Proceeds		**$5,384,339**	
Gap of Syndication Proceeds Needed		**$5,856,117**	
Credit Amount		**$741,355**	

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Zoom Level: 10-7 Datum: WGS84

Scale 1 : 112 500
1" = 1.78 mi

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03252

Region 6

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

Development Name: **Pine Meadows Apartments** TDHCA #: **03252**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 20968 Pine Island Rd
City: Prairie View County: Waller Zip Code: 77446

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

Targeted Units: Family: 60 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: FDI-PM 2003, LTD

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$94,120** Allocation over 10 Years: $941,200
Credits Requested $94,120 Eligible Basis Amount: $94,324 Equity/Gap Amount $97,743

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	12	0	12
60%	0	0	48	0	48
MR	0	0	0	0	0
Total	0	0	60	0	

Total LI Units: 60
Owner/Employee Units: 0
Total Project Units: 60
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:	$1,908,020
Gross Building Square Feet	49,039
Total Net Rentable Area Square Feet:	47,755
Average Square Feet/Unit	796
Cost Per Net Rentable Square Foot	$39.95
Credits per Low Income Uni	$1,569

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$219,780
Total Expenses:	$169,291
Net Operating Income	$50,489
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$1,155,475
Applicant Equity:	$27,893
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	Midland Equity Corporation	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Pine Meadows Apartments   Project Number: 03252

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: **2** 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	
TX Representative:	Glenn Hegar, Jr., District 28, S	
TX Senator:	Ken Armbrister, District 18, N	
US Representative:		
US Senator:		

General Summary of Comment: Some Support

DEPARTMENT EVALUATION

Points Awarded: 58 Site Finding: Poor Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 7.5% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes.

Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

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

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 # **03252** Name: **Pine Meadows Apartments** City: **Prairie View**

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

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

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 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:	June 9, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03252 2003-0020

DEVELOPMENT NAME

Pine Meadows Apartments

APPLICANT

Name: FDI-PM 2003, Ltd. **Type:** For Profit

Address: 26735 Stockdick School Road **City:** Katy **State:** TX

Zip: 77493 **Contact:** James W. Fieser **Phone:** (281) 371-7320 **Fax:** (281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name	(%)	Title
Fieser Real Estate Investments	0.01	Managing General Partner
James W. Fieser	N/A	Developer

PROPERTY LOCATION

Location: 20968 Pine Island Road ☐ **QCT** ☐ **DDA**

City: Prairie View **County:** Waller **Zip:** 77446

REQUEST

Amount	Interest Rate	Amortization	Term
1) $94,120	N/A	N/A	N/A
2) $250,000	3%	30 yrs	30 yrs

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

Proposed Use of Funds: Acquisition/rehabilitation **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 $94,120 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $250,000, STRUCTURED AS A 30-YEAR TERM FULLY-AMORTIZING LOAN AT 1% INTEREST, 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 TX-USDA-RHS approval of an increase of at least 7.5% in the Basic Rent prior to close of construction loan;
3. Receipt review and acceptance prior to carryover of a firm commitment from TX-USDA-RHS indicates the actual principal and terms;
4. Receipt, review and acceptance of documentation from USDA prior to carryover, recognizing the

transfer sales price of this property of more than the current outstanding loan balance of the USDA notes;

5. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed; and,
6. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	60	**# Rental Buildings**	15	**# Common Area Bldgs**	1	**# of Floors**	1	**Age:**	20 yrs	**Vacant:**	4	at	12/ 24/ 2002

Net Rentable SF: 47,755 **Av Un SF:** 796 **Common Area SF:** 1,284 **Gross Bldg SF:** 49,039

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, refrigerator, microwave oven, tile tub/shower, ceiling fans, laminated counter tops, individual water heaters, heat pump, evaporative cooling.

ON-SITE AMENITIES

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area, perimeter fencing with limited access gate(s)

Uncovered Parking: 128 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Pine Meadows is a proposed acquisition and rehabilitation development of 60 units of affordable housing located in Prairie View. The development was built in two phases and completed in 1982. The total property is comprised of nine residential buildings entirely consisting of two-bedroom units. An office/laundry building is located at the entrance to the site.

Existing Subsidies: The property currently operates under TX-USDA-RHS rent restrictions. All 60 units have rents restricted to the 2003 approved Basic Rent for the property of $296 per month. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limit to $320 per month. The requested rent level represents a moderate 7.5% increase. According to the rent roll, 11 units currently receive rental assistance.

Development Plan: The work write-up, signed by the architect, includes: demolition work on sidewalks and curbs; repair of ramps, paving, fencing, mailbox area, addition of trees, safety surfacing and curbs for playground area, foundation repair, installation of insulation, gutter & downspouts, exterior security lights, tubs/showers, air conditioners, ceiling fans, new doors, carpeting, counter tops, cabinets, and ranges and refrigerators, the roofs will be replaced, and the plumbing fixtures will be resurfaced. In addition, work will be done to convert three units to allow for handicapped accessibility.

The development is currently 95% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

Architectural Review: The construction of the single-story buildings is typical for the time period. The unit floor plan appears to offer adequate living and storage space.

Supportive Services: The Applicant does not plan to provide supportive services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 5.0 acres 217,800 square feet **Zoning/ Permitted Uses:** MF

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located on the west line of Pine Island Road, approximately 500 feet south of Old US Highway 290. The City of Prairie View is located approximately 9-10 miles northwest of the Harris/Waller County line. As the crow flies, it is approximately 45-55 miles northwest of the Houston Central Business District.

Adjacent Land Uses: Surrounding land uses are residential in nature. Predominate land use in the immediate vicinity consist of older detached single-family residences, mobile homes, and open or pasture land.

Site Access: The subject immediate area is accessed via US Highway 290, which runs to Houston to the south and Austin to the north. State Highway 6 provides access to Bryan/College Station.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The availability of shopping and services was not discussed in the appraisal.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]…"

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. Twelve of the units (20%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (80%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition. Due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because this property is located within the Houston MSA the maximum tax credit and HOME rents are significantly ($296 for 50% units) higher then the proposed USDA rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required…"

OPERATING PROFORMA ANALYSIS

Income: The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a

7.5% increase in the Basic Rents.

The Applicant's secondary income projection of $10 per unit per month appears to be overstated compared to the property's actual secondary income in 2002 of $5.43 per unit per month despite which the Underwriter used the Applicant's $10 estimate. The Applicant's vacancy and collection loss assumption of 7.5% is inline with Department guidelines. The Applicant's effective gross income figure is identical to the Underwriter's estimate and considered to be generally acceptable.

Expenses: The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of $2,742 per unit is within 5% of the Underwriter's estimate. However, when compared to underwriting estimates, the following line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines – utilities (more than 30% lower) and property tax (more than 10% lower).

Conclusion: The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, but the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due to the difference in net operating income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum total annual debt service for this development should be limited to $46,080, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 7.5% as proposed by the Applicant. Failure to garner the proposed 7.5% increase will result in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 7.5% in the Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 5.0 acres	$90,000	**Date of Valuation:**	02/ 25/ 2003
Existing Building(s): "as is"	$1,940,000	**Date of Valuation:**	02/ 25/ 2003
Total Development: "as is"	$2,030,000	**Date of Valuation:**	02/ 25/ 2003

Appraiser: The Gerald A Teel Company **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rent of $305 per month for the units, total annual expenses of a $2,620 per unit, and an extremely low capitalization rate of 2.8%.

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

ASSESSED VALUE

Land: 5.0 acres	$50,000	**Assessment for the Year of:**	2002
Building:	$430,020	**Valuation by:**	Waller County Appraisal District
Total Assessed Value:	$480,020	**Tax Rate:**	2.88339

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: One to Four Family Residential Contract (Resale)

Contract Expiration Date: 10/ 31/ 2003 **Anticipated Closing Date:** 10/ 31/ 2003

Acquisition Cost:	$1,055,476	**Other Terms/Conditions:**	$150K cash to seller
Seller:	Pine Meadows I & Pine Meadows II (Donald W. Sowell)	**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. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of $90,000 and a total appraised value of $2,030,000, the ratio of land cost to total cost is 44.3%. Applying this ratio to the sales price of $1,055,476 results in a land cost of $46,795 and an acquisition eligible basis of $1,008,681. This actually provides a slightly higher acquisition value than claimed by the Applicant thus the Applicant's estimate is acceptable. The Department understands from previous discussions with USDA staff that the transfer of a USDA property can not occur for more than the existing debt without USDA approval. USDA has been willing to allow such transfers if the seller's exit taxes can be proven to be more as a result of the transfer than through a USDA foreclosure. In this case, the proposed sales price appears to be $150,000 more than the outstanding loan balance. Therefore receipt, review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition, it is not known what will become of the $90K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. USDA considers reserves to be fully funded at 10% of the outstanding loan balance and requires annual reserve contributors of 1% until that balance is met. Receipt, review and acceptance of a reconciliation of the reserve account with regard to how it will be used in the proposed acquisition and rehabilitation is a condition of this report.

Site work Cost: The Applicant's claimed site work costs of $547 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $782. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the rehabilitation credit and understating the acquisition credit.

Other: The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by $5,208 and a reduction of equal amount from eligible basis was required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $4,559,400.

Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $1,780,102 is used to determine a credit allocation of $94,324 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, however these errors were offset by the Applicant's use of low applicable percentages which resulted in a request of only $94,120. The resulting syndication proceeds based on the requested amount will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source:	MuniMae Midland	**Contact:**	Stacey Kulyk
Principal Amount:	$519,574	**Interest Rate:**	6% as of commitment, set at closing
Additional Information:	Subject to RD commitment		

Amortization: n/a yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: TX-USDA-RHS **Contact:** William Taylor

Original Principal Amount: $845,000 (Phase I note) **Original Principal Amount:** $588,000 (Phase II note)

Unpaid Principal: (12/2002) $526,700 **Unpaid Principal: (12/2002)** $378,776

Interest Rate: 10.75%, subsidized to 1% **Interest Rate:** 13.25%, subsidized to 1%

Additional Information: Assumption of existing loans

Amortization: 50 yrs **Term:** 29 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $36,468 **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: Midland Equity Corporation **Contact:** Ryan Luxon

Address: Two Galleria Tower, 13455 noel Road, Suite 1430 **City:** Dallas

State: TX **Zip:** 75240 **Phone:** (888) 223-5794 **Fax:** (972) 404-9133

Net Proceeds: $724,137 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ None ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $28,406 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim Financing: MunieMae Midland will provide a construction loan of $519,574 at an interest rate of 6.00% and term of twelve months.

Permanent Financing: The Applicant plans to assume payment of the existing TX-USDA-RHS loans. The deed of trust for the two loans indicates $845,000 at an interest rate of 10.75% and a final installment date of February 11, 2031, and $588,000 at an interest rate of 13.25% and a final installation date of April 8, 2032. These notes are paid at 1% interest via an interest rate reduction program which requires the owner to change not more than the Basic Rents established annually based upon higher operating expense performance. As of December 31, 2002, the combined remaining balance for the loans was $905,476.81. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual remaining principle and terms is a condition of this report.

LIHTC Syndication: MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of $724,137. The tax credits allocated to the partnership will be purchased at a rate of $0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

Deferred Developer's Fees: The Applicant plans to defer $28,406 in fees, which amounts to 12% of total proposed developer fees.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of $94,324. This amount is supported by the gap in need but is more than the Applicant's request. Thus the requested credit amount is recommended.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, it was determined that the total annual debt service should be limited to no more than $46,080. The current USDA note payments have been estimated to be $36,341 annually though documentation provided by the Applicant appears to suggest the annual note payment is $42,603. It is not likely that a reduction will be approved by TX-USDA-RHS. Therefore, it is suggested that the annual debt service for the requested HOME funds be reduced by lowering the interest rate from the requested 3% to 1%. The term of the HOME loan would remain at 30 years. The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of the proposed increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and the increase in the Basic Rents, the development appears to be infeasible. The long term feasibility of the development is measured by a standard 30 year proforma with 3% income growth and 4% expense growth reflects the developments failure after even with the rent increase and HOME funds 20 years. The reason for this is the high expense to income ratio caused by the low rents and tight monitoring of performance by USDA. The 100 basis point spread between growth in expenses and growth in income must be and is controlled by USDA at less than 60 basis points in order to maintain long term feasibility.

Return on Equity: Since the Applicant is not 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

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

Financial Highlights: The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

Background & Experience: James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the Application could affect the financial feasibility of development.
- The development could potentially achieve an excess profit level (i.e. a DCR over 1.30) if the maximum tax credit rents could be achieved.

Underwriter:	*Lisa Vecchietti*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%/LH	12	2	1	793	$670	$320	$3,840	$0.40	$54.00	n/a
TC 60%/HH	23	2	1	793	804	320	7,360	0.40	54.00	n/a
TC 60%/HH	25	2	1	800	804	320	8,000	0.40	54.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 24 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
TOTAL:	60		**AVERAGE:**	796	$777	$320	$19,200	$0.40	$54.00	n/a

INCOME	Total Net Rentable Sq Ft:	47,755		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT				$230,400	$230,400		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$10.00	7,200	7,200	$10.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$237,600	$237,600			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(17,820)	(17,820)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$219,780	$219,780			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		2.98%	$109	0.14	$6,555	$5,650	$0.12	$94	2.57%
Management		9.24%	339	0.43	20,312	$21,240	0.44	354	9.66%
Payroll & Payroll Tax		14.39%	527	0.66	31,622	$33,700	0.71	562	15.33%
Repairs & Maintenance		14.86%	544	0.68	32,651	$27,800	0.58	463	12.65%
Utilities		1.45%	53	0.07	3,195	$1,500	0.03	25	0.68%
Water, Sewer, & Trash		12.59%	461	0.58	27,660	$30,550	0.64	509	13.90%
Property Insurance		5.43%	199	0.25	11,939	$12,300	0.26	205	5.60%
Property Tax	2.88339	7.87%	288	0.36	17,300	$13,700	0.29	228	6.23%
Reserve for Replacements		8.19%	300	0.38	18,000	$18,000	0.38	300	8.19%
Other Expenses: Security		0.03%	1	0.00	58	$58	0.00	1	0.03%
TOTAL EXPENSES		77.03%	$2,822	$3.54	$169,291	$164,498	$3.44	$2,742	74.85%
NET OPERATING INC		22.97%	$841	$1.06	$50,489	$55,282	$1.16	$921	25.15%
DEBT SERVICE									
TX-USDA-RHS (existing notes)		16.58%	$607	$0.76	$36,431	$49,116	$1.03	$819	22.35%
TDHCA HOME		5.75%	$211	$0.26	12,648	0	$0.00	$0	0.00%
TDHCA HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		0.64%	$23	$0.03	$1,409	$6,166	$0.13	$103	2.81%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.13			
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)		55.47%	$17,591	$22.10	$1,055,476	$1,055,476	$22.10	$17,591	55.32%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.72%	547	0.69	32,800	32,800	0.69	547	1.72%
Direct Construction		17.83%	5,653	7.10	339,200	339,200	7.10	5,653	17.78%
Contingency	10.00%	1.96%	620	0.78	37,200	42,408	0.89	707	2.22%
General Req'ts	6.00%	1.17%	372	0.47	22,320	22,320	0.47	372	1.17%
Contractor's G & A	2.00%	0.39%	124	0.16	7,440	7,440	0.16	124	0.39%
Contractor's Profit	6.00%	1.17%	372	0.47	22,320	22,320	0.47	372	1.17%
Indirect Construction		2.75%	872	1.10	52,324	52,324	1.10	872	2.74%
Ineligible Costs		0.58%	185	0.23	11,095	11,095	0.23	185	0.58%
Developer's G & A	2.99%	2.45%	777	0.98	46,594	46,594	0.98	777	2.44%
Developer's Profit	11.97%	9.79%	3,106	3.90	186,375	186,375	3.90	3,106	9.77%
Interim Financing		1.83%	581	0.73	34,835	34,835	0.73	581	1.83%
Reserves		2.88%	914	1.15	54,833	54,833	1.15	914	2.87%
TOTAL COST		100.00%	$31,714	$39.85	$1,902,812	$1,908,020	$39.95	$31,800	100.00%
Recap-Hard Construction Costs		24.24%	***$7,688***	***$9.66***	***$461,280***	***$466,488***	***$9.77***	***$7,775***	24.45%

SOURCES OF FUNDS						RECOMMENDED	
TX-USDA-RHS (existing notes)	47.59%	$15,091	$18.96	$905,476	$905,476	$905,475	Developer fee Avalable
TDHCA HOME	13.14%	$4,167	$5.24	250,000	250,000	250,000	$232,969
LIHTC Syndication Proceeds	38.06%	$12,069	$15.16	724,137	724,137	724,652	% of Dev. Fee Deferred
Deferred Developer Fees	1.49%	$473	$0.59	28,406	28,406	27,893	12%
Additional (excess) Funds Required	-0.27%	($87)	($0.11)	(5,207)	1	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$1,902,812	$1,908,020	$1,908,020	$36,824.81

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020

PAYMENT COMPUTATION

Primary	$1,433,000	Term	600
Int Rate	1.00%	DCR	1.39

Secondary	$250,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.03

Additional		Term	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$36,431
Secondary Debt Service	9,649
Additional Debt Service	0
NET CASH FLOW	$4,408

Primary	$1,433,000	Term	600
Int Rate	1.00%	DCR	1.39

Secondary	$250,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.10

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

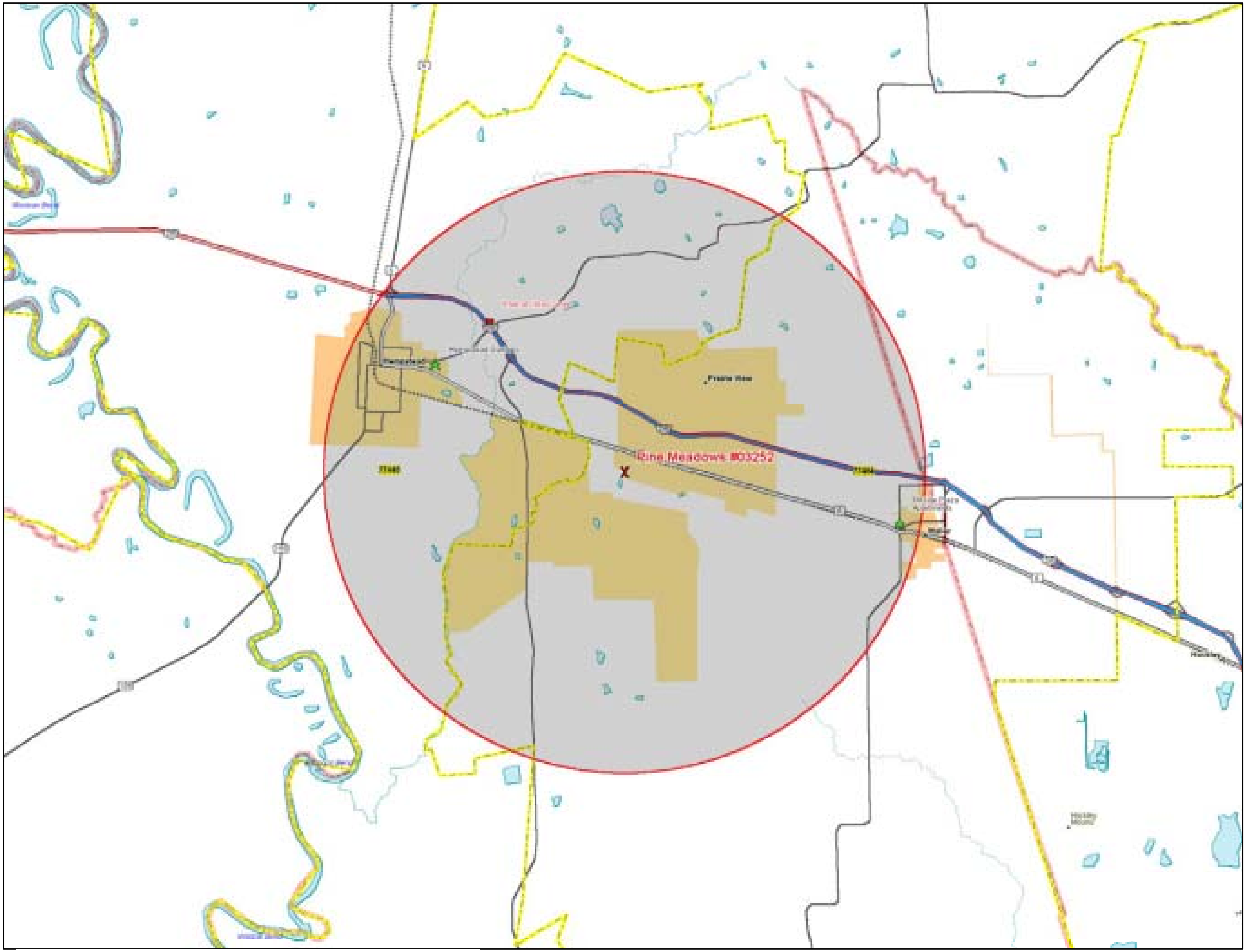
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$230,400	$237,312	$244,431	$251,764	$259,317	$300,620	$348,501	$404,008	$542,953
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	237,600	244,728	252,070	259,632	267,421	310,014	359,391	416,633	559,920
Vacancy & Collection Loss	(17,820)	(18,355)	(18,905)	(19,472)	(20,057)	(23,251)	(26,954)	(31,247)	(41,994)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$219,780	$226,373	$233,165	$240,160	$247,364	$286,763	$332,437	$385,386	$517,926
EXPENSES at 4.00%									
General & Administrative	$6,555	$6,817	$7,090	$7,373	$7,668	$9,330	$11,351	$13,810	$20,443
Management	20,312	20,921	21,549	22,195	22,861	26,502	30,723	35,617	47,866
Payroll & Payroll Tax	31,622	32,887	34,202	35,570	36,993	45,008	54,759	66,623	98,618
Repairs & Maintenance	32,651	33,957	35,315	36,728	38,197	46,472	56,540	68,790	101,826
Utilities	3,195	3,323	3,456	3,594	3,738	4,547	5,533	6,731	9,964
Water, Sewer & Trash	27,660	28,766	29,917	31,114	32,358	39,369	47,898	58,275	86,262
Insurance	11,939	12,416	12,913	13,429	13,967	16,993	20,674	25,153	37,233
Property Tax	17,300	17,992	18,712	19,461	20,239	24,624	29,959	36,449	53,954
Reserve for Replacements	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Other	58	60	63	65	68	83	100	122	181
TOTAL EXPENSES	$169,291	$175,860	$182,685	$189,777	$197,146	$238,547	$288,708	$349,494	$512,482
NET OPERATING INCOME	$50,489	$50,513	$50,479	$50,383	$50,218	$48,216	$43,729	$35,891	$5,444
DEBT SERVICE									
First Lien Financing	$36,431	$36,431	$36,431	$36,431	$36,431	$36,431	$36,431	$36,431	$36,431
Second Lien	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$4,408	$4,433	$4,399	$4,302	$4,138	$2,136	($2,351)	($10,189)	($40,636)
DEBT COVERAGE RATIO	1.10	1.10	1.10	1.09	1.09	1.05	0.95	0.78	0.12

LIHTC Allocation Calculation - Pine Meadow Apartments, Prairie View, 9% LIHTC 03252/HOME #2003-0020

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	$56,000	$46,795				
Purchase of buildings	$999,476	$1,008,681	$999,476	$1,008,681		
(2) Rehabilitation/New Construction Cost						
On-site work	$32,800	$32,800			$32,800	$32,800
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$339,200	$339,200			$339,200	$339,200
(4) Contractor Fees & General Requirements						
Contractor overhead	$7,440	$7,440			$7,440	$7,440
Contractor profit	$22,320	$22,320			$22,320	$22,320
General requirements	$22,320	$22,320			$22,320	$22,320
(5) Contingencies	$42,408	$37,200			$37,200	$37,200
(6) Eligible Indirect Fees	$52,324	$52,324			$52,324	$52,324
(7) Eligible Financing Fees	$34,835	$34,835			$34,835	$34,835
(8) All Ineligible Costs	$11,095	$11,095				
(9) Developer Fees			$149,921		$82,266	
Developer overhead	$46,594	$46,594		$30,183		$16,411
Developer fee	$186,375	$186,375		$120,731		$65,644
(10) Development Reserves	$54,833	$54,833				
TOTAL DEVELOPMENT COSTS	$1,908,020	$1,902,812	$1,149,397	$1,159,596	$630,705	$630,494

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		$1,149,397	$1,159,596	$630,705	$630,494
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$1,149,397	$1,159,596	$630,705	$630,494
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$1,149,397	$1,159,596	$630,705	$630,494
Applicable Percentage		3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$41,723	$42,093	$52,601	$52,583
Syndication Proceeds	**0.7699**	**$321,236**	**$324,086**	**$404,986**	**$404,850**
Total Credits (Eligible Basis Method)				**$94,324**	**$94,677**
Syndication Proceeds				**$726,221**	**$728,936**
Requested Credits				**$94,120**	
Syndication Proceeds				**$724,652**	
Gap of Syndication Proceeds Needed				**$752,545**	
Credit Amount				**$97,743**	



Scale: 1 : 137,500 Zoom Level: 10-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.8°E

TDHCA #

03253

Region 6

Development Name: **Green Manor Apartments** TDHCA #: **03253**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 2000 4th Street
City: Hempstead County: Waller Zip Code: 77445

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

Targeted Units: Family: 40 Elderly: 0 Handicapped/Disabled 3 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: FDI-GM 2003, Ltd

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$84,481** Allocation over 10 Years: $844,810
Credits Requested $85,495 Eligible Basis Amount: $84,481 Equity/Gap Amount $86,709

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	8	0	0	8
60%	0	0	32	0	32
MR	0	0	0	0	0
Total	0	8	32	0	

Total LI Units: 40
Owner/Employee Units: 0
Total Project Units: 40
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:	$1,853,676
Gross Building Square Feet	32,204
Total Net Rentable Area Square Feet:	30,576
Average Square Feet/Unit	764
Cost Per Net Rentable Square Foot	$60.63
Credits per Low Income Uni	$2,112

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$157,354
Total Expenses:	$119,835
Net Operating Income	$37,519
Estimated 1st Year Debt Coverage Ratio	1.11

FINANCING

Permanent Principal Amount:	$1,186,105
Applicant Equity:	$17,130
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	Midland Equity Corporation	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Green Manor Apartments | Project Number: 03253

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Hayden Barry, Mayor, City of Hempstead, S

TX Representative: Glenn Hegar, Jr., District 28, S

TX Senator: Ken Armbrister, District 18, N

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: Minimal Comment

DEPARTMENT EVALUATION

Points Awarded: 42 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of al least 7.5% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

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

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 # **03253** Name: **Green Manor Apartments** City: **Hempstead**

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

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

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 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:	June 9, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03253 2003-017

DEVELOPMENT NAME

Green Manor

APPLICANT

Name:	FDI-GM 2003, Ltd.			**Type:**	For Profit		
Address:	26735 Stockdick School Road			**City:**	Katy	**State:**	TX
Zip:	77493	**Contact:**	James W Fieser	**Phone:**	(281) 371-7320	**Fax:**	(281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Fieser Real Estate Investments	**(%):**	0.01	**Title:**	Managing General Partner
Name:	James W Fieser	**(%):**	n/a	**Title:**	Developer

PROPERTY LOCATION

Location:	2000 4th Street		☐ **QCT**		☐ **DDA**
City:	Hempstead	**County:**	Waller	**Zip:**	77445

REQUEST

Amount	Interest Rate	Amortization	Term
1) $85,495	n/a	n/a	n/a
2) $200,000	3%	30 yrs	30 yrs

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

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 $84,481 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $200,000, STRUCTURED AS A FULLY-AMORTIZING LOAN TO BE REPAID AT AN INTEREST RATE OF 3% OVER A TERM OF 30 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 5% in the Basic Rents prior to construction close
2. Receipt, review and acceptance prior to carryover of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes;

4. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed; and,
5. Should the terms of the proposed rent, debt, or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Green Manor was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

∉ Receipt, review, and acceptance of confirmation that TXRD/USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested $87,971 annually in tax credits. The project received an allocation of $63,915 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	40	**# Rental Buildings**	5	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	20	yrs	**Vacant:**	4	at	08/ 01/ 2002

Net Rentable SF: 30,576 **Av Un SF:** 764 **Common Area SF:** 1628 **Gross Bldg SF:** 32204

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% masonry brick veneer 25% 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, refrigerator, tile tub/shower, individual water heaters, heat pump, evaporative cooling.

ON-SITE AMENITIES

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area.

Uncovered Parking: 65 spaces **Carports:** n/a spaces **Garages:** n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Green Manor is a proposed acquisition and rehabilitation development of 40 units of affordable housing located in Hempstead. The development was built in 1984 and is comprised of five residential buildings as follows:

∉ One Building Style A with eight one-bedroom units and

∉ Four Building Style B with eight two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and mailboxes located at the southwest corner of the site. The community building appears to include a large common room with kitchen and leasing/management offices.

Existing Subsidies: The property currently operates under TX-USDA-RHS rent restrictions. All 40 units have rents restricted to the 2003 approved Basic Rent for the property: $280 per month for one-bedroom units and $340 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limits to $294 per month and $357 per month. The requested rent level represents a moderate 5% increase. According to the rental assistance worksheet provided in the Application, only one unit is currently receiving rental assistance.

Development Plan: The work write-up, signed by the architect, includes: new parking signs and striping, landscaping, playground work, repair of stair treads, handrails, toilets, fixtures, doors and drywall, replacement of weather stripping, insulation, gutters, electrical, toilets, sinks, lavatories, fixtures, air conditioners, doors, carpeting, cabinets, range, hood/fan and refrigerator, and install solar screens, ceiling fans and bathroom vent fans as well as interior and exterior painting. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 90% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

Architectural Review: The elevations are typical of 1980's construction with majority brick exteriors and breezeways. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The units are in two-story walk-up structures and each unit has a single entry that is off an interior breezeway shared with three other units on each floor.

Supportive Services: The Applicant does not plan to provide supportive services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	1.434 acres	62,465	square feet	**Zoning/ Permitted Uses:**	R3/Multifamily
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located on the city block bound by 4th Street to the east, McDade Street to the north, 3rd Street to the west and Baker Street to the south in the southeastern quadrant of the City of Hempstead. Hempstead is located approximately 9-10 miles northwest of the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 50 miles northwest of the Gulf of Mexico in southeast Texas.

Population: Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 11,076 in 2000, projected at 11,913 for 2005. This equates to 3,150 households in 200 and 3,440 households in 2005.

Adjacent Land Uses: The area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, vacant SFR lots, mobile homes and the Hempstead High School campus. Adjacent land uses include:

Site Access: Immediate access to the site is from 4th Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Shopping and services within the subject area was not directly addressed by the submitted market study.

Site Inspection Findings: The site was inspected by an ORCA staff member on April 23, 2003 and found to be acceptable for the proposed development. The inspector noted a conversation with the site manager who indicated the property is hard to keep up with and in need of lots of rehabilitation.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]…"

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. Eight of the units (20%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (80%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition. Due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required…"

OPERATING PROFORMA ANALYSIS

Income: The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 5% increase in the Basic Rents. The Applicant's secondary income projection of $10 per unit per month and vacancy and collection loss assumption of 7.5% is inline with Department guidelines and the development's operating history. Due to the difference in potential gross rent estimates, the Applicant's effective gross income figure is lower than the Underwriter's estimate, but within 5% and considered to be generally acceptable.

The Applicant's secondary income projection of $10 per unit per month and vacancy and collection loss assumption of 7.5% is consistent with Department guidelines and the development's operating history. The Applicant's effective gross income figure is identical to the Underwriter's estimate and considered to be generally acceptable.

Expenses: The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of $2,941 per unit is within 5% of the Underwriter's estimate. However, when compared to underwriting estimates, the following line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines – property tax (more than 10% lower).

Conclusion: The Applicant's estimated income and total estimated operating expense are consistent with the Underwriter's expectations, but the Applicant's net operating income does not differ by less than 5% as compared to the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Even with the proposed increase of 5% in Basic Rents, the Underwriter's estimated debt coverage ratio (DCR) is below the program minimum standard of 1.10 thus an adjustment to the HOME loan rate to 1% is required. An increase in Basic Rents less than that proposed by the Applicant, results in a DCR that is below the Department's minimum standard. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 5% in the Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 1.55 acres	$30,000	**Date of Valuation:**	02/ 25/ 2003
Existing Building(s): "as is"	$1,270,000	**Date of Valuation:**	02/ 25/ 2003
Total Development: "as is"	$1,300,000	**Date of Valuation:**	02/ 25/ 2003

Appraiser: The Gerald A Teel Company **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rents of $280 per month for one-bedroom units and $340 per month for two-bedroom units, total annual expenses of a $2,751 per unit, and an extremely low capitalization rate of 3.4%.

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

ASSESSED VALUE

Land:	$50,000	**Assessment for the Year of:**	2002
Building:	$280,000	**Valuation by:**	Waller County Appraisal District
Total Assessed Value:	$330,000	**Tax Rate:**	2.88339

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: One to Four Family Residential Contract (Resale)

Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$1,186,105	**Other Terms/Conditions:**	$200K cash to seller
Seller:	Green Manor Apartments, Ltd. (Donald W Sowell)	**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. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of $30,000 and a total appraised value of $1,300,000, the ratio of land cost to total cost is 23.1%. Applying this ratio to the sales price of $1,186,105 results in a land cost of $27,372 and an acquisition eligible basis of $1,158,733. This actually provides a slightly higher acquisition value than claimed by the Applicant and thus the Applicant's value is acceptable. It should be noted that this amount of acquisition basis is $196,067 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases, the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be $200,000 more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition, it is not known what will become of the $39K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

Site work Cost: The Applicant's claimed sitework costs of $473 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $529. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

Other: The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by $3,528 and a reduction of equal amount from eligible basis was required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments, therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $2,931,616.

Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $1,750,821 is used to determine a credit allocation of $84,481 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland **Contact:** Stacey Kulyk

Principal Amount: $438,674 **Interest Rate:** 6% as of commitment, set at closing

Additional Information: Subject to RD commitment

Amortization: n/a yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: TX-USDA-RHS **Contact:** William Taylor

Original Principal Amount: $1,020,000 **Unpaid Principal: (12/2002)** $986,104

Interest Rate: 10.75%, subsidized to 1% **Additional Information**: Assumption of existing loan

Amortization: 50 yrs **Term:** 30 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $36,050 **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: Midland Equity Corporation **Contact:** Ryan Luxon

Address: Two Galleria Tower, 13455 noel Road, Suite 1430 **City:** Dallas

State:	TX	**Zip:**	75240	**Phone:**	(888) 223-5794	**Fax:**	(972) 404-9133

Net Proceeds: $657,770 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ None ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $9,801 **Source:** Deffered Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim Financing: MunieMae Midland will provide a construction loan of $438,674 at an interest rate of 6.00% and term of twelve months.

Permanent Financing: The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates $1,020,000 at an interest rate of 10.75% and a final installment date of August 11, 2033. These notes are paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was $986,104.84. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating the actual remaining principle and terms is a condition of this report.

LIHTC Syndication: MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of $657,770. The tax credits allocated to the partnership will be purchased at a rate of $0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

Deferred Developer's Fees: The Applicant plans to defer $9,801 in fees, which amounts to 4% of total proposed developer fees.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of $84,481. This amount is supported by the gap in need and is equal to the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, the annual debt service should not exceed $34,108. The current USDA note payments have been estimated to be $28.3K, though documentation from USDA was not provided to confirm this. The Underwriter calculated a slightly lower $25.9K which given the requested increase in rent would allow the HOME loan to achieve only a 1% interest rate return. Without the HOME loan the resulting gap could be absorbed by deferral of additional developer fee, however, such fee would not be repayable in 15 years and the transaction would be characterized as infeasible.

The requested HOME funds of $200,000 are recommended to be allocated but the requested terms of 3% interest amortized over a term of 30 years should be reduced to 1% in order to maintain a DCR above 1.10. Alternatively a larger USDA rent increase could be sought.

The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 5% increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees and the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years. The reason for the failure is the high expense to income ration resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis must be, and generally is, more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

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

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

Financial Highlights: The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

Background & Experience: James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports have not been satisfactorily addressed.
- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- Significant inconsistencies in the application could affect the financial feasibility of the project.

Underwriter:	*Lisa Vecchietti*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Green Manor, Hempstead, LIHTC 03253/HOME 2003-0017

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%/LH	8	1	1	650	$558	$294	$2,352	$0.45	$52.00	n/a
TC 60%/HH	32	2	1	793	804	$357	11,424	0.45	59.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 16 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
TOTAL:	40		AVERAGE:	764	$755	$344	$13,776	$0.45	$57.60	#VALUE!

INCOME					TDHCA	APPLICANT			
Total Net Rentable Sq Ft: 30,576								USS Region	6
POTENTIAL GROSS RENT					$165,312	$165,312		IREM Region	Houston
Secondary Income		Per Unit Per Month:		$10.00	4,800	4,800	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$170,112	$170,112			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(12,758)	(12,756)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$157,354	$157,356			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.77%	$227	0.30	$9,085	$8,277	$0.27	$207	5.26%
Management		8.44%	332	0.43	13,276	$13,260	0.43	332	8.43%
Payroll & Payroll Tax		17.39%	684	0.89	27,361	$26,470	0.87	662	16.82%
Repairs & Maintenance		13.57%	534	0.70	21,346	$21,610	0.71	540	13.73%
Utilities		3.23%	127	0.17	5,084	$3,800	0.12	95	2.41%
Water, Sewer, & Trash		7.45%	293	0.38	11,727	$14,200	0.46	355	9.02%
Property Insurance		4.86%	191	0.25	7,644	$8,240	0.27	206	5.24%
Property Tax	2.88339	7.33%	288	0.38	11,534	$9,000	0.29	225	5.72%
Reserve for Replacements		7.63%	300	0.39	12,000	$12,000	0.39	300	7.63%
Other Expenses: Compliance		0.49%	19	0.03	778	$778	0.03	19	0.49%
TOTAL EXPENSES		76.16%	$2,996	$3.92	$119,835	$117,635	$3.85	$2,941	74.76%
NET OPERATING INC		23.84%	$938	$1.23	$37,519	$39,721	$1.30	$993	25.24%
DEBT SERVICE									
USDA-RHS Existing Loan Assumptio		16.48%	$648	$0.85	$25,932	$36,050	$1.18	$901	22.91%
TDHCA HOME		6.43%	$253	$0.33	10,118	0	$0.00	$0	0.00%
TDHCA HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		0.93%	$37	$0.05	$1,468	$3,671	$0.12	$92	2.33%
AGGREGATE DEBT COVERAGE RATIO					1.04	1.10			
RECOMMENDED DEBT COVERAGE RATIO					1.11				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		64.11%	$29,653	$38.79	$1,186,105	$1,186,105	$38.79	$29,653	63.99%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.02%	473	0.62	18,905	18,905	0.62	473	1.02%
Direct Construction		12.60%	5,827	7.62	233,095	233,095	7.62	5,827	12.57%
Contingency	10.00%	1.36%	630	0.82	25,200	28,728	0.94	718	1.55%
General Req'ts	6.00%	0.82%	378	0.49	15,120	15,120	0.49	378	0.82%
Contractor's G & A	2.00%	0.27%	126	0.16	5,040	5,040	0.16	126	0.27%
Contractor's Profit	6.00%	0.82%	378	0.49	15,120	15,120	0.49	378	0.82%
Indirect Construction		2.42%	1,120	1.47	44,800	44,800	1.47	1,120	2.42%
Ineligible Costs		0.52%	240	0.31	9,586	9,586	0.31	240	0.52%
Developer's G & A	2.96%	2.47%	1,144	1.50	45,779	45,779	1.50	1,144	2.47%
Developer's Profit	11.85%	9.90%	4,578	5.99	183,118	183,118	5.99	4,578	9.88%
Interim Financing		1.57%	727	0.95	29,068	29,068	0.95	727	1.57%
Reserves		2.12%	980	1.28	39,212	39,212	1.28	980	2.12%
TOTAL COST		100.00%	$46,254	$60.51	$1,850,148	$1,853,676	$60.63	$46,342	100.00%
Recap-Hard Construction Costs		*16.89%*	***$7,812***	***$10.22***	***$312,480***	***$316,008***	***$10.34***	***$7,900***	*17.05%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
USDA-RHS Existing Loan Assumptio	53.30%	$24,653	$32.25	$986,105	$986,105	$986,105	Developer fee Avalable
TDHCA HOME	10.81%	$5,000	$6.54	200,000	200,000	200,000	$228,897
LIHTC Syndication Proceeds	35.55%	$16,444	$21.51	657,770	657,770	650,441	% of Dev. Fee Deferred
Deferred Developer Fees	0.53%	$245	$0.32	9,801	9,801	17,130	7%
Additional (excess) Funds Required	-0.19%	($88)	($0.12)	(3,528)	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$1,850,148	$1,853,676	$1,853,676	$41,879.93

Green Manor, Hempstead, LIHTC 03253/HOME 2003-0017

PAYMENT COMPUTATION

Primary	$1,020,000	Term	600
Int Rate	1.00%	DCR	1.45

Secondary	$200,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.04

Additional		Term	
Int Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$25,932
Secondary Debt Service	7,719
Additional Debt Service	0
NET CASH FLOW	$3,868

Primary	$1,020,000	Term	600
Int Rate	1.00%	DCR	1.45

Secondary	$200,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.11

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.11

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

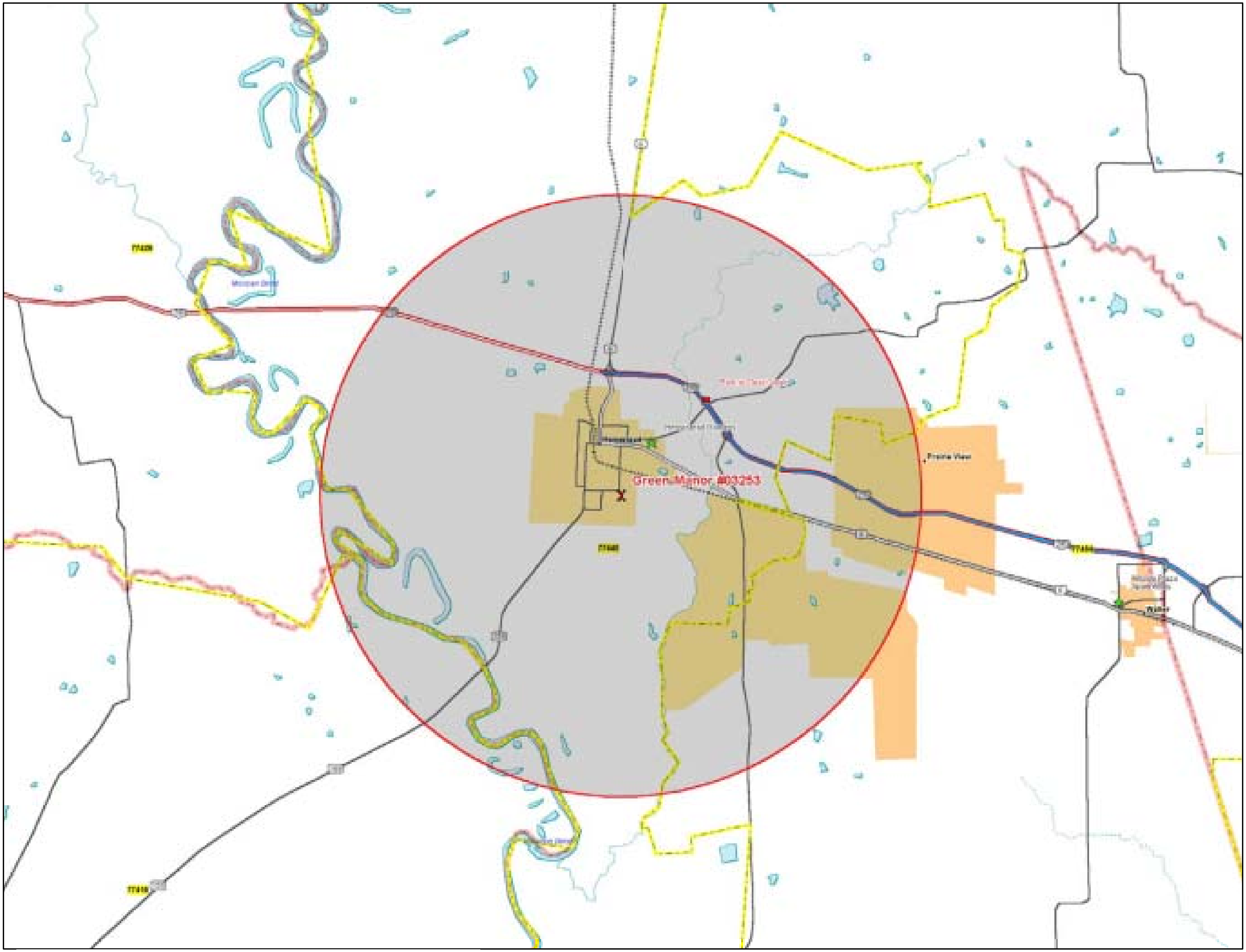
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$165,312	$170,271	$175,380	$180,641	$186,060	$215,695	$250,049	$289,876	$389,569
Secondary Income	4,800	4,944	5,092	5,245	5,402	6,263	7,260	8,417	11,312
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	170,112	175,215	180,472	185,886	191,463	221,958	257,310	298,292	400,880
Vacancy & Collection Loss	(12,758)	(13,141)	(13,535)	(13,941)	(14,360)	(16,647)	(19,298)	(22,372)	(30,066)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$157,354	$162,074	$166,936	$171,945	$177,103	$205,311	$238,011	$275,920	$370,814
EXPENSES at 4.00%									
General & Administrative	$9,085	$9,448	$9,826	$10,219	$10,628	$12,931	$15,732	$19,141	$28,333
Management	13,276	13,675	14,085	14,508	14,943	17,323	20,082	23,280	31,287
Payroll & Payroll Tax	27,361	28,456	29,594	30,778	32,009	38,944	47,381	57,646	85,330
Repairs & Maintenance	21,346	22,200	23,088	24,011	24,972	30,382	36,964	44,973	66,570
Utilities	5,084	5,287	5,499	5,719	5,948	7,236	8,804	10,711	15,855
Water, Sewer & Trash	11,727	12,196	12,684	13,191	13,719	16,691	20,307	24,707	36,572
Insurance	7,644	7,950	8,268	8,598	8,942	10,880	13,237	16,105	23,839
Property Tax	11,534	11,995	12,475	12,974	13,493	16,416	19,972	24,299	35,969
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	778	809	841	875	910	1,107	1,347	1,639	2,426
TOTAL EXPENSES	$119,835	$124,496	$129,339	$134,372	$139,601	$168,989	$204,607	$247,783	$363,606
NET OPERATING INCOME	$37,519	$37,578	$37,598	$37,573	$37,502	$36,322	$33,405	$28,137	$7,208
DEBT SERVICE									
First Lien Financing	$25,932	$25,932	$25,932	$25,932	$25,932	$25,932	$25,932	$25,932	$25,932
Second Lien	7,719	7,719	7,719	7,719	7,719	7,719	7,719	7,719	7,719
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$3,868	$3,928	$3,947	$3,922	$3,851	$2,671	($246)	($5,514)	($26,443)
DEBT COVERAGE RATIO	1.11	1.12	1.12	1.12	1.11	1.08	0.99	0.84	0.21

LIHTC Allocation Calculation - Green Manor, Hempstead, LIHTC 03253/HOME 2003-0017

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	$50,000	$27,372				
Purchase of buildings	$1,136,105	$1,158,733	$1,136,105	$1,158,733		
(2) Rehabilitation/New Construction Cost						
On-site work	$18,905	$18,905			$18,905	$18,905
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$233,095	$233,095			$233,095	$233,095
(4) Contractor Fees & General Requirements						
Contractor overhead	$5,040	$5,040			$5,040	$5,040
Contractor profit	$15,120	$15,120			$15,120	$15,120
General requirements	$15,120	$15,120			$15,120	$15,120
(5) Contingencies	$28,728	$25,200			$25,200	$25,200
(6) Eligible Indirect Fees	$44,800	$44,800			$44,800	$44,800
(7) Eligible Financing Fees	$29,068	$29,068			$29,068	$29,068
(8) All Ineligible Costs	$9,586	$9,586				
(9) Developer Fees			$170,416		$57,952	
Developer overhead	$45,779	$45,779		$34,332		$11,447
Developer fee	$183,118	$183,118		$137,329		$45,789
(10) Development Reserves	$39,212	$39,212				
TOTAL DEVELOPMENT COSTS	$1,853,676	$1,850,148	$1,306,521	$1,330,395	$444,300	$443,584

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			$1,306,521	$1,330,395	$444,300	$443,584
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,306,521	$1,330,395	$444,300	$443,584
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,306,521	$1,330,395	$444,300	$443,584
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$47,427	$48,293	$37,055	$36,995
	Syndication Proceeds	**0.7699**	**$365,149**	**$371,821**	**$285,292**	**$284,832**

Total Credits (Eligible Basis Method)	**$84,481**	**$85,288**
Syndication Proceeds	**$650,441**	**$656,654**
Requested Credits	**$85,495**	
Syndication Proceeds	**$658,246**	
Gap of Syndication Proceeds Needed	**$667,571**	
Credit Amount	**$86,706**	



Scale: 1 : 137,500 Zoom Level: 10-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E

TDHCA

03254

Region 6

Development Name: **Bayou Bend Apartments** TDHCA #: **03254**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Waller
Site Address: 3025 Waller Street
County: Waller Zip Code: 77484

☐ TTC ☐ DDA ☐ QCT

Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 56 Elderly: 0 Handicapped/Disabled 3 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: FDI-BB 2003, Ltd

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$119,812** Allocation over 10 Years: $1,198,120

Credits Requested $120,931 Eligible Basis Amount: $119,812 Equity/Gap Amount $120,827

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	12	0	0	12
60%	0	1	43	0	44
MR	0	0	0	0	0
Total	0	13	43	0	

Total LI Units: 56
Owner/Employee Units: 0
Total Project Units: 56
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:	$2,610,391
Gross Building Square Feet	46,206
Total Net Rentable Area Square Feet:	44,957
Average Square Feet/Unit	749
Cost Per Net Rentable Square Foot	$58.06
Credits per Low Income Uni	$2,140

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$228,026
Total Expenses:	$175,015
Net Operating Income	$53,011
Estimated 1st Year Debt Coverage Ratio	1.12

FINANCING

Permanent Principal Amount:	$1,680,114
Applicant Equity:	$7,816
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	Midland Equity Corporation	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Bayou Bend Apartments Project Number: 03254

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Danny Marburger, Mayor City of Waller, S

TX Representative: Glenn Hegar, Jr., District 28, S

TX Senator: Ken Armbrister, District 18, N

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: Some Support

DEPARTMENT EVALUATION

Points Awarded: 44 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6.0% in the Basic Rent prior to close of construction loan.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the outstanding loan balance of the USDA notes.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

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

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 # **03254** Name: **Bayou Bend Apartments** City: **Waller**

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

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

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 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:	June 10, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03254 2003-0018

DEVELOPMENT NAME

Bayou Bend

APPLICANT

Name:	FDI-BB 2003, Ltd.			**Type:**	For Profit		
Address:	26735 Stockdick School Road			**City:**	Katy	**State:**	TX
Zip:	77493	**Contact:**	James W Fieser	**Phone:**	(281) 371-7320	**Fax:**	(281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Fieser Real Estate Investments	**(%):**	0.01	**Title:**	Managing General Partner
Name:	James W Fieser	**(%):**	n/a	**Title:**	Developer

PROPERTY LOCATION

Location:	3025 Waller Street			☐ **QCT**	☐ **DDA**
City:	Waller	**County:**	Waller	**Zip:**	77484

REQUEST

Amount	Interest Rate	Amortization	Term
1) $120,931	n/a	n/a	n/a
2) $250,000	3%	30 yrs	30 yrs

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

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 $119,812 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $250,000, STRUCTURED AS A 30-YEAR FULLY-AMORTIZING LOAN AT 1% INTEREST, SUBJECT TO CONDITIONS

CONDITIONS

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6.0% in the Basic Rents prior to construction close;
2. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review, and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than outstanding loan balance of the USDA notes;

4. Receipt, review, and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting there use as proposed;
5. Receipt, review, and acceptance of documentation clarifying the unit mix discrepancy prior to carryover;
6. Should the terms of the proposed rents, debt or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Bayou Bend was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

- Receipt, review, and acceptance of confirmation that TXRD/ USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted; and,
- Receipt review and acceptance of documentation clarifying this discrepancy in the number of one-bedroom and two-bedroom units. Documentation should include revised building plans and rent roll if there are less than 14 one-bedroom units or reschedule and TXRD/USDA budgets if there are 14 one-bedroom units.

The Applicant requested $123,808 annually in tax credits. The project received an allocation of $96,390 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	56	**# Rental Buildings**	8	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	20 yrs	**Vacant:**	7 at 01/ 16/ 2003

Net Rentable SF: 44,957 **Av Un SF:** 749 **Common Area SF:** 1,249 **Gross Bldg SF:** 46,206

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% masonry brick veneer 25% 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, refrigerator, tile tub/shower, individual water heaters, heat pump.

ON-SITE AMENITIES

Community room, management office, laundry facility, kitchen, restrooms, equipped children's play area.

Uncovered Parking: 92 spaces **Carports:** n/a spaces **Garages:** n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bayou Bend is a proposed acquisition and rehabilitation development of 56 units of affordable housing located in Waller. The development was built in 1984 and is comprised of eight residential buildings as follows:

- Six Building Style A with two one-bedroom units and six two-bedroom units;
- One Building Style B with two one-bedroom units and two two-bedroom units; and
- One Building Style C with four two-bedroom units.

The above building configuration suggests a total of 14 one-bedroom units and 42 two-bedroom units, while the rent schedule indicates 13 one-bedroom units and 43 two-bedroom units. The current rent roll confirms 14 one-bedroom units but the latest TXRD/USDA budget reflects 13 one-bedroom units. The rehabilitation plan does not indicate conversion of any units to accommodate this difference. Receipt review and acceptance of documentation clarifying this discrepancy in the number of one-bedroom and two-bedroom units is a condition of this report. Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building located at the entrance. A floor plan for the community building was not provided.

Existing Subsidies: The property currently operates under TX-USDA-RHS rent restrictions. All 56 units have rents restricted to the 2003 approved basic rent for the property: $293 per month for one-bedroom units and $350 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the basic rent limits to $310 per month and $371 per month. The requested rent level represents a moderate 6% increase. According to the rental assistance worksheet provided in the Application, 16 units are currently receiving rental assistance.

Development Plan: The work write-up, signed by the architect, includes: rough grading, flush site sanitary lines, new signage, parking striping, landscaping, work to the playground area, dumpster screens, porch repair, stair tread, replace doors, install insulation, new roofing, replace gutters, electrical work, repair/replace toilets and sinks, upgrade water heaters, replace air conditioners, install ceiling fans and vent fans, replace doors, new solar screens, repair drywall, replace flooring, power wash building, interior and exterior paint, and replace range, hood/fan and refrigerator. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 87.5% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

Architectural Review: The elevations are typical of 1980's construction with majority brick exteriors and breezeways. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The buildings are in two-story walk-up structures and each unit has a single entry that is off an interior breezeway shared with other units on each floor.

Supportive Services: The Applicant does not plan to provide supportive services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	3.458 acres	150,630 square feet	**Zoning/ Permitted Uses:**	R3/Multifamily	
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located on the east line of Waller Street between Old US Highway 290 and Reinke Road in the northwest quadrant of the City of Waller. Waller is located on the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 40 miles northwest of the Gulf of Mexico in southeast Texas.

Population: Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 9,821 in 2000, projected at 11,660 for 2005. This equates to 2,643 households in 2000 and 3,299 households in 2005.

Adjacent Land Uses: The area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, vacant SFR lots, duplexes and mobile homes.

Site Access: Immediate access to the site is from Waller Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Shopping and services within the subject area was not directly addressed by the submitted market study.

Site Inspection Findings: The site was inspected by an ORCA staff member on April 24, 2003, and found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]…"

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. Twelve of the units (21%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (79%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition. Due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required…"

OPERATING PROFORMA ANALYSIS

Income: The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 6% increase in the basic rents.

The Applicant's secondary income projection of $10 per unit per month appears to be overstated compared to the property's actual secondary income in 2002 despite which the Underwriter used the Applicant's $10 estimate. The Applicant's vacancy and collection loss assumption of 7.5% is inline with Department guidelines. The Applicant's effective gross income figure is identical to the Underwriter's estimate.

Expenses: The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of $3,064 per unit is within 5% of the Underwriter's estimate.

Conclusion: The Applicant's income and expense are consistent with the Underwriter's estimate; however, 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 to the difference in net operating income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to $48,192 by reducing the HOME loan interest rate to 1%, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 6.0% increased as proposed by the Applicant. An increase of less than ≈6.0% results in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 6% in the Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 3.46 acres	$70,000	**Date of Valuation:**	02/ 27/ 2003
Existing Building(s): "as is"	$2,040,000	**Date of Valuation:**	02/ 27/ 2003
Total Development: "as is"	$2,110,000	**Date of Valuation:**	02/ 27/ 2003

Appraiser: The Gerald A Teel Company **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized basic rents of $293 per month for one-bedroom units and $350 per month for two-bedroom units, total annual expenses of a $2,764 per unit, and an extremely low capitalization rate of 3.0%.

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

ASSESSED VALUE

Land: 3.46 acres	$55,360	**Assessment for the Year of:**	2002
Building:	$392,620	**Valuation by:**	Waller County Appraisal District
Total Assessed Value:	$447,980	**Tax Rate:**	2.88339

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: One to Four Family Residential Contract (Resale)

Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$1,605,044	**Other Terms/Conditions:**	$175K cash to seller

Seller: Willowchase Apartments, Ltd. (Donald W Sowell) **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. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of $70,000 and a total appraised value of $2,110,000, the ratio of land cost to total cost is 33.2%. Applying this ratio to the sales price of $1,605,044 results in a land cost of $53,248 and an acquisition eligible basis of $1,551,797. This actually provides a slightly higher acquisition value than claimed by the Applicant, thus the Applicant's value is acceptable. It should be noted that this amount of acquisition basis is $169,724 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be $175K more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the $102K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established.

The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

Site work Cost: The Applicant's claimed sitework costs of $612 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $812. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

Other: The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by $5,410 and a reduction of an equal amount from eligible basis was required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $4,079,966.

Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $2,434,067 is used to determine a credit allocation of $119,812 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland **Contact:** Stacey Kulyk

Principal Amount: $612,047 **Interest Rate:** 6% as of commitment, set at closing

Additional Information: Subject to RD commitment

Amortization: n/a yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: TX-USDA-RHS **Contact:** William Taylor

Original Principal Amount: $1,475,000 **Unpaid Principal: (12/2002)** $1,430,044

Interest Rate: 10.75%, subsidized to 1% **Additional Information:** Assumption of existing loan

Amortization: 50 yrs **Term:** 31 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $37,254 **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: Midland Equity Corporation **Contact:** Ryan Luxon

Address: Two Galleria Tower, 13455 noel Road, Suite 1430 **City:** Dallas

State: TX **Zip:** 75240 **Phone:** (888) 223-5794 **Fax:** (972) 404-9133

Net Proceeds: $930,346 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ None ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: n/a **Source:** n/a

FINANCING STRUCTURE ANALYSIS

Interim Financing: MunieMae Midland will provide a construction loan of $612,047 at an interest rate of 6.00% and term of twelve months.

Permanent Financing: The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates $1,475,000 at an interest rate of 10.75% and a final installment date of August 26, 2034. These notes are paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was $1,430,044.56. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual remaining principle and terms is a condition of this report.

LIHTC Syndication: MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of $930,346. The tax credits allocated to the partnership will be purchased at a rate of $0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of $119,812. This amount is supported by the gap in need and is slightly less than the gap and the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, it was determined that the total annual debt service should be limited to no more than $48,192. The current USDA note payments have been estimated to be $46K, though documentation from USDA was not provided to confirm this. It is not likely that a reduction will be approved by TX-USDA-RHS. The Underwriter calculated USDA debt service to be $37,498 however. Even at this lower amount there is very limited room for additional debt service. Therefore, it is suggested that the annual debt service for the requested HOME funds be reduced by lowering the interest rate from the requested 3% to 1%. The term of the HOME loan would remain at 30 years. The recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 6% increase in Basic Rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and a 6% increase in the Basic Rents, the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years even with the increase in Basic Rents and award of HOME funds. The reason for the failure is the high expense to income ratio resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis must be more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

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

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

Financial Highlights: The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

Background & Experience: James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Items identified in previous reports have not been satisfactorily addressed.

Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	June 10, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 10, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%/LH	12	1	1	693	$558	$310	$3,720	$0.45	$76.00	n/a
TC 60%/HH	1	1	1	693	670	310	310	0.45	76.00	n/a
TC 60%/HH	43	2	1	836	804	371	15,953	0.44	84.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 23 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
TOTAL:	56		**AVERAGE:**	803	$749	$357	$19,983	$0.44	$82.14	n/a

INCOME	Total Net Rentable Sq Ft: 44,957		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT			$239,795	$239,796		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$10.00	6,720	6,720	$10.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$246,515	$246,516			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(18,489)	(18,492)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$228,026	$228,024			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.32%	$176	0.22	$9,855	$10,852	$0.24	$194	4.76%
Management	8.35%	340	0.42	19,039	$19,520	0.43	349	8.56%
Payroll & Payroll Tax	17.64%	718	0.89	40,230	$37,183	0.83	664	16.31%
Repairs & Maintenance	13.42%	546	0.68	30,603	$28,045	0.62	501	12.30%
Utilities	1.52%	62	0.08	3,471	$3,096	0.07	55	1.36%
Water, Sewer, & Trash	11.33%	461	0.57	25,831	$28,700	0.64	513	12.59%
Property Insurance	4.93%	201	0.25	11,239	$10,495	0.23	187	4.60%
Property Tax 2.88339	7.08%	288	0.36	16,147	$15,108	0.34	270	6.63%
Reserve for Replacements	7.37%	300	0.37	16,800	$16,800	0.37	300	7.37%
Other Expenses: Compliance	0.79%	32	0.04	1,800	$1,800	0.04	32	0.79%
TOTAL EXPENSES	76.75%	$3,125	$3.89	$175,015	$171,599	$3.82	$3,064	75.25%
NET OPERATING INC	23.25%	$947	$1.18	$53,012	$56,425	$1.26	$1,008	24.75%
DEBT SERVICE								
USDA-RHS existing loan	16.45%	$670	$0.83	$37,499	$49,902	$1.11	$891	21.88%
TDHCA HOME	5.55%	$226	$0.28	12,648		$0.00	$0	0.00%
TDHCA HOME	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	1.26%	$51	$0.06	$2,865	$6,523	$0.15	$116	2.86%
AGGREGATE DEBT COVERAGE RATIO				1.06	1.13			
RECOMMENDED DEBT COVERAGE RATIO				1.12				

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)		61.61%	$28,662	$35.70	$1,605,045	$1,605,045	$35.70	$28,662	61.49%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.32%	612	0.76	34,260	34,260	0.76	612	1.31%
Direct Construction		13.52%	6,288	7.83	352,140	352,140	7.83	6,288	13.49%
Contingency	10.00%	1.48%	690	0.86	38,640	44,050	0.98	787	1.69%
General Req'ts	6.00%	0.89%	414	0.52	23,184	23,184	0.52	414	0.89%
Contractor's G & A	2.00%	0.30%	138	0.17	7,728	7,728	0.17	138	0.30%
Contractor's Profit	6.00%	0.89%	414	0.52	23,184	23,184	0.52	414	0.89%
Indirect Construction		2.22%	1,031	1.28	57,727	57,727	1.28	1,031	2.21%
Ineligible Costs		0.65%	303	0.38	16,957	16,957	0.38	303	0.65%
Developer's G & A	2.99%	2.44%	1,137	1.42	63,660	63,660	1.42	1,137	2.44%
Developer's Profit	11.94%	9.78%	4,547	5.66	254,639	254,639	5.66	4,547	9.75%
Interim Financing		1.68%	783	0.98	43,872	43,872	0.98	783	1.68%
Reserves		3.22%	1,499	1.87	83,945	83,945	1.87	1,499	3.22%
TOTAL COST		100.00%	$46,518	$57.94	$2,604,981	$2,610,391	$58.06	$46,614	100.00%
Recap-Hard Construction Costs		*18.39%*	***$8,556***	***$10.66***	***$479,136***	***$484,546***	***$10.78***	***$8,653***	*18.56%*

SOURCES OF FUNDS						RECOMMENDED	
USDA-RHS existing loan	54.90%	$25,537	$31.81	$1,430,045	$1,430,045	$1,430,114	Developer fee Available
TDHCA HOME	9.60%	$4,464	$5.56	250,000	250,000	250,000	$318,299
LIHTC Syndication Proceeds	35.71%	$16,613	$20.69	930,346	930,346	922,461	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	7,816	2%
Additional (excess) Funds Required	-0.21%	($97)	($0.12)	(5,410)	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$2,604,981	$2,610,391	$2,610,391	$57,800.49

Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018

PAYMENT COMPUTATION

Primary	$1,475,000	Term	600
Int Rate	1.00%	DCR	1.41
Secondary	$250,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.06
Additional		Term	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$37,499
Secondary Debt Service	9,649
Additional Debt Service	0
NET CASH FLOW	$5,863

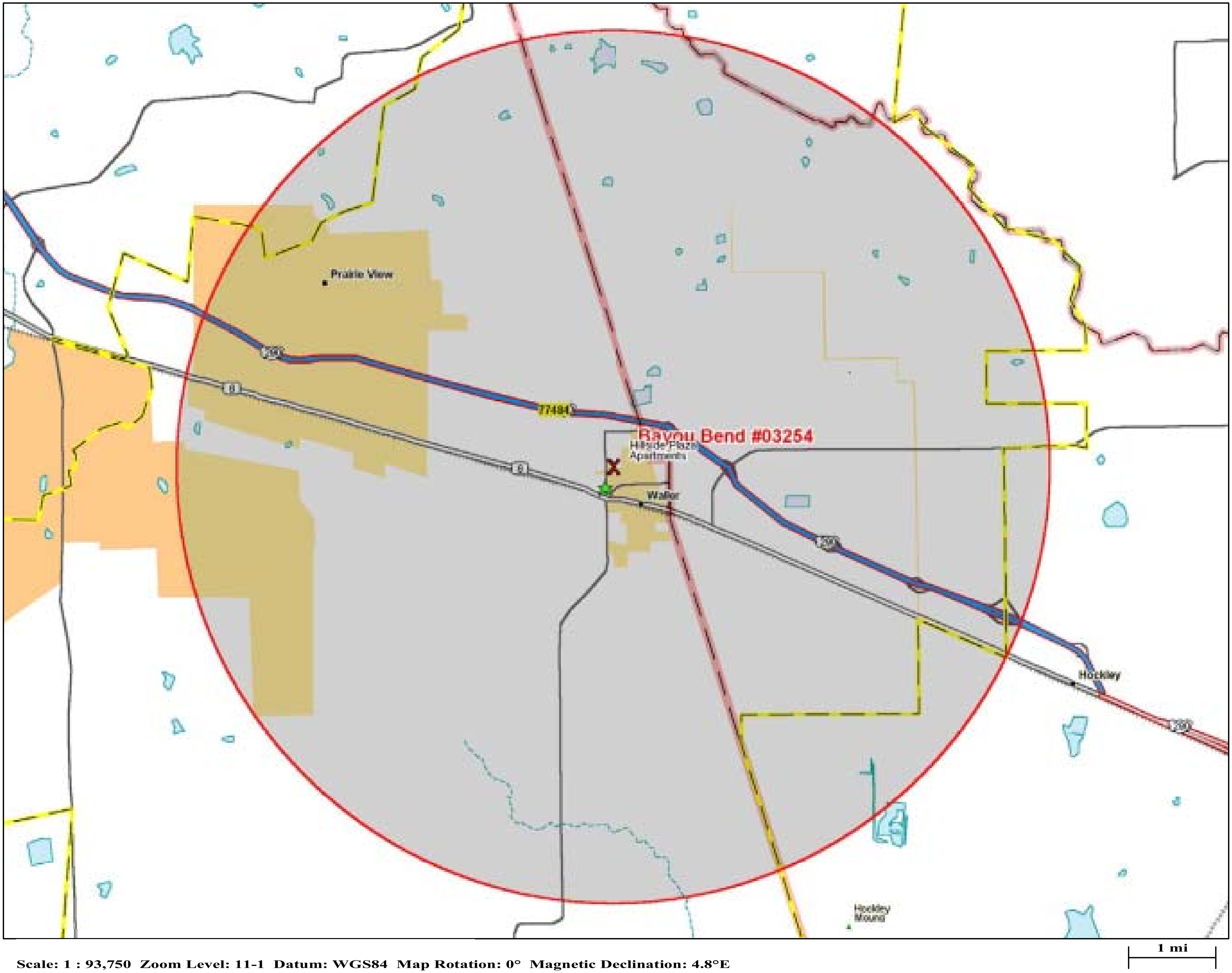
Primary	$1,475,000	Term	600
Int Rate	1.00%	DCR	1.41
Secondary	$250,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.12
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

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	$239,795	$246,989	$254,399	$262,031	$269,891	$312,878	$362,712	$420,482	$565,093
Secondary Income	6,720	6,922	7,129	7,343	7,563	8,768	10,165	11,784	15,836
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	246,515	253,911	261,528	269,374	277,455	321,646	372,876	432,266	580,929
Vacancy & Collection Loss	(18,489)	(19,043)	(19,615)	(20,203)	(20,809)	(24,123)	(27,966)	(32,420)	(43,570)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$228,026	$234,867	$241,913	$249,171	$256,646	$297,523	$344,910	$399,846	$537,359
EXPENSES at 4.00%									
General & Administrative	$9,855	$10,249	$10,659	$11,086	$11,529	$14,027	$17,066	$20,763	$30,734
Management	19,039	19,610	20,198	20,804	21,428	24,841	28,797	33,384	44,866
Payroll & Payroll Tax	40,230	41,839	43,513	45,253	47,064	57,260	69,666	84,759	125,464
Repairs & Maintenance	30,603	31,827	33,100	34,424	35,801	43,557	52,994	64,475	95,439
Utilities	3,471	3,610	3,754	3,904	4,061	4,940	6,011	7,313	10,825
Water, Sewer & Trash	25,831	26,864	27,939	29,056	30,219	36,766	44,731	54,422	80,558
Insurance	11,239	11,689	12,156	12,643	13,148	15,997	19,463	23,679	35,051
Property Tax	16,147	16,793	17,465	18,163	18,890	22,982	27,961	34,019	50,357
Reserve for Replacements	16,800	17,472	18,171	18,898	19,654	23,912	29,092	35,395	52,393
Other	1,800	1,872	1,947	2,025	2,106	2,562	3,117	3,792	5,614
TOTAL EXPENSES	$175,015	$181,825	$188,902	$196,256	$203,898	$246,844	$298,898	$362,002	$531,301
NET OPERATING INCOME	$53,012	$53,042	$53,011	$52,915	$52,748	$50,679	$46,013	$37,843	$6,058
DEBT SERVICE									
First Lien Financing	$37,499	$37,499	$37,499	$37,499	$37,499	$37,499	$37,499	$37,499	$37,499
Second Lien	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649	9,649
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$5,863	$5,894	$5,863	$5,766	$5,599	$3,531	($1,136)	($9,305)	($41,090)
DEBT COVERAGE RATIO	1.12	1.13	1.12	1.12	1.12	1.07	0.98	0.80	0.13

LIHTC Allocation Calculation - Bayou Bend, Waller, LIHTC 03254/ HOME 2003-0018

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	$69,200	$53,248				
Purchase of buildings	$1,535,845	$1,551,797	$1,535,845	$1,551,797		
(2) Rehabilitation/New Construction Cost						
On-site work	$34,260	$34,260			$34,260	$34,260
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$352,140	$352,140			$352,140	$352,140
(4) Contractor Fees & General Requirements						
Contractor overhead	$7,728	$7,728			$7,728	$7,728
Contractor profit	$23,184	$23,184			$23,184	$23,184
General requirements	$23,184	$23,184			$23,184	$23,184
(5) Contingencies	$44,050	$38,640			$38,640	$38,640
(6) Eligible Indirect Fees	$57,727	$57,727			$57,727	$57,727
(7) Eligible Financing Fees	$43,872	$43,872			$43,872	$43,872
(8) All Ineligible Costs	$16,957	$16,957				
(9) Developer Fees			$230,377		$87,110	
Developer overhead	$63,660	$63,660		$46,324		$17,336
Developer fee	$254,639	$254,639		$185,295		$69,344
(10) Development Reserves	$83,945	$83,945				
TOTAL DEVELOPMENT COSTS	$2,610,391	$2,604,981	$1,766,222	$1,783,416	$667,845	$667,415
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			$1,766,222	$1,783,416	$667,845	$667,415
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,766,222	$1,783,416	$667,845	$667,415
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,766,222	$1,783,416	$667,845	$667,415
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$64,114	$64,738	$55,698	$55,662
Syndication Proceeds		**0.7699**	**$493,627**	**$498,433**	**$428,834**	**$428,558**
Total Credits (Eligible Basis Method)					**$119,812**	**$120,400**
Syndication Proceeds					**$922,461**	**$926,990**
Requested Credits					**$120,931**	
Syndication Proceeds					**$931,076**	
Gap of Syndication Proceeds Needed					**$930,277**	
Credit Amount					**$120,827**	



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TDHCA

03255

Region 6

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

Development Name: **Cedar Cove Apartments** TDHCA #: **03255**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 1400 Eagle Lake Drive
City: Sealy County: Austin Zip Code: 77474

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

Targeted Units: Family: 54 Elderly: 0 Handicapped/Disabled 4 Domestic Abuse: 0 Transitional: 0

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

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: FDI-CC 2003, Ltd

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$120,931** Allocation over 10 Years: $1,209,310
Credits Requested $122,045 Eligible Basis Amount: $120,931 Equity/Gap Amount $121,975

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	16	38	0	54
MR	0	0	0	0	0
Total	0	16	38	0	

Total LI Units: 54
Owner/Employee Units: 0
Total Project Units: 54
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:	$2,538,504
Gross Building Square Feet	42,427
Total Net Rentable Area Square Feet:	41,646
Average Square Feet/Unit	771
Cost Per Net Rentable Square Foot	$60.95
Credits per Low Income Uni	$2,239

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$214,163
Total Expenses:	$163,361
Net Operating Income	$50,802
Estimated 1st Year Debt Coverage Ratio	1.12

FINANCING

Permanent Principal Amount:	$1,599,389
Applicant Equity:	$8,039
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	Midland Equity Corporation	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Cedar Cove Apartments | Project Number: 03255

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Betty Reinbeck, Mayor, City of Sealy, S

TX Representative: Lois Kolkhorst, District 13 , S

TX Senator: Ken Armbrister, District 18 , N

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: Some Support

DEPARTMENT EVALUATION

Points Awarded: 43 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of TX-USDA-RHS approval of an increase in the Basic Rents to at least $310 for the one bedroom unit and $363 for the two bedroom unit.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed.

Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

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

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 # **03255** Name: **Cedar Cove Apartments** City: **Sealy**

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

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

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

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

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

Total # monitored with a score less than 30: 3 # not yet monitored or pending review: 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 CarrNewsom Date sday, May 29, 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 9, 2003	**PROGRAM:**	9% LIHTC Preservation	**FILE NUMBER:**	03255

DEVELOPMENT NAME

Cedar Cove

APPLICANT

Name:	FDI-CC 2003, Ltd.			**Type:**	For Profit		
Address:	26735 Stockdick School Road			**City:**	Katy	**State:**	TX
Zip:	77493	**Contact:**	James W Fieser	**Phone:**	(281) 371-7320	**Fax:**	(281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Fieser Real Estate Investments	**(%):**	0.01	**Title:**	Managing General Partner
Name:	James W Fieser	**(%):**	n/a	**Title:**	Developer

PROPERTY LOCATION

Location:	1400 Eagle Lake Drive		☐ **QCT**		☐ **DDA**
City:	Sealy	**County:**	Austin	**Zip:**	77474

REQUEST

Amount	Interest Rate	Amortization	Term
1) $122,045	n/a	n/a	n/a
2) $200,000	3%	30 yrs	30 yrs

Other Requested Terms:
1) Annual ten-year allocation of low-income housing tax credits
2) Preservation Incentives Demonstration Program

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 $120,931 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A PRESERVATION AWARD NOT TO EXCEED $200,000, STRUCTURED AS A FULLY-AMORTIZING LOAN TO BE REPAID AT AN INTEREST RATE OF 3% OVER A TERM OF 30 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase in the Basic Rents to at least $310 for the one bedroom unit and $363 for the two bedroom unit;
2. Receipt, review and acceptance prior to carryover of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA notes;

4. Receipt, review and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting their use as proposed;
5. Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Cedar Cove was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

∉ Receipt, review, and acceptance of confirmation that TXRD/USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested $123,035 annually in tax credits. The project received an allocation of $93,636 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 54 **# Rental Buildings** 7 **# Common Area Bldgs** 1 **# of Floors** 2 **Age:** 20 yrs **Vacant:** 7 at 12/ 01/ 2002

Net Rentable SF: 41,646 **Av Un SF:** 771 **Common Area SF:** 781 **Gross Bldg SF:** 42,427

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade,70% masonry brick veneer 30% plywood/composite exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile tub/shower, ceiling fans, individual water heaters, heat pump.

ON-SITE AMENITIES

Management office, laundry facility, equipped children's play area.

Uncovered Parking: 88 spaces **Carports:** n/a spaces **Garages:** n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cedar Cove is a proposed acquisition and rehabilitation development of 54 units of affordable housing located in Sealy. The development was built in 1986 and is comprised of seven residential buildings as follows:

∉ Two Building Style A with eight one-bedroom units;
∉ One Building Style B with two two-bedroom units;
∉ Three Building Style C with eight two-bedroom units; and
∉ One Building Style D with twelve two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the office/laundry building located near the center.

Existing Subsidies: The property currently operates under TX-USDA-RHS rent restrictions. All 54 units have rents restricted to the 2003 approved Basic Rent for the property: $265 per month for one-bedroom units and $325 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the Basic Rent limits to $310 per month and $363 per month. The requested rent level represents a 12-17% increase. According to rental assistance worksheet provided in the Application, 25 units currently are receiving rental assistance.

Development Plan: The work write-up, signed by the architect, includes: revise grading, site drainage, new sign, parking stripes, landscaping, add sand, border and equipment to playground, repair fencing, carpentry work on stairs, repair exterior door frame and replace hardware, ceiling insulation, replace gutters and downspouts, electrical work, install water saving shower heads, repair/replace toilets, replace fittings, replace water heaters, replace air conditioners, install new ceiling fans, replace doors, miscellaneous window repairs, install solar screens, patch drywall, replace flooring, interior and exterior painting, repair and replace cabinetry, replace range, hood and fan, and refrigerators. In addition, work will be done to convert two units to allow for handicapped accessibility.

The development is currently 87% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

Architectural Review: The elevations are typical of 1980's construction with majority brick exteriors. All units are of average size for market rate units in the area, and they have functional floor plans with adequate storage space. The buildings are two-story walk-up structures and the units have single entries off common balconies shared with other units on each floor.

Supportive Services: The Applicant does not plan to provide supportive services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 3.948 acres 171,975 square feet **Zoning/ Permitted Uses:** n/a (Sealy)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the south line of Eagle Lake Drive, just east of US Highway 90 in the southwest quadrant of the City of Sealy. Sealy is located in Austin County, in the Coastal Bend area about 75 miles northwest of the Gulf of Mexico.

Population: Currently, 5,248 people are estimated to live in Sealy. The immediate neighborhood had a population of 5,953 in 2000, projected at 6,279 for 2005. This equates to 2,173 households in 2000 and 2,309 households in 2005.

Adjacent Land Uses: This area is developed primarily with residential concerns. Typical development consists of single- and multi-family residential, duplexes and a new nursing home across the street from the subject.

Site Access: Immediate access is from Eagle Lake Drive. The subject area is accessed via IH 10, which effectively is the southern neighborhood boundary and is the primary intercoastal route from California to Florida. Access to this interstate freeway is via State Highway 36, which extends through the central portion of the City of Sealy.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Shopping and services within the subject area was not directly addressed by the submitted market study.

Site Inspection Findings: The site was inspected by an ORCA staff member on April 23, 2003 and found to be poor for the proposed development. The inspector also noted the interior rehabilitation needed is extensive. Even though the Overall Site Assessment conclusion by the inspector was poor the site inspection report reflects less than 85% of the individual ratings were poor, in fact only seventeen or 25% were rated as poor and twelve or 18% were rated as good; therefore, the overall rating would be classified as acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Section 49.9(e)(13)(A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]…"

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 with incomes at or below 60% of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. There are no specific requirements under the Preservation Incentives Demonstration Program other than requiring that affordable units remain affordable and encouraging owner's to maintain the current funding and a current or greater affordability level. Because the property is located within the Houston MSA, the maximum tax credit rents are significantly higher than the proposed USDA rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

Section 49.9(e)(13)(B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required…"

OPERATING PROFORMA ANALYSIS

Income: The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 12-17% increase in the Basic Rents.

The Applicant's secondary income projection of $10 per unit per month and vacancy and collection loss assumption of 7.5% is consistent with Department guidelines and the development's operating history. The Applicant's effective gross income figure is identical to the Underwriter's estimate

Expenses: The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of $3,031 per unit is within 5% of the Underwriter's estimate. However, when compared to underwriting estimates, the following line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines – property tax (more than 10% lower).

Conclusion: The Applicant's overall proforma is consistent with the Underwriter's expectations, thus the Applicant's NOI will be used to evaluate debt service capacity.

Applying the proposed Basic Rent increase and the proposed debt service as recalculated by the Underwriter results in a debt coverage ratio that is below the Department's minimum debt coverage ratio guideline of 1.10. Therefore, the Underwriter believes that the Preservation loan rate needs to be reduced to 2%. Without the increase in rents as proposed, the Preservation loan at the higher rate cannot be repaid and the transaction becomes infeasible.

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 3.95 acres	$50,000	**Date of Valuation:**	02/ 27/ 2003
Existing Building(s): "as is"	$2,050,000	**Date of Valuation:**	02/ 27/ 2003
Total Development: "as is"	$2,100,000	**Date of Valuation:**	02/ 27/ 2003

Appraiser: The Gerald A Teel Company **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized Basic Rents of $286 per month for one-bedroom units and $346 per month for two-bedroom units, total annual expenses of a $2,690 per unit, and an extremely low capitalization rate of 3.0%.

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

ASSESSED VALUE

Land: 3.9486 acres	$31,790	**Assessment for the Year of:**	2002
Building:	$496,865	**Valuation by:**	Austin County Appraisal District
Total Assessed Value:	$528,655	**Tax Rate:**	2.6118

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: One to Four Family Residential Contract (Resale)

Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$1,548,389	**Other Terms/Conditions:**	$149K cash to seller
Seller:	Cedar Cove Apartments, Ltd. (Donald W Sowell)	**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. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of $50,000 and a total appraised value of $2,100,000, the ratio of land cost to total cost is 24%. Applying this ratio to the sales price of $1,548,389 results in a land cost of $36,866 and an acquisition eligible basis of $1,511,523. This actually provides a slightly lower acquisition value than claimed by the Applicant and thus the Applicant's value is overstated using this method. It should be noted that this amount of acquisition basis is $143,726 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit taxes can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be $149,000 more than the outstanding loan balance. Therefore, receipt review and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the $23.5K existing replacement reserve account.

These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt review and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

Site work Cost: The Applicant's claimed sitework costs of $741 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $851. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

Other: The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by $6,521 and a reduction of equal amount from eligible basis was required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated acquisition basis contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. Aside from these differences the Underwriter's costs are identical so in this case it appears that the Underwriter's costs are being used when in fact they are the Applicant's adjusted costs. As a result an eligible basis of $2,431,686 is used to determine a credit allocation of $120,931from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland **Contact:** Stacey Kulyk

Principal Amount: $620,326 **Interest Rate:** 6% as of commitment, set at closing

Additional Information: Subject to RD commitment

Amortization: n/a yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: TX-USDA-RHS **Contact:** William Taylor

Original Principal Amount: $1,441,800 **Unpaid Principal: (12/2002)** $1,399,389

Interest Rate: 9.50%, subsidized to 1% **Additional Information**: Assumption of existing loan

Amortization: 50 yrs **Term:** 33 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $36,780 **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: Midland Equity Corporation **Contact:** Ryan Luxon

Address: Two Galleria Tower, 13455 noel Road, Suite 1430 **City:** Dallas

State: TX **Zip:** 75240 **Phone:** (888) 223-5794 **Fax:** (972) 404-9133

Net Proceeds: $939,115 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ None ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: n/a **Source:** n/a

FINANCING STRUCTURE ANALYSIS

Interim Financing: MunieMae Midland will provide a construction loan of $620,326 at an interest rate of 6.00% and term of twelve months.

Permanent Financing: The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates $1,441,800 at an interest rate of 9.50% and a final installment date of December 22, 2036. These notes are paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was $1,399,389.18. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating the actual remaining principle and terms is a condition of this report.

LIHTC Syndication: MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of $939,115. The tax credits allocated to the partnership will be purchased at a rate of $0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of $120,931. This amount is supported by the gap in need and is equal to the Applicant's request.

Due to the projection of a DCR below the Department's minimum of 1.10. The development's annual debt service should not exceed $45,911. The current USDA note payments have been estimated to be $46.7K, though documentation from USDA was not provided to confirm this. The original assistance agreement reflects an annual payment of $36.8K which is roughly the same amount calculated by the Underwriter. Based upon the Underwriter's debt service. The $200,000 Preservation fund loan should be provided at not more than 2% interest amortized over 30 years. Without the Preservation fund loan, the resulting gap could be absorbed by deferral of additional developer fee, however, such fee would not be repayable in 15 years and the transaction would be characterized as infeasible.

Again, the recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of the proposed increase in Basic Rents. Also, without the requested Preservation funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees and the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years. The reason for the failure is the high expense to income ratio resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis must be more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

Financial Highlights: The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

Background & Experience: James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Items identified in previous reports have not been satisfactorily addressed.

Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 60%	16	1	1	634	$670	$310	$4,960	$0.49	$69.00	n/a
TC 60%	38	2	1	829	804	363	13,794	0.44	104.00	n/a
TOTAL:	54		AVERAGE:	771	$764	$347	$18,754	$0.45	$93.63	n/a

INCOME	Total Net Rentable Sq Ft: 41,646		TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$225,048	$225,048	USS Region	6
Secondary Income	Per Unit Per Month:	$10.00	6,480	6,480	$10.00	Per Unit Per Month
Other Support Income: (describe)			0	0	IREM Region	Houston
POTENTIAL GROSS INCOME			$231,528	$231,528		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(17,365)	(17,364)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$214,163	$214,164		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.16%	$165	0.21	$8,910	$5,885	$0.14	$109	2.75%
Management		8.41%	333	0.43	18,001	$19,080	0.46	353	8.91%
Payroll & Payroll Tax		17.40%	690	0.89	37,267	$35,598	0.85	659	16.62%
Repairs & Maintenance		13.51%	536	0.69	28,940	$32,721	0.79	606	15.28%
Utilities		1.33%	53	0.07	2,859	$2,300	0.06	43	1.07%
Water, Sewer, & Trash		10.81%	429	0.56	23,143	$26,020	0.62	482	12.15%
Property Insurance		4.86%	193	0.25	10,412	$11,158	0.27	207	5.21%
Property Tax	2.6118	8.23%	326	0.42	17,630	$14,700	0.35	272	6.86%
Reserve for Replacements		7.56%	300	0.39	16,200	$16,200	0.39	300	7.56%
Other Expenses:		0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES		76.28%	$3,025	$3.92	$163,361	$163,662	$3.93	$3,031	76.42%
NET OPERATING INC		23.72%	$941	$1.22	$50,802	$50,502	$1.21	$935	23.58%
DEBT SERVICE									
USDA-RHS existing note		17.12%	$679	$0.88	$36,655	$45,651	$1.10	$845	21.32%
TDHCA HOME		4.72%	$187	$0.24	10,118	0	$0.00	$0	0.00%
TDHCA HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		1.88%	$75	$0.10	$4,029	$4,851	$0.12	$90	2.27%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.11			
RECOMMENDED DEBT COVERAGE RATIO					1.12	1.11			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		61.17%	$28,674	$37.18	$1,548,389	$1,548,389	$37.18	$28,674	61.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.58%	741	0.96	40,000	40,000	0.96	741	1.58%
Direct Construction		14.42%	6,759	8.76	365,000	365,000	8.76	6,759	14.38%
Contingency	10.00%	1.60%	750	0.97	40,500	46,170	1.11	855	1.82%
General Req'ts	6.00%	0.96%	450	0.58	24,300	24,300	0.58	450	0.96%
Contractor's G & A	2.00%	0.32%	150	0.19	8,100	8,100	0.19	150	0.32%
Contractor's Profit	6.00%	0.96%	450	0.58	24,300	24,300	0.58	450	0.96%
Indirect Construction		2.23%	1,044	1.35	56,394	56,394	1.35	1,044	2.22%
Ineligible Costs		0.46%	217	0.28	11,743	11,743	0.28	217	0.46%
Developer's G & A	2.94%	2.46%	1,151	1.49	62,145	63,758	1.53	1,181	2.51%
Developer's Profit	12.06%	10.08%	4,723	6.12	255,031	255,031	6.12	4,723	10.05%
Interim Financing		1.75%	822	1.07	44,393	44,393	1.07	822	1.75%
Reserves		2.01%	943	1.22	50,926	50,926	1.22	943	2.01%
TOTAL COST		100.00%	$46,874	$60.78	$2,531,221	$2,538,504	$60.95	$47,009	100.00%
Recap-Hard Construction Costs		*19.84%*	*$9,300*	*$12.06*	*$502,200*	*$507,870*	*$12.19*	*$9,405*	*20.01%*

SOURCES OF FUNDS						RECOMMENDED	
USDA-RHS existing note	55.29%	$25,915	$33.60	$1,399,389	$1,399,389	$1,399,389	Developer fee Avalable $317,938
TDHCA HOME	7.90%	$3,704	$4.80	200,000	200,000	200,000	
LIHTC Syndication Proceeds	37.10%	$17,391	$22.55	939,115	939,115	931,076	% of Dev. Fee Deferred 3%
Deferred Developer Fees	0.00%	$0	$0.00	0	0	8,039	
Additional (excess) Funds Required	-0.29%	($135)	($0.17)	(7,283)	0	0	Dev Fee Repayable in 15 yrs $51,354.96
TOTAL SOURCES				$2,531,221	$2,538,504	$2,538,504	

Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds

PAYMENT COMPUTATION

Primary	$1,441,800	Term	600
Int Rate	1.00%	DCR	1.39

Secondary	$200,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.09

Additional	$939,115	Term	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	$36,655
Secondary Debt Service	8,871
Additional Debt Service	0
NET CASH FLOW	$5,276

Primary	$1,441,800	Term	600
Int Rate	1.00%	DCR	1.39

Secondary	$200,000	Term	360
Int Rate	2.00%	Subtotal DCR	1.12

Additional	$939,115	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

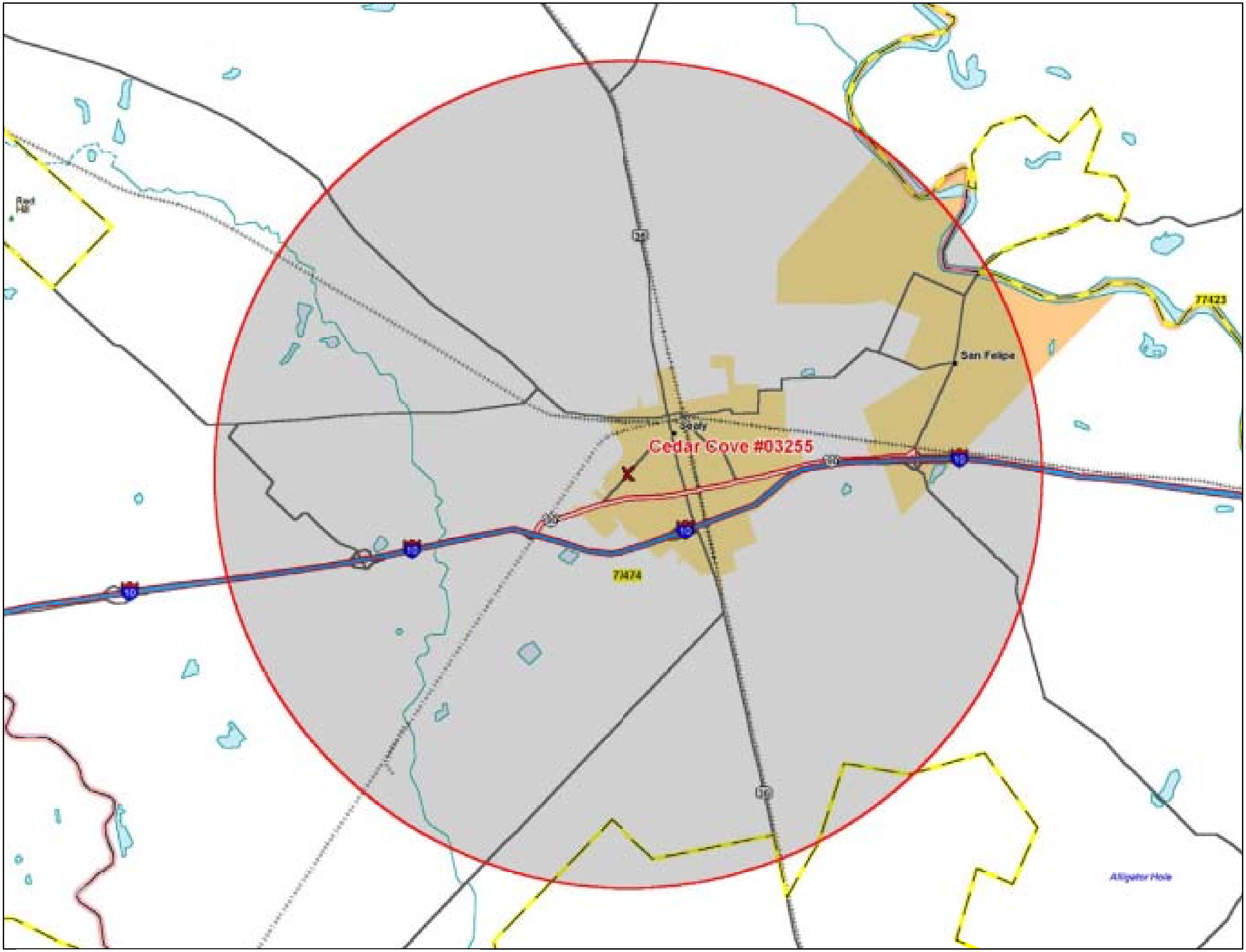
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$225,048	$231,799	$238,753	$245,916	$253,294	$293,637	$340,405	$394,623	$530,340
Secondary Income	6,480	6,674	6,875	7,081	7,293	8,455	9,802	11,363	15,271
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	231,528	238,474	245,628	252,997	260,587	302,092	350,207	405,986	545,611
Vacancy & Collection Loss	(17,365)	(17,886)	(18,422)	(18,975)	(19,544)	(22,657)	(26,266)	(30,449)	(40,921)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$214,163	$220,588	$227,206	$234,022	$241,043	$279,435	$323,941	$375,537	$504,690
EXPENSES at 4.00%									
General & Administrative	$8,910	$9,266	$9,637	$10,023	$10,423	$12,682	$15,429	$18,772	$27,787
Management	18,001	18,541	19,097	19,670	20,260	23,487	27,227	31,564	42,419
Payroll & Payroll Tax	37,267	38,758	40,308	41,921	43,597	53,043	64,535	78,517	116,224
Repairs & Maintenance	28,940	30,098	31,302	32,554	33,856	41,191	50,115	60,972	90,254
Utilities	2,859	2,973	3,092	3,216	3,345	4,069	4,951	6,023	8,916
Water, Sewer & Trash	23,143	24,069	25,031	26,033	27,074	32,940	40,076	48,759	72,175
Insurance	10,412	10,828	11,261	11,712	12,180	14,819	18,029	21,935	32,470
Property Tax	17,630	18,335	19,068	19,831	20,624	25,092	30,529	37,143	54,981
Reserve for Replacements	16,200	16,848	17,522	18,223	18,952	23,058	28,053	34,131	50,522
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$163,361	$169,715	$176,319	$183,180	$190,311	$230,380	$278,945	$337,817	$495,748
NET OPERATING INCOME	$50,802	$50,873	$50,887	$50,842	$50,732	$49,055	$44,997	$37,720	$8,942
DEBT SERVICE									
First Lien Financing	$36,655	$36,655	$36,655	$36,655	$36,655	$36,655	$36,655	$36,655	$36,655
Second Lien	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$5,276	$5,347	$5,361	$5,316	$5,206	$3,529	($529)	($7,806)	($36,584)
DEBT COVERAGE RATIO	1.12	1.12	1.12	1.12	1.11	1.08	0.99	0.83	0.20

LIHTC Allocation Calculation - Cedar Cove, Sealy, LIHTC #03255 TDHCA Preservation Funds

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	$31,790	$36,866				
Purchase of buildings	$1,516,599	$1,511,523	$1,516,599	$1,511,523		
(2) Rehabilitation/New Construction Cost						
On-site work	$40,000	$40,000			$40,000	$40,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$365,000	$365,000			$365,000	$365,000
(4) Contractor Fees & General Requirements						
Contractor overhead	$8,100	$8,100			$8,100	$8,100
Contractor profit	$24,300	$24,300			$24,300	$24,300
General requirements	$24,300	$24,300			$24,300	$24,300
(5) Contingencies	$46,170	$40,500			$40,500	$40,500
(6) Eligible Indirect Fees	$56,394	$56,394			$56,394	$56,394
(7) Eligible Financing Fees	$44,393	$44,393			$44,393	$44,393
(8) All Ineligible Costs	$11,743	$11,743				
(9) Developer Fees			$227,490	$226,728	$90,448	$90,448
Developer overhead	$63,758	$62,145				
Developer fee	$255,031	$255,031				
(10) Development Reserves	$50,926	$50,926				
TOTAL DEVELOPMENT COSTS	$2,538,504	$2,531,221	$1,744,089	$1,738,251	$693,435	$693,435

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		$1,744,089	$1,738,251	$693,435	$693,435
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$1,744,089	$1,738,251	$693,435	$693,435
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$1,744,089	$1,738,251	$693,435	$693,435
Applicable Percentage		3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$63,310	$63,099	$57,832	$57,832
Syndication Proceeds	**0.7699**	**$487,442**	**$485,810**	**$445,266**	**$445,266**
Total Credits (Eligible Basis Method)				**$121,143**	**$120,931**
Syndication Proceeds				**$932,707**	**$931,076**
Requested Credits				**$122,045**	
Syndication Proceeds				**$939,653**	
Gap of Syndication Proceeds Needed				**$939,115**	
Credit Amount				**$121,975**	



Scale: 1 : 100,000 Zoom Level: 11-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E

TDHCA #

03256

Region 6

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

Development Name: **Willowchase Apartments** TDHCA #: **03256**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6 Site Address: 1845 5th Street
City: Hempstead County: Waller Zip Code: 77445
☐ TTC ☐ DDA ☐ QCT Purpose / Activity: Acquisition/Rehab
Targeted Units: Family: 57 Elderly: 0 Handicapped/Disabled 4 Domestic Abuse: 0 Transitional: 0
Set Asides: ☑ General ☑ At-Risk ☐ Nonprofit ☑ Rural ☑ TX-USDA-RHS ☐ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: FDI-WC 2003, Ltd

Principal Names	Principal Contact	Percentage Ownership
Fieser Real Estate Investments, Inc.	James W. Fieser	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$121,654** Allocation over 10 Years: $1,216,540
Credits Requested $122,882 Eligible Basis Amount: $121,654 Equity/Gap Amount $124,738

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	12	0	0	12
60%	0	4	41	0	45
MR	0	0	0	0	0
Total	0	16	41	0	

Total LI Units: 57
Owner/Employee Units: 0
Total Project Units: 57
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:	$2,607,548	Average Square Feet/Unit	763
Gross Building Square Feet	44,374	Cost Per Net Rentable Square Foot	$59.94
Total Net Rentable Area Square Feet:	43,505	Credits per Low Income Uni	$2,134

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$206,200
Total Expenses:	$156,714
Net Operating Income	$49,486
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$1,647,162
Applicant Equity:	$23,743
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Fieser Development, Inc.	Market Analyst:	The Gerald Teel Company
Housing GC:	Construction Supervisors, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	The Gerald Teel Company
Cost Estimator:	NA	Attorney:	Wilson, Cribbs, Goren & Flaum
Architect:	David J. Albright	Accountant:	Marshall & Shafer, PC
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	Midland Equity Corporation	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Willowchase Apartments | Project Number: 03256

PUBLIC COMMENT SUMMARY

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

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

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

Local/State/Federal Officials with Jurisdiction:

Local Official: Hayden Barry, Mayor, City of Hempstead, S

TX Representative: Glenn Hegar, Jr., District 28, S

TX Senator: Ken Armbrister, District 18, N

US Representative:

US Senator:

Comment from Other Public Officials:

General Summary of Comment: Some Support

DEPARTMENT EVALUATION

Points Awarded: 44 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 9.25% in the Basic Rent.

Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms.

Receipt, review and acceptance of documentation from USDA prior to Carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA loans.

Receipt, review and acceptance prior to Carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation of the development and documentation form USDA accepting their use as proposed.

Should the terms of the proposed rents, debt, or syndication be altered, the development should be re-evaluated.

Alternate Recommendation: NA

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

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

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

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

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

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

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

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

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

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 # **03256** Name: **Willowchase Apartments** City: **Hempstead**

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

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

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

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

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

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

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	June 9, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03256 2003-0019

DEVELOPMENT NAME

Willowchase

APPLICANT

Name:	FDI-WC 2003, Ltd.		**Type:**	For Profit			
Address:	26735 Stockdick School Road		**City:**	Katy		**State:**	TX
Zip:	77493	**Contact:** James W Fieser	**Phone:**	(281) 371-7320		**Fax:**	(281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Fieser Real Estate Investments	**(%):**	0.01	**Title:**	Managing General Partner
Name:	James W Fieser	**(%):**	n/a	**Title:**	Developer

PROPERTY LOCATION

Location:	1845 5th Street		☐ **QCT**		☐ **DDA**
City:	Hempstead	**County:**	Waller	**Zip:**	77445

REQUEST

Amount	Interest Rate	Amortization	Term
1) $122,882	n/a	n/a	n/a
2) $180,000	3%	30 yrs	30 yrs

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

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 $121,654 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $180,000, STRUCTURED AS A 30-YEAR TERM FULLY-AMORTIZING LOAN AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 9.25% in the Basic Rent;
2. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual principle and terms;
3. Receipt, review, and acceptance of documentation from USDA prior to carryover, recognizing the transfer sales price of this property of more than the current outstanding loan balance of the USDA loans;

4. Receipt, review, and acceptance prior to carryover of a reconciliation of the reserve account with respect to how those reserves will be utilized in the proposed acquisition and rehabilitation development and documentation from USDA accepting there use as proposed;
5. Should the terms of the proposed debt be altered, the development should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Willowchase was submitted and underwritten in the 2002 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions.

- Receipt, review, and acceptance of confirmation that TXRD/ USDA has approved the loan transfer on an existing terms basis. Should the terms of the TXRD loan change a re-evaluation of the conclusions herein should be conducted.

The Applicant requested $126,135 annually in tax credits. The project received an allocation of $91,616 in tax credits, but returned the credits on September 9, 2002 due to the difference in the amount requested and the actual allocation.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	57	# Rental Buildings	7	# Common Area Bldgs	1	# of Floors	2	Age:	20	yrs	Vacant:	1	at	12/ 01/ 2002

Net Rentable SF:	43,505	Av Un SF:	763	Common Area SF:	869	Gross Bldg SF:	44,374

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% masonry brick veneer 20% 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
Carpeting and vinyl flooring, range and oven, hood and fan, refrigerator, fiberglass tub/shower, and heat pump.

ON-SITE AMENITIES

Management office, laundry facility, equipped children's play area.

Uncovered Parking:	106	spaces	Carports:	n/a	spaces	Garages:	n/a	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Willow Chase is a proposed acquisition and rehabilitation development of 57 units of affordable housing located on two separate sites in Hempstead. The development was built in 1984 and is comprised of seven residential buildings as follows:

- Two Building Style A with eight one-bedroom units; and
- Five Building Style B with eight two-bedroom units.
- One common area building with one two-bedroom unit attached

Based on the site plan the apartment buildings are distributed evenly throughout the two sites with the community building located at the corner of 5th and Allen Streets.

Existing Subsidies: The property currently operates under TX-USDA-RHS rent restrictions. All 57 units have rents restricted to the 2003 approved basic rent for the property: $251 per month for one-bedroom units and $304 per month for two-bedroom units. Upon transfer of the property and existing note, the Applicant plans to request an increase in the basic rent limits to $270 per month and $320 per month. The requested rent level represents a moderate 5-7% increase. According to the rental assistance worksheet, provided in the application, only two units currently are receiving rental assistance.

Development Plan: The work write-up, signed by the architect, includes: add dirt in low places, flush sanitary lines, new sign, parking lot striping, landscaping, add sand border and equipment to playground, dumpster screens, repair masonry, replace exterior door hardware, ceiling insulation, new roofing, replace gutters/vinyl siding, upgrade electrical, install water saving shower heads, replace lavatories, replace water heaters, replace air conditioners, add new fans, bathroom vents, replace doors, repair windows, repair drywall, replace flooring, interior and exterior painting, replace range, fan and hood, and refrigerator. In addition, work will be done to convert three units to allow for handicapped accessibility.

The development is currently 98% occupied. The Applicant has indicated that a relocation plan and budget are not applicable because no tenants will be relocated.

Architectural Review: The elevations are typical of 1980's construction with majority brick exteriors. All units are of average size for market rate units in the area, and they have functional Floorplans with adequate storage space. The buildings are two-story walk-up structures and each unit has a single entry that is off common balconies shared with other units on each floor.

Supportive Services: The Applicant does not plan to provide supportive services.

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

SITE ISSUES

SITE DESCRIPTION

Size:	2.152	acres	93,741	square feet	**Zoning/ Permitted Uses:** R-3
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: A portion of the site is situated on a city block bound by 5th Street, 6th Street, Baker Street and McDade Street. The remainder of the site is located one block south of the primary subject site on the western half of a city block bound by 5th Street, 4th Street and McDade Street. Both of these locations are in the southeast quadrant of the City of Hempstead. Hempstead is located 9-10 miles northwest of the Harris/Waller County line off of US 290, 45-55 miles northwest of the Houston Central Business District. Houston is located about 40 miles northwest of the Gulf of Mexico in southeast Texas.

Population: Currently, almost four million people live in the Houston metropolitan area. In 2000, Waller County had a population of 27,488, which is expected to increase to 37,796 by 2010. The immediate neighborhood had a population of 11,076 in 2000, projected at 11,913 for 2005. This equates to 3,150 households in 2000 and 3,440 households in 2005.

Adjacent Land Uses: Abutting the subject property to the west is single family residential. Single family residential is also to the east. To the north and south are vacant tracts of land. The predominate land use in the immediate vicinity consist of older detached single-family residences, mobile homes, and apartments.

Site Access: Immediate access to both sites is from 5th Street. The subject area is accessed via US Highway 290, the primary roadway between Houston and the subject. Additionally, State Highway 6, just west of Hempstead, provides access to the main campus of the Texas A & M University, 35-45 miles northerly. Interstate 10, the primary intercoastal route from California to Florida is located about 22-25 miles to the south.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Shopping and services within the subject area was not directly addressed by the submitted market study.

Site Inspection Findings: ORCA staff performed a site inspection on April 23, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Section 49.9(e) (13) (A) of the 2003 QAP states, "Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply [a Phase I Environmental Site Assessment]…"

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. Twelve of the units

(21%) will have rents restricted to the lesser of the low HOME rent or those affordable at 50% or less of AMGI, and the remaining units (79%) will have rents restricted to the lesser of the high HOME rent or those affordable at 60% or less of AMGI.

As stated above, the development's rents are currently restricted by TX-USDA-RHS and the Applicant plans to continue to operate the development under the restrictions. Therefore, all tenants will pay only 30% of their monthly income towards rent. In addition, due to the layering of LIHTCs and the below-market HOME funds, 40% of the units in each building must be leased to tenants with incomes at or below 50% of AMGI. Because the property is located within the Houston MSA the maximum tax credit and HOME rents are significantly higher than the proposed USDA rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

Section 49.9(e) (13) (B) of the 2003 QAP states, "For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (11) (A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required…"

OPERATING PROFORMA ANALYSIS

Income: The development rents are currently restricted by TX-USDA-RHS at levels below the LIHTC 50% and 60% of AMGI limits. The Applicant plans to continue the TX-USDA-RHS restrictions, but to request a 5-7% increase in the basic rents. However, for reasons explained in the conclusions of this section and the Financing Structure Analysis section, the Underwriter has estimated the development's potential gross rent assuming a net rent of $274 per month for one-bedroom units and $332 per month for two-bedroom units. This represents a 9.25% increase in the basic rents, which are still significantly less than the LIHTC rent limits for the set-asides chosen. The result is a potential gross rent estimate that is $6,798 higher than the Applicant's figure.

The Applicant's secondary income projection of $10 per unit per month and vacancy and collection loss assumption of 7.5% is inline with Department guidelines and the development's operating history. Due to the difference in potential gross rent estimates, the Applicant's effective gross income figure is lower than the Underwriter's estimate, but within 5% and considered to be generally acceptable.

Expenses: The underwriting projection of line item operating expenses is based upon information drawn from the most current TDHCA internal database, IREM (year-end 2001), and the subject development's actual operating expenses for 2002. The Applicant's total annual operating expense estimate of $2,573 per unit is more than 5% lower than the Underwriter's estimate. In addition, when compared to underwriting estimates, the following line item operating expenses exceeded the tolerance levels indicated in Section 1.32(d)(5) of the 2003 Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines –payroll (more than 10% lower) and property tax (more than 10% lower).

Conclusion: The Applicant's estimated operating expense and net operating income are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due to the difference in net operating income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to $44,987, which will be discussed in more detail in the Financing Structure Analysis section of this report. The above DCR and maximum debt service are based upon an increase of 9.25% in the basic rents for the development rather than 5-7% as proposed by the Applicant. A 5-7% increase results in an even lower DCR and overall infeasibility of the development. Therefore, receipt, review and acceptance of TX-USDA-RHS approval of an increase of at least 9.25% in the Basic Rents is a condition of this report.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 2.1522 acres	$40,000	**Date of Valuation:**	02/ 13/ 2003
Existing Building(s): "as is"	$1,860,000	**Date of Valuation:**	02/ 13/ 2003
Total Development: "as is"	$1,900,000	**Date of Valuation:**	02/ 13/ 2003

Appraiser: The Gerald A Teel Company **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser utilized the sales comparison approach to estimate the value of the land as vacant and only the income approach to value the development as a whole. The reason for not performing an analysis of the value based on the sales comparison and cost approaches is not clear. Therefore, the "as is" value of the property is based on the subsidized basic rents of $270 per month for one-bedroom units and $320 per month for two-bedroom units, total annual expenses of a $2,604 per unit, and an extremely low capitalization rate of 3.0%.

Conclusion: The proposed transfer of the property is not an identity of interest transaction; therefore, for purposes of this analysis, the value conclusions will be used to help determine the eligible basis for allocation of acquisition tax credits, but not to determine the overall transfer value of the property.

ASSESSED VALUE

Land:	$75,000	**Assessment for the Year of:**	2002
Building:	$395,190	**Valuation by:**	Waller County Appraisal District
Total Assessed Value:	$470,190	**Tax Rate:**	2.88339

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: One to Four Family Residential Contract (Resale)

Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$1,637,162	**Other Terms/Conditions:**	$170K cash to seller

Seller: Willowchase Apartments, Ltd. (Donald W Sowell) **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. The submitted appraisal was used to determine the proportion of land to building value for calculation of the eligible basis for acquisition credits. Based on an appraised land value of $40,000 and a total appraised value of $1,900,000, the ratio of land cost to total cost is 21.0%. Applying this ratio to the sales price of $1,637,162 results in a land cost of $34,467 and an acquisition eligible basis of $1,602,695. This actually provides a slightly higher acquisition value than the $1,587,162 claimed by the Applicant and thus the Applicant's value is acceptable. It should be noted however, that this amount is $210,242 more than was accepted in the previous year application when it was determined that the same seller was intending to remain as a part of the new development team. While the principal of the General Partner is known to be a long time business associate of the seller, no direct or indirect relationship between the seller and any development team member was disclosed or discovered in the current application. The Underwriter understands from previous discussions with USDA that a transfer of a USDA Section 515 property can not occur for more than the existing debt amount without USDA approval. USDA has been willing to approve such transfers if the seller's exit tax can be proven to be more as a result of the transfer at the note balance than through foreclosure. In such cases, the proven difference has been allowed to escape the transaction in order to bring in new ownership and encourage rehabilitation of the property. In this case the sales price appears to be $170K more than the outstanding loan balance. Therefore, receipt, review, and acceptance of USDA approval of the transfer of the note in an amount greater than the balance of the note is a condition of this report. In addition it is not known what will become of the $106K existing replacement reserve account. These funds could be used to fund a portion of the rehabilitation or lessen the need for new reserves to be established. The USDA considers reserves to be fully funded at 10% of the outstanding balance and requires annual reserve contributions of at least 1% of the note amount until that balance is met. Receipt, review, and acceptance of a reconciliation of the replacement reserve account with regard to how it will be used in the proposed transaction is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of $366 per unit are considered reasonable for a rehabilitation development.

Direct Construction Cost: The Applicant's direct construction cost estimate was verified by both the third party general contractor and architect, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $814. In addition, the Applicant allocated a disproportionate amount of this fee to the rehabilitation portion thus overstating the higher credit percentage rehabilitation basis and understating the lower credit percentage acquisition basis.

Other: The Applicant's eligible basis estimate included contingency cost exceeding the Department guideline for rehabilitation developments of 10% of site work and direct construction by $5,426 and a reduction of an equal amount of eligible basis is required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is after adjustments, generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d) (3) HOME subsidy limit of $4,115,462.

Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter for overstated contingency cost and developer fees, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $2,489,482 is used to determine a credit allocation of $121,654 from this method. It should be noted that the Applicant's eligible basis calculation had several significant errors discussed above, but these errors were materially offset by the Applicant's use of applicable percentages that are lower than the current underwriting percentages. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total development cost to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland **Contact:** Stacey Kulyk

Principal Amount: $684,857 **Interest Rate:** 6% as of commitment, set at closing

Additional Information: Subject to RD commitment

Amortization: n/a yrs **Term:** 1 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: TX-USDA-RHS **Contact:** William Taylor

Original Principal Amount: $1,496,250 **Unpaid Principal: (12/2002)** $1,467,162

Interest Rate: 11.875%, subsidized to 1% **Additional Information:** Assumption of existing loan

Amortization: 50 yrs **Term:** 32 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: $38,544 **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: Midland Equity Corporation **Contact:** Ryan Luxon

Address: Two Galleria Tower, 13455 noel Road, Suite 1430 **City:** Dallas

State: TX **Zip:** 75240 **Phone:** (888) 223-5794 **Fax:** (972) 404-9133

Net Proceeds: $945,244 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ None ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $15,142 **Source:** Deffered Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim Financing: MunieMae Midland will provide a construction loan of $684,857 at an interest rate of 6.00% and term of twelve months.

Permanent Financing: The Applicant plans to assume payment of the existing TX-USDA-RHS loan. The deed of trust for the loan indicates $1,496,250 at an interest rate of 11.875% and a final installment date of September 6, 2035. This note is paid at 1% interest via an interest rate reduction program which requires in turn that the owner charge no more than the annually revised, budget based, Basic Rents. The remaining balance for the loan as of December 2002 was $1,467,462. Receipt, review and acceptance of a firm commitment from TX-USDA-RHS indicating actual remaining principle and terms is a condition of this report.

LIHTC Syndication: MuniMae Midland also proposes to purchase a 99.99% interest in the Applicant providing syndication proceeds of $945,244. The tax credits allocated to the partnership will be purchased at a rate of $0.77 per tax credit dollar. The majority of the funds will be contributed upon completion of the planned rehabilitation and used to repay the construction loan.

Deferred Developer's Fees: The Applicant plans to defer $15,142 in fees, which amounts to 5% of total proposed developer fees.

Financing Conclusions: As stated above, the Applicant's total development cost, as adjusted by the Underwriter, was used to determine eligible basis and recommended annual tax credit allocation of $121,654. This amount is supported by the gap in need and is equal to the Applicant's request.

Due to the projection of a DCR below the Department's minimum guideline of 1.10, it was determined that the total annual debt service should be limited to no more than $44,987. The current USDA note payments have been estimated to be $48,773, though documentation from USDA was not provided to confirm this. The Underwriter calculated a much lower payment of $38,039, and the explanation of the difference is unknown. It is not likely that a reduction will be approved by TX-USDA-RHS. Therefore, it is suggested that the annual debt service for the requested HOME funds be reduced by lowering the interest rate from the requested 3% to mirror the USDA 1% loan. The term of the HOME loan would remain at 30 years. Again, the recommendations of this report are conditioned upon receipt, review and acceptance of approval by TX-USDA-RHS of a 9.25% increase in basic rents. Also, without the requested HOME funds, the 15 year projection indicates that the development would not be able to repay the resulting deferred developer fees. Without the HOME funds and a 9.25% increase in the basic rents, the development appears to be infeasible. The long term feasibility of the development as measured by a standard 30-year proforma with 3% income growth and 4% expense growth reflects the developments failure after 20 years. The reason for the failure is the high expense to income ratio resulting from the artificially low USDA Basic Rents and tight monitoring of performance by USDA. The 100 basis point spread traditionally used in proforma analysis is more tightly monitored in real life USDA loan performance in order to maintain long term feasibility.

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

James Fieser is listed as the principle of the Applicant, general partner and developer. The interim lender is also the proposed syndicator. These are common identities of interest for LIHTC/HOME-funded developments.

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

Financial Highlights: The Applicant and General Partner are newly formed entities and, therefore, have no significant financial histories. However, James Fieser, owner of the general partner, submitted a joint financial statement with his wife Patricia dated as of February 5, 2003.

Background & Experience: James Fieser reports previous participation in two LIHTC developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Items identified in previous reports have not been satisfactorily addressed.

Underwriter:	___ *Lisa Vecchietti*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	___ *Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
<TC 50%/LH	12	1	1	687	$558	$274	$3,291	$0.40	$53.00	n/a
<TC 60%/HH	4	1	1	687	670	274	1,097	0.40	53.00	n/a
<TC 60%/HH	41	2	2	793	804	332	13,619	0.42	56.00	n/a
NOTE: To avoid Federal taint regarding the combination of HOME and LIHTC funds, 23 units must be leased to tenants earning not more than 50% of AMI in the HOME LURA										
TOTAL:	57		AVERAGE:	763	$743	$316	$18,007	$0.41	$55.16	n/a

INCOME

Total Net Rentable Sq Ft: 43,505

			TDHCA	APPLICANT		
					USS Region	6
POTENTIAL GROSS RENT			$216,079	$209,280	IREM Region	Houston
Secondary Income	Per Unit Per Month:	$10.00	6,840	6,840	$10.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$222,919	$216,120		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(16,719)	(16,212)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$206,200	$199,908		

EXPENSES

		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.46%	$125	0.16	$7,143	$6,625	$0.15	$116	3.31%
Management		9.17%	332	0.43	18,905	$20,160	0.46	354	10.08%
Payroll & Payroll Tax		16.36%	592	0.78	33,728	$28,394	0.65	498	14.20%
Repairs & Maintenance		14.10%	510	0.67	$29,081	$25,500	0.59	447	12.76%
Utilities		1.74%	63	0.08	3,594	$3,700	0.09	65	1.85%
Water, Sewer, & Trash		9.63%	348	0.46	19,852	$20,170	0.46	354	10.09%
Property Insurance		5.27%	191	0.25	10,876	$12,000	0.28	211	6.00%
Property Tax	2.88339	7.97%	288	0.38	16,435	$13,000	0.30	228	6.50%
Reserve for Replacements		8.29%	300	0.39	17,100	$17,100	0.39	300	8.55%
Other Expenses:		0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES		76.00%	$2,749	$3.60	$156,714	$146,649	$3.37	$2,573	73.36%
NET OPERATING INC		24.00%	$868	$1.14	$49,485	$53,259	$1.22	$934	26.64%

DEBT SERVICE

					TDHCA	APPLICANT			
USDA-RHS existing loan		18.45%	$667	$0.87	$38,039	$47,645	$1.10	$836	23.83%
TDHCA HOME		4.42%	$160	$0.21	9,107	0	$0.00	$0	0.00%
TDHCA HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		1.13%	$41	$0.05	$2,339	$5,614	$0.13	$98	2.81%
AGGREGATE DEBT COVERAGE RATIO					1.05	1.12			
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)		62.92%	$28,722	$37.63	$1,637,162	$1,637,162	$37.63	$28,722	62.79%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.80%	366	0.48	20,880	20,880	0.48	366	0.80%
Direct Construction		14.09%	6,434	8.43	366,720	366,720	8.43	6,434	14.06%
Contingency	10.00%	1.49%	680	0.89	38,760	44,186	1.02	775	1.69%
General Req'ts	6.00%	0.89%	408	0.53	23,256	23,256	0.53	408	0.89%
Contractor's G & A	2.00%	0.30%	136	0.18	7,752	7,752	0.18	136	0.30%
Contractor's Profit	6.00%	0.89%	408	0.53	23,256	23,256	0.53	408	0.89%
Indirect Construction		2.20%	1,005	1.32	57,302	57,302	1.32	1,005	2.20%
Ineligible Costs		0.50%	227	0.30	12,924	12,924	0.30	227	0.50%
Developer's G & A	2.99%	2.50%	1,142	1.50	65,106	65,106	1.50	1,142	2.50%
Developer's Profit	11.94%	10.01%	4,569	5.99	260,423	260,423	5.99	4,569	9.99%
Interim Financing		1.52%	696	0.91	39,679	39,679	0.91	696	1.52%
Reserves		1.88%	858	1.12	48,902	48,902	1.12	858	1.88%
TOTAL COST		100.00%	$45,651	$59.81	$2,602,122	$2,607,548	$59.94	$45,746	100.00%
Recap-Hard Construction Costs		*18.47%*	***$8,432***	***$11.05***	***$480,624***	***$486,050***	***$11.17***	***$8,527***	*18.64%*

SOURCES OF FUNDS

						RECOMMENDED	
USDA-RHS existing loan	56.38%	$25,740	$33.72	$1,467,162	$1,467,162	$1,467,162	Developer fee Available
TDHCA HOME	6.92%	$3,158	$4.14	180,000	180,000	180,000	$325,529
LIHTC Syndication Proceeds	36.33%	$16,583	$21.73	945,244	945,244	936,643	% of Dev. Fee Deferred
Deferred Developer Fees	0.58%	$266	$0.35	15,142	15,142	23,743	7%
Additional (excess) Funds Required	-0.21%	($95)	($0.12)	(5,426)	0	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$2,602,122	$2,607,548	$2,607,548	$49,918.45

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019

PAYMENT COMPUTATION

Primary	$1,496,250	Term	600
Int Rate	1.00%	DCR	1.30

Secondary	$180,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.05

Additional		Term	
Int Rate		Aggregate DCR	1.05

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$38,039
Secondary Debt Service	6,947
Additional Debt Service	0
NET CASH FLOW	$4,499

Primary	$1,496,250	Term	600
Int Rate	1.00%	DCR	1.30

Secondary	$180,000	Term	360
Int Rate	1.00%	Subtotal DCR	1.10

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

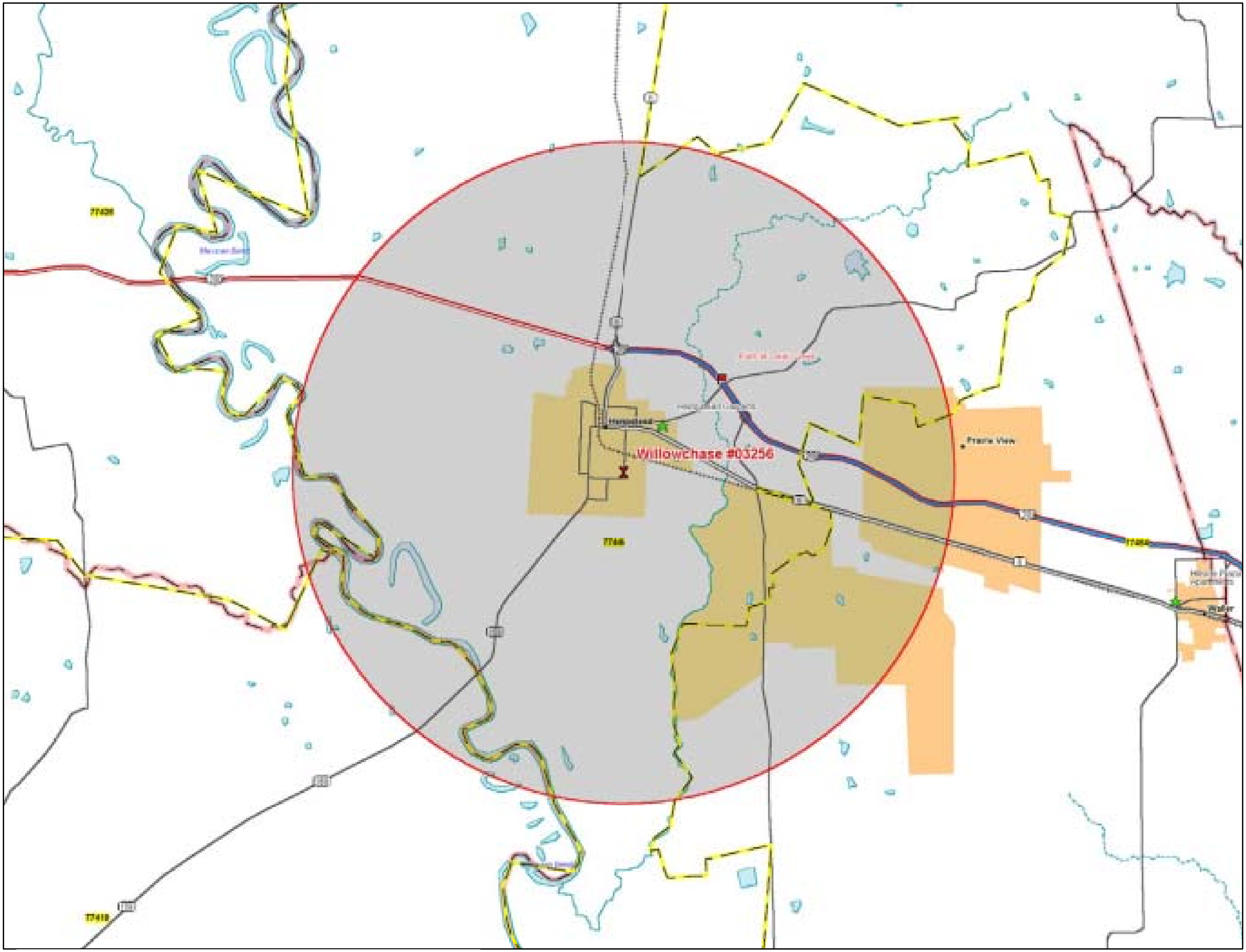
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$216,079	$222,561	$229,238	$236,115	$243,198	$281,934	$326,838	$378,895	$509,204
Secondary Income	6,840	7,045	7,257	7,474	7,698	8,925	10,346	11,994	16,119
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	222,919	229,606	236,494	243,589	250,897	290,858	337,184	390,889	525,322
Vacancy & Collection Loss	(16,719)	(17,220)	(17,737)	(18,269)	(18,817)	(21,814)	(25,289)	(29,317)	(39,399)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$206,200	$212,386	$218,757	$225,320	$232,080	$269,044	$311,896	$361,573	$485,923
EXPENSES at 4.00%									
General & Administrative	$7,143	$7,429	$7,726	$8,035	$8,356	$10,167	$12,369	$15,049	$22,277
Management	18,905	19,472	20,056	20,658	21,278	24,667	28,596	33,150	44,551
Payroll & Payroll Tax	33,728	35,077	36,480	37,939	39,457	48,005	58,406	71,060	105,186
Repairs & Maintenance	29,081	30,244	31,454	32,712	34,020	41,391	50,358	61,269	90,692
Utilities	3,594	3,738	3,887	4,043	4,204	5,115	6,224	7,572	11,208
Water, Sewer & Trash	19,852	20,646	21,472	22,331	23,224	28,256	34,377	41,825	61,911
Insurance	10,876	11,311	11,764	12,234	12,724	15,480	18,834	22,915	33,919
Property Tax	16,435	17,093	17,776	18,488	19,227	23,393	28,461	34,627	51,256
Reserve for Replacements	17,100	17,784	18,495	19,235	20,005	24,339	29,612	36,027	53,329
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$156,714	$162,794	$169,111	$175,675	$182,495	$220,812	$267,237	$323,494	$474,330
NET OPERATING INCOME	$49,485	$49,592	$49,646	$49,645	$49,584	$48,232	$44,659	$38,079	$11,593
DEBT SERVICE									
First Lien Financing	$38,039	$38,039	$38,039	$38,039	$38,039	$38,039	$38,039	$38,039	$38,039
Second Lien	6,947	6,947	6,947	6,947	6,947	6,947	6,947	6,947	6,947
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$4,499	$4,605	$4,660	$4,659	$4,598	$3,245	($328)	($6,908)	($33,394)
DEBT COVERAGE RATIO	1.10	1.10	1.10	1.10	1.10	1.07	0.99	0.85	0.26

LIHTC Allocation Calculation - Willowchase, Hempstead, LIHTC #03256/HOME 2003-0019

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	$50,000	$34,467				
Purchase of buildings	$1,587,162	$1,602,695	$1,587,162	$1,602,695		
(2) Rehabilitation/New Construction Cost						
On-site work	$20,880	$20,880			$20,880	$20,880
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$366,720	$366,720			$366,720	$366,720
(4) Contractor Fees & General Requirements						
Contractor overhead	$7,752	$7,752			$7,752	$7,752
Contractor profit	$23,256	$23,256			$23,256	$23,256
General requirements	$23,256	$23,256			$23,256	$23,256
(5) Contingencies	$44,186	$38,760			$38,760	$38,760
(6) Eligible Indirect Fees	$57,302	$57,302			$57,302	$57,302
(7) Eligible Financing Fees	$39,679	$39,679			$39,679	$39,679
(8) All Ineligible Costs	$12,924	$12,924				
(9) Developer Fees			$238,074		$86,641	
Developer overhead	$65,106	$65,106		$47,858		$17,248
Developer fee	$260,423	$260,423		$191,432		$68,991
(10) Development Reserves	$48,902	$48,902				
TOTAL DEVELOPMENT COSTS	$2,607,548	$2,602,122	$1,825,236	$1,841,985	$664,246	$663,844

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			$1,825,236	$1,841,985	$664,246	$663,844
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,825,236	$1,841,985	$664,246	$663,844
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,825,236	$1,841,985	$664,246	$663,844
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$66,256	$66,864	$55,398	$55,365
Syndication Proceeds		**0.7699**	**$510,121**	**$514,802**	**$426,523**	**$426,265**
Total Credits (Eligible Basis Method)					**$121,654**	**$122,229**
Syndication Proceeds					**$936,643**	**$941,067**
Requested Credits					**$122,822**	
Syndication Proceeds					**$945,635**	
Gap of Syndication Proceeds Needed					**$960,386**	
Credit Amount					**$124,738**	



Scale: 1 : 125,000 Zoom Level: 10-6 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.9°E