

**SUPPLEMENTAL  
BOARD BOOK OF DECEMBER 14, 2017**



**J. B. Goodwin, Chair**  
**Leslie Bingham Escareño, Vice-Chair**  
**Paul Braden, Member**  
**Asusena Reséndiz, Member**  
**Sharon Thomason, Member**  
**Leo Vasquez, III, Member**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
GOVERNING BOARD MEETING**

**A G E N D A  
8:00 AM  
December 14, 2017**

**John H. Reagan Building  
JHR 140, 105 W 15<sup>th</sup> Street  
Austin, Texas 78701**

**CALL TO ORDER**

**ROLL CALL**

**J.B. Goodwin, Chair**

**CERTIFICATION OF QUORUM**

*Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.*

*Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.*

Resolution Commemorating and Recognizing December 21, 2017, as *Homeless Persons' Memorial Day in Texas*

**CONSENT AGENDA**

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

**ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:**

**EXECUTIVE**

- a) Presentation, discussion, and possible action on Board meeting minutes summary for September 7, 2017

**J. Beau Eccles**  
General Counsel

**LEGAL DIVISION**

- b) Presentation, discussion, and possible action regarding the adoption of Agreed Final Order concerning Southeast Texas Community Development Corporation (HOME 537606 / CMTS 2680)
- c) Presentation, discussion, and possible action regarding the adoption of Agreed Final Order concerning Plainview Triplex II (HOME 532315 / CMTS 2658)
- d) Presentation, discussion, and possible action regarding the adoption of Agreed Final Order concerning Sabine Park Apartments (HTC 96134 / CMTS 1594)

**Jeffrey T. Pender**  
Deputy General Counsel

**ASSET MANAGEMENT**

- e) Presentation, discussion and possible action regarding a change in the ownership structure of the Development Owner prior to issuance of IRS Form(s) 8609 and amendments to the Developers and Guarantors
- 13196                  Emerald Village                                  San Antonio
- f) Presentation, discussion and possible action regarding a Material Amendment to the Housing Tax Credit Application
- 97019                  Creekstone Ranch                                  Victoria
- 15306                  Altura Heights    Houston
- 16015                  The Standard at Boswell Marketplace                  Fort Worth
- 17012                  Secretariat Apartments                                  Arlington

**Raquel Morales**  
Director

- g) Presentation, discussion and possible action regarding proceeds from sales of TDHCA Real Estate Owned (“REO”) property and directing that the proceeds be allocated to the Department’s Asset Management Fund for asset management purposes

**SECTION 8 PROGRAM**

- h) Presentation, discussion, and possible action on the 2018 Section 8 Payment Standards for the Housing Choice Voucher Program (“HCVP”)

**Brooke Boston**  
Deputy Executive Director

**BOND FINANCE**

- i) Presentation, discussion, and possible action on Resolution No. 18-011 authorizing request to the Texas Bond Review Board for annual waiver of Single Family Mortgage Revenue Bond set-aside requirements; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject

**Monica Galuski**  
Director

**HOME AND HOMELESSNESS PROGRAMS**

- j) Presentation, discussion, and possible action to authorize the issuance of the 2017 HOME Single Family Programs Reservation System Notice of Funding Availability (“NOFA”) and publication of the NOFA in the *Texas Register*

**Abigail Versyp**  
Director

**MULTIFAMILY FINANCE**

- k) Presentation, discussion and possible action on Determination Notices for Housing Tax Credits with another Issuer

**Marni Holloway**  
Director

17407	Shadow Ridge	Round Rock
17411	Villa Americana	Houston
17420	Del Valle 969	Austin ETJ
17429	Canyons at 45 West	Amarillo
17432	Valle Verde	El Paso
17433	Sandoval	El Paso
17435	Lakeview Senior Living	Rowlett
17436	Boyce Lane	Austin ETJ
17437	Trails at Leon Creek	San Antonio

- l) Presentation, discussion, and possible action on an award of Direct Loan funds from the 2017-1 Multifamily Direct Loan Notice of Funding Availability

17502	Freedom’s Path at Kerrville	Kerrville
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**RULES**

- m) Presentation, discussion, and possible action on orders proposing adoption of amendments to 10 TAC §23.61, Tenant-Based Rental Assistance General Requirements and directing that they be published in the *Texas Register*

**Abigail Versyp**  
Director, HOME and Homelessness Programs

- n) Presentation, discussion, and possible action on proposed new 10 TAC §1.5, Waiver Applicability in the Case of Federally Declared Disasters, and directing that it be published in the *Texas Register*

**Brooke Boston**  
Deputy Executive Director

- o) Presentation, discussion and possible action on an order adopting the amendment of 10 TAC Chapter 10, Subchapter E, concerning the Post Award and Asset Management Requirements, and an order directing its publication in the *Texas Register*

**Raquel Morales**  
Director, Asset Mgmt

- p) Presentation, discussion, and possible action on the draft 2018 State of Texas Low Income Housing Plan and Annual Report, and proposed repeal and proposed new 10 TAC Chapter 1, Subchapter A, General Policies and Procedures §1.23 concerning State of Texas Low Income Housing Plan and Annual Report, and directing their publication for public comment in the *Texas Register*

**Elizabeth Yevich**  
Director, Housing Resource Center

- q) Presentation, discussion, and possible action on an order adopting the amended 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and directing its publication in the *Texas Register*

**Marni Holloway**  
Director, MF Finance

- r) Presentation, discussion, and possible action on an order adopting the amended 10 TAC Subchapter D concerning the Underwriting and Loan Policy, and an order directing its publication in the *Texas Register*

**Brent Stewart**  
Director, Real Estate Analysis

**CONSENT AGENDA REPORT ITEMS**

**ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:**

- a) TDHCA Outreach Activities, (November - December)
- b) Report on a subgrant for 2017 Emergency Solutions Grants Program Subrecipient Bridge Over Troubled Waters
- c) Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division Total and Unencumbered Fund Balances and Transfers to the Housing Trust Fund
- d) Presentation and discussion of the 2018 Operating Budget filed with the Legislative Budget Board (“LBB”) and the Governor’s Office of Budget, Planning and Policy (“GOBPP”)

**Michael Lyttle**  
Chief of External Affairs

**Abigail Versyp**  
Director, HOME and Homelessness Programs

**Ernie Palacios**  
Director, Financial Administration

**Ernie Palacios**  
Director, Financial Administration

**ACTION ITEMS**

**ITEM 3: REPORTS**

- a) Report on the review of the Contract for Deed Conversion Program
- b) Report on the meeting of the Audit and Finance Committee

**Mark Scott**  
Director, Internal Audit

**ITEM 4: INTERNAL AUDIT**

Presentation, discussion, and possible action to accept the External Peer Review of the Internal Audit Division

**Mark Scott**  
Director

**ITEM 5: RULES**

Presentation, discussion, and possible action on an order adopting the amended 10 TAC Chapter 13 concerning the Multifamily Direct Loan Program Rule, and directing its publication in the *Texas Register*

**Mani Holloway**  
Director, MF Finance

**ITEM 6: MULTIFAMILY FINANCE**

- a) Presentation, discussion, and possible action regarding the Issuance of Multifamily Housing Revenue Bonds (Vista on Gessner) Series 2018 Resolution No. 18-012 and a Determination Notice of Housing Tax Credits
- b) Presentation, discussion, and possible action on a request for the extension of the placement in service deadline under 10 TAC §11.6(5) of the 2017 Qualified Allocation Plan (“QAP”) related to Credits Returns Resulting from Force Majeure Events
  - 15241 Trails of Brady Brady
  - 15247 City Square Apartment Homes Garland
- c) Presentation, discussion, and possible action to adopt the 2018 Multifamily Programs Procedures Manual
- d) Presentation, discussion, and possible action on timely filed appeals under 10 TAC §10.902 of the Department’s Multifamily Program Rules relating to Fee Schedule, Appeals and other Provisions.
  - 17107 The Residence at Wollforth Wollforth
- e) Presentation, discussion, and possible action regarding approval for publication in the *Texas Register* of the 2018-1 Multifamily Direct Loan Notice of Funding Availability
- f) Presentation, discussion, and possible action on Determination Notices for Housing Tax Credits with another Issuer and an Award of Direct Loan Funds
  - 17404 Commons at Goodnight Austin
- g) Presentation, discussion, and possible action regarding awards of Direct Loan funds from the 2017-1 Multifamily Direct Loan Notice of Funding Availability
  - 17500 The Works at Pleasant Valley Phase II Austin
  - 17509 Poesta Creek Apartments Beeville

**Mani Holloway**  
Director

**PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS**

**EXECUTIVE SESSION**

The Board may go into Executive Session (close its meeting to the public):

- 1. The Board may go into Executive Session Pursuant to Tex. Gov’t Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer

**J.B. Goodwin**  
Chair

- or employee;
2. Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;
  3. Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;
  4. Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or
  5. Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

### **OPEN SESSION**

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

### **ADJOURN**

To access this agenda and details on each agenda item in the board book, please visit our website at [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us) or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11<sup>th</sup> Street, Austin, Texas 78701, and request the information.

If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on Twitter.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Terri Roeber, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least three (3) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

### **NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:**

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

**NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**BOARD ACTION REQUEST**  
**REAL ESTATE ANALYSIS DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action on adoption of amendments to 10 TAC Chapter 10 Subchapter D, concerning Underwriting and Loan Policy, and directing their publication in the *Texas Register*

**RECOMMENDED ACTION**

**WHEREAS**, the Underwriting and Loan Policy provides rules for the underwriting review of an affordable housing Development's financial feasibility and economic viability that ensures the most efficient allocation of resources while promoting and preserving the public interest in ensuring the long-term health of the Department's portfolio;

**WHEREAS**, the rule provides the standards employed by the Department in the review of operating and development costs, market analysis, appraisals, environmental reports, and property condition assessments;

**WHEREAS**, changes have been proposed to improve the efficiency of the funding sources involved and enhance their effectiveness in achieving policy objectives; and

**WHEREAS**, the proposed amendments to Chapter 10 Subchapter D were published in the October 27, 2017, in the *Texas Register* for public comment;

**NOW, therefore, it is hereby**

**RESOLVED**, that the final order adopting the amendments of 10 TAC Chapter 10 Subchapter D Underwriting and Loan Policy together with the preambles presented to this meeting, are approved for publication in the *Texas Register*; and

**FURTHER RESOLVED**, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments to the Underwriting and Loan Policy rules together with the preamble in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

**BACKGROUND**

The Board approved the proposed amendments to Chapter 10 Subchapter D regarding the Underwriting and Loan Policy rules at the Board meeting of October 12, 2017, and were published in the *Texas Register* for public comment. In keeping with the requirements of the Administrative Procedures Act, staff has reviewed all comments received and provided a reasoned response to each comment.

## **Preamble, Reasoned Response, and New Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts the amendments to 10 TAC Chapter 10 Subchapter D, concerning Underwriting and Loan Policy.

**REASONED JUSTIFICATION.** The Department finds that the adoption of the sections will result in a more consistent approach to governing underwriting and analysis activity and to the awarding of funding or assistance through the Department and to minimize repetition. The comments and responses include both administrative clarifications and corrections to the Underwriting and Loan Policy rules based on the comments received. After each comment title numbers are shown in parentheses. These numbers refer to the person or entity that made the comment as reflected at the end of the reasoned response. If comment resulted in recommended language changes to the proposed Underwriting and Loan Policy as presented to the Board in October, such changes are indicated.

### **SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS.**

Public comments were accepted through November 27, 2017, with comments received from (1) Texas Affiliation of Affordable Housing Providers (TAAHP), (2) Darrell Jack, Apartment MarketData, (3) Rural Rental Housing Association (RRHA)

#### **1. §10.302(d)(2)(J) Other Operating Expenses (3)**

**COMMENT SUMMARY:** Commenter (3) suggests that the "Return To Owner" (RTO) as determined and limited by the United States Department of Agriculture (USDA) be included as an operating expense for purposes of calculating the Debt Coverage Ratio. The rationale is that USDA controls the RTO and effectively pays and considers the RTO in establishing the rents paid by USDA under rental assistance agreements. Because USDA considers the RTO as an expense item and TDHCA does not, the Debt Coverage Ratio under §10.302(d)(4)(D) is in many cases exceeds the 1.35:1 times limitation. In most cases this results in a reduction to tax credit allocations on USDA properties. Commenter states that the treatment of the RTO in this manner does not result in over subsidizing the transaction because of control by USDA of the operating budgets and RTO.

**STAFF RESPONSE:** Staff agrees that the different treatment of the RTO by the Department and USDA creates inconsistencies in the operating assumptions used to determine feasibility, debt coverage ratios and subsidy amounts. These inconsistencies are causing, in some cases, less tax credit equity to be made available for the rehabilitation of some of the USDA financed/subsidized properties. The RTO is controlled by USDA and included as an operating expense in their budget, which is then used for the determination of rents. TDHCA excludes the RTO as an operating expense. Use of the higher USDA rents and the Department's lower operating expenses many times results in a DCR above the 1.35 times maximum (sometimes significantly above). The high DCR requires the Department to assume additional debt in the tax credit sizing which lowers the tax credit equity. While staff agrees that a change to the rule to address this issue is likely warranted, a change now represents a new concept that was not included in the draft rule published for public comment. Staff will work with the interested parties and consider a proposed rule change for the 2019 rules.

*Staff recommends no changes based on this comment at this time.*



## 2. §10.302(d)(4)(D) Acceptable Debt Coverage Ratio (1)

**COMMENT SUMMARY:** Commenter (1) suggests that the calculated minimum debt coverage ratio should be applied to must-pay debt only and not to loans where repayment is subject to available cash flow. This includes cash flow loans made by TDHCA. Additionally, the commenter suggests that the 2017 language allowing Direct Loans to be reclassified as grants should be retained.

**STAFF RESPONSE:** The minimum debt coverage ratio is a stress test and risk assessment tool used to evaluate the ability of the net operating income generated by a property to service and pay all of the Owner's obligations including debt service. The minimum debt coverage ratio is only applied to "priority or foreclosable lien" financing. If a loan has contingent or cash flow repayment provisions but is foreclosable then it is generally included in the DCR because of the repayment requirements. If a loan is cash flow only without monetary default or foreclosure provisions then it is not included in the debt coverage ratio test.

The Department fully expects repayment on its Direct Loans except for loans otherwise intended to be forgivable pursuant to the relevant NOFA. Applications are underwritten pursuant to all NOFA provisions and the Direct Loan rules. Cash flow loans are generally required for subordinate financing to FHA senior debt. In most cases the funds being used by the Department to make Direct Loans originate from funds received from repayment on existing loans. Therefore, the analysis of the risk of non-repayment is very important to the program's ability to make future loans.

*Staff recommends no changes based on this comment.*

## 3. §10.302(i)(1) Gross Capture Rate (1), (2)

**COMMENT SUMMARY:** Commenter (1) requests an increase in the Gross Capture Rate from 10% to 15% for both elderly and general population developments in larger jurisdictions (populations above 500,000). This change is requested in order to account for high growth areas where available census data does not accurately reflect the pace of population growth. Commenter (2) suggests an increase in the Gross Capture Rate from 10% to 15% on general population, Tax-Exempt Bond Developments in MSAs with populations greater than 1 million where the localized occupancy rates are high.

**STAFF RESPONSE:** There are many sub-markets within larger cities that are experiencing high growth. Not all sub-markets within the larger cities are experiencing this growth. The data sources currently used to calculate demand do not reflect the most current conditions in some high-growth areas. The 10% capture rate is proving to be a limiting factor for development in areas where it is apparent that demand exists but the data sources are lagging behind actual demand. Staff believes this situation is most relevant to Tax-Exempt Bond Developments because they are generally large properties going into areas where demand is understated either due to lagging growth data or in areas where qualifying residents don't currently reside simply due to the lack of affordable housing in the area. Staff has not seen capture rate issues on smaller developments including 9% transactions in any MSA. Staff agrees that increasing the capture rate on Tax-Exempt Bond Developments in certain localized areas of high growth and high demand is warranted. As a result, Staff proposes changes to paragraph B to increase the capture rate in these situations. (Page 23 of 47)

(B) is outside a Rural Area and targets the general population, and the Gross Capture Rate or any AMGI band capture rate exceeds 10 percent [\(or 15 percent for Tax-Exempt Bond Developments located in an MSA \(as defined in the HTC Site Demographics](#)

Characteristics Report) with a population greater than 1 million if the average physical occupancy is 92.5% or greater for all stabilized affordable housing developments located within a 20 minute drive time, as supported by the Market Analyst, from the subject Development); or

4. §10.303(d)(9)(E)(i)(III) Household Size-Appropriate and §10.303(d)(9)(E)(iii)(I) Household Size

**COMMENT SUMMARY:** Commenter (1) requests a change in the occupancy standards used in the market analysis from 1.5-persons per bedroom to 2-persons per bedroom for general population developments to be consistent with HUD occupancy standards. Additionally, commenter states that this standard is consistent with standards used by many management companies.

**STAFF RESPONSE:** The 1.5-persons per bedroom is the assumed occupancy used by Section 42 for determining rent limits. HUD uses a 2-person per bedroom as an occupancy standard. TDHCA's occupancy standards under §10.610(b)(1)(C) require that owners provide written policies and procedures containing tenant selection criteria using a minimum of 2 persons per bedroom unless otherwise constrained by local code or occupancy standards. From a market analysis perspective, the increase from 1.5 persons to 2 persons per bedroom will lower the individual unit capture rates on 2-bedroom and 4-bedroom units. As a result, Staff proposes changes throughout §10.303(d) to reflect the 2-person occupancy standard where applicable to be consistent with other rules. (Pages 31 and 32 of 47)

§10.303(d)(9)(E)(i)(III) Household Size-Appropriate. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on ~~1.5~~ persons per Bedroom (~~round up~~) or one person for Efficiency Units.

§10.303(d)(9)(E)(i)(IV)(-b-) the upper end of each income band equal to the applicable gross median income limit for the largest appropriate household size based on ~~1.5~~ persons per Bedroom (round up) or one person for Efficiency Units.

§10.303(d)(9)(E)(iii)(I) Maximum eligible income is equal to the applicable gross median income limit for the largest appropriate household size ~~based on 1.5 persons per Bedroom (round up) or one person for Efficiency Units~~.

§10.303(d)(9)(E)(iii)(II)(-b-) appropriate household size is defined as ~~1.5~~ persons per Bedroom (rounded up); and

§10.303(d)(9)(E)(iii)(III)(-b-) appropriate household size is defined as ~~1.5~~ persons per Bedroom (rounded up); and

5. §10.303(d)(8) Secondary Market Area (1)

**COMMENT SUMMARY:** Commenter (1) requests that TDHCA retain the Secondary Market Area ("SMA") as part of the Underwriting process for projects for which expansion of the Primary Market Area is needed to justify demand originating from the SMA. Commenter states that the need for using an SMA should be at the discretion of the Market Analyst based on appropriate supporting documentation such as job growth, commute distances, lack of affordable housing supply, high occupancy rates, loss of affordable housing inventory, attributes of the Development's location or features that will draw

prospective tenants to the area, and other housing issues in general. Commenter states that the 25% limitation of demand coming from an SMA seems reasonable and they are not requesting a change to that percentage of Gross Demand.

**STAFF RESPONSE:** Very few market studies are currently using an SMA to justify demand. When used, staff believes most SMAs used by Market Analysts are excessively large based on staff's research of where demand actually comes from. In some cases, the SMA suggests that significant demand will come from hundreds of miles away from the subject site. Data collected during file reviews conducted by the Compliance Division suggests that most residents move from within the zip code in which they currently reside.

Current rule requires the Market Analyst to justify demand coming from an SMA. The proposed rule assumes that 10% of the demand indicated in a PMA, as determined by the Market Analyst, will be coming from outside the PMA and automatically included as additional demand. Additionally, the proposed rule eliminates the requirement that any unstabilized developments outside the PMA be considered as additional supply. In most cases, because Market Analysts are not using SMAs, capture rates will be lower than currently being calculated because of the automatic consideration of this additional demand. Other changes in the proposed rule also work to use a more realistically determination of demand and capture rates, including the change to the person per bedroom limitation and the revised treatment of stabilized developments in the PMA. Use of demand from "other sources" is retained in the rule if justified by the Market Analyst.

Elimination of the SMA was discussed at a market study round-table prior to the Board's approval of the proposed rule in October. The general consensus of participants at the round-table was to remove the SMA.

*Staff recommends no changes based on this comment.*

#### 6. §10.304(d)(10)(B) and (C) Value Estimates (3)

**COMMENT SUMMARY:** Commenter (3) requests that for certain properties, the Department allow for a valuation that is determined by USDA in the Department's cost analysis. The USDA valuation on these properties is based on a market estimate that can include rents above or below the USDA rents currently on the property. In either case, the valuation used by the Department is based on an as-restricted valuation.

**STAFF RESPONSE:** Staff agrees that there is inconsistency between the valuations used by the Department and USDA in the transfer of the USDA properties. Rather than make a change to the value estimates in the Appraisal Rules, staff recommends that the transfer value as approved by USDA be used in the acquisition cost analysis by the Department under §10.302(e)(1)(C) and (D)(iv). (Page 17 and 18 of 47)

§10.302(e)(1)(C) In no instance will the acquisition cost utilized by the Underwriter exceed the lesser of the original acquisition cost evidenced by clause (ii)(I) of this subparagraph plus costs identified in clause (ii)(II)(-b-) of this subparagraph, or if applicable the "as-is" value conclusion evidenced by clause (ii)(II)(-a-) of this subparagraph [or the transfer value approved by USDA](#). Acquisition cost is limited to appraised land value for transactions which include existing buildings that will be

demolished. The resulting acquisition cost will be referred to as the "Adjusted Acquisition Cost."

§10.302(e)(1)(C) the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development that will continue to affect the Development after transfer to the new owner in determining the building value. These circumstances include but are not limited to operating subsidies, rental assistance, [transfer values approved by USDA](#) and/or property tax exemptions. Any value of existing favorable financing will be attributed prorata to the land and buildings.

**CLARIFICATION CHANGE:** In addition to above changes resulting from public comment, staff has included a clarification to §10.303(d)(10)(E)(i) with respect to Relevant Supply. The change clarifies that in the case of a subject development that already has occupied units, only the Units to be absorbed are considered as supply in the capture rate analysis. (Page 35 of 47)

§10.303(d)(10)(E)(i) the proposed subject Units [to be absorbed](#);

## **TITLE 10 COMMUNITY DEVELOPMENT**

### **PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

#### **CHAPTER 10 UNIFORM MULTIFAMILY RULES**

##### **SUBCHAPTER D UNDERWRITING AND LOAN POLICY**

###### **§10.301 General Provisions**

(a) Purpose. This Subchapter applies to the underwriting, Market Analysis, appraisal, Environmental Site Assessment, Property Condition Assessment, and Direct Loan standards employed by the Department. This Subchapter provides rules for the underwriting review of an affordable housing Development's financial feasibility and economic viability that ensures the most efficient allocation of resources while promoting and preserving the public interest in ensuring the long-term health of the Department's portfolio. In addition, this Subchapter guides staff in making recommendations to the Executive Award and Review Advisory Committee (the "Committee"), Executive Director, and the Board to help ensure procedural consistency in the determination of Development feasibility (Texas Government Code, §§2306.081(c), 2306.185, and 2306.6710(d)). Due to the unique characteristics of each Development, the interpretation of the rules and guidelines described in this Subchapter is subject to the discretion of the Department and final determination by the Board.

(b) Appeals. Certain programs contain express appeal options. Where not indicated, §10.902 of this chapter (relating to Appeals Process (§2306.0321; §2306.6715)) includes general appeal procedures. In addition, the Department encourages the use of Alternative Dispute Resolution ("ADR") methods, as outlined in §10.904 of this chapter (relating to Alternative Dispute Resolution (ADR) Policy).

###### **§10.302 Underwriting Rules and Guidelines**

(a) General Provisions. Pursuant to Texas Government Code, §2306.148 and §2306.185(b), the Board is authorized to adopt underwriting standards as set forth in this section. Furthermore for Housing Credit Allocation, §42(m)(2) of the Internal Revenue Code of 1986 (the "Code"), requires the tax credits allocated to a Development not to exceed the amount necessary to assure feasibility. Additionally, 24 CFR Parts 92 and 93, as further described in CPD Notice 15-11 require the Department to adopt rules and standards to determine the appropriate Multifamily Direct Loan feasibility. The rules adopted pursuant to the Texas Government Code and the Code are developed to result in an Underwriting Report ("Report") used by the Board in decision making with the goal of assisting as many Texans as possible by providing no more financing than necessary based on an independent analysis of Development feasibility. The Report generated in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development.

(b) Report Contents. The Report provides a synopsis and reconciliation of the Application information submitted by the Applicant. For the purpose of this Subchapter the term Application includes additional documentation submitted after the initial award of funds that is relevant to any subsequent reevaluation. The Report contents will be based upon information that is provided in accordance with and within the timeframes set forth in the current Qualified Allocation Plan ("QAP") (10 TAC Chapter 11) or a Notice of Funds Availability ("NOFA"), as applicable, and the Uniform Multifamily Rules (10 TAC Chapter 10, Subchapters A - E and G).

(c) Recommendations in the Report. The conclusion of the Report includes a recommended award of funds or Housing Credit Allocation Amount and states any feasibility or other conditions to be placed on the award. The award amount is based on the lesser of the following:

(1) Program Limit Method. For Housing Credit Allocations, this method is based upon calculation of Eligible Basis after applying all cost verification measures and program limits as described in this section. The Applicable Percentage used is defined in §10.3 of this chapter (relating to Definitions). For Department programs other than Housing Tax Credits, this method is based upon calculation of the funding limit in current program rules or NOFA at the time of underwriting.

(2) Gap Method. This method evaluates the amount of funds needed to fill the gap created by Total Housing Development Cost less total non-Department-sourced funds or Housing Tax Credits. In making this determination, the Underwriter resizes any anticipated deferred developer fee downward (but not less than zero) before reducing the amount of Department funds or Housing Tax Credits. In the case of Housing Tax Credits, the syndication proceeds needed to fill the gap in permanent funds are divided by the syndication rate to determine the amount of Housing Tax Credits. In making this determination and based upon specific conditions set forth in the Report, the Underwriter may assume adjustments to the financing structure (including treatment of cash flow loans as if fully amortizing over its term) or make adjustments to any Department financing, such that the cumulative Debt Coverage Ratio ("DCR") conforms to the standards described in this section. For Housing Tax Credit Developments at cost certification, timing adjusters may be considered as a reduction to equity proceeds for this purpose. Timing adjusters must be consistent with and documented in the original partnership agreement (at admission of the equity partner) but relating to causes outside of the Developer's or Owner's control. The equity partner must provide a calculation of the amount of the adjuster to be used by the Underwriter.

(3) The Amount Requested. The amount of funds that is requested by the Applicant. For Housing Tax Credit Developments (exclusive of Tax-Exempt Bond Developments) this amount is limited to the amount requested in the original Application documentation.

(d) Operating Feasibility. The operating feasibility of a Development funded by the Department is tested by analyzing its Net Operating Income ("NOI") to determine the Development's ability to pay debt service and meet other financial obligations throughout the Affordability Period. NOI is determined by subtracting operating expenses, including replacement reserves and taxes, from rental and other income sources.

(1) Income. In determining the first year stabilized pro forma, the Underwriter evaluates the reasonableness of the Applicant's income pro forma by determining the appropriate rental rate per unit based on subsidy contracts, program limitations including but not limited to utility allowances, actual rents supported by rent rolls and Market Rents and other market conditions. Miscellaneous income, vacancy and collection loss limits as set forth in subparagraphs (B) and (C) of this paragraph, respectively, are used unless well-documented support is provided and independently verified by the Underwriter.

(A) Rental Income. The Underwriter will review the Applicant's proposed rent schedule and determine if it is consistent with the representations made throughout the Application. The Underwriter will independently calculate a Pro Forma Rent for comparison to the Applicant's estimate in the Application.

(i) Market Rents. The Underwriter will use the Market Analyst's conclusion of Market Rent if reasonably justified and supported by the attribute adjustment matrix of Comparable Units as described in §10.303 of this chapter (relating to Market Analysis Rules and Guidelines). Independently determined Market Rents by the Underwriter may be used based on rent information gained from direct contact with comparable properties, whether or not used by the Market Analyst and other market data sources. For a Development that contains less than 15% unrestricted units, the Underwriter will limit the Pro Forma Rents to the lesser of Market Rent or the Gross Program Rent at 60% AMI. As an alternative, if the Applicant submits market rents that are up to 30% higher than the 60% AMI gross rent and the Applicant submits an investor commissioned market study with the application, the Underwriter has the discretion to use the market rents supported by the investor commissioned market study in consideration of the independently determined rents. The Applicant must also provide a statement by the investor indicating that they have reviewed the market study and agree with its conclusions.

(ii) Gross Program Rent. The Underwriter will use the Gross Program Rents for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all Applications are underwritten with the Gross Program Rents for the same year. If Gross Program Rents are adjusted by the Department after the close of the Application Acceptance Period, but prior to publication of the Report, the Underwriter may adjust the Effective Gross Income ("EGI") to account for any increase or decrease in Gross Program Rents for the purposes of determining the reasonableness of the Applicant's EGI.

(iii) Contract Rents. The Underwriter will review rental assistance contracts to determine the Contract Rents currently applicable to the Development. Documentation supporting the likelihood of continued rental assistance is also reviewed. The Underwriter will take into consideration the Applicant's intent to request a Contract Rent increase. At the discretion of the Underwriter, the Applicant's proposed rents may be used as the Pro Forma Rent, with the recommendations of the Report conditioned upon receipt of final approval of such an increase.

(iv) Utility Allowances. The Utility Allowances used in underwriting must be in compliance with all applicable federal guidance, and §10.614 of Subchapter F of this Chapter relating to Utility Allowances. Utility allowances must be calculated for individually metered tenant paid utilities.

(v) Net Program Rents. Gross Program Rent less Utility Allowance.

(vi) Actual Rents for existing Developments will be reviewed as supported by a current rent roll. For Unstabilized Developments, actual rents will be based on the most recent units leased with occupancy and leasing velocity considered. Actual rents may be adjusted by the Underwriter to reflect lease-up concessions and other market considerations.

(vii) Collected Rent. Represents the monthly rent amount collected for each Unit Type. For rent-assisted units, the Contract Rent is used. In absence of a Contract Rent, the lesser of the Net Program Rent, Market Rent or actual rent is used.

(B) Miscellaneous Income. All ancillary fees and miscellaneous secondary income, including, but not limited to late fees, storage fees, laundry income, interest on deposits, carport and garage rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a \$5 to \$20 per Unit per month range. Exceptions may be made at the discretion of the Underwriter and must be supported by either the normalized operating history of the Development or other existing comparable properties within the same market area.

(i) The Applicant must show that a tenant will not be required to pay the additional fee or charge as a condition of renting a Unit and must show that the tenant has a reasonable alternative.

(ii) The Applicant's operating expense schedule should reflect an itemized offsetting line-item associated with miscellaneous income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

(iii) Collection rates of exceptional fee items will generally be heavily discounted.

(iv) If an additional fee is charged for the optional use of an amenity, any cost associated with the construction, acquisition, or development of the hard assets needed to produce the additional fee for such amenity must be excluded from Eligible Basis.

(C) Vacancy and Collection Loss. The Underwriter generally uses a normalized vacancy rate of 7.5 percent (5 percent vacancy plus 2.5 percent for collection loss). The Underwriter may use other assumptions based on conditions in the immediate market area. 100 percent project-based rental subsidy developments and other well documented cases may be underwritten at a combined 5 percent at the discretion of the Underwriter if the immediate market area's historical performance reflected in the Market Analysis is consistently higher than a 95 percent occupancy rate.

(D) Effective Gross Income ("EGI"). EGI is the total of Collected Rent for all units plus Miscellaneous Income less Vacancy and Collection Loss. If the Applicant's pro forma EGI is within 5 percent of the EGI independently calculated by the Underwriter, the Applicant's EGI is characterized as reasonable in the Report; however, for purposes of calculating the underwritten DCR the Underwriter's pro forma will be used unless the Applicant's pro forma meets the requirements of paragraph (3) of this subsection.



(2) Expenses. In determining the first year stabilized operating expense pro forma, the Underwriter evaluates the reasonableness of the Applicant's expense estimate based upon the characteristics of each Development, including the location, utility structure, type, the size and number of Units, and the Applicant's management plan. Historical, stabilized and certified financial statements of an existing Development or Third Party quotes specific to a Development will reflect the strongest data points to predict future performance. The Underwriter may review actual operations on the Applicant's other properties monitored by the Department, if any, or review the proposed management company's comparable properties. The Department's Database of properties located in the same market area or region as the proposed Development also provides data points; expense data from the Department's Database is available on the Department's website. Data from the Institute of Real Estate Management's ("IREM") most recent Conventional Apartments-Income/Expense Analysis book for the proposed Development's property type and specific location or region may be referenced. In some cases local or project-specific data such as PHA Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Estimates of utility savings from green building components, including on-site renewable energy, must be documented by an unrelated contractor or component vendor.

(A) General and Administrative Expense ("G&A")--Accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. G&A does not include partnership related expenses such as asset management, accounting or audit fees. Costs of tenant services are not included in G&A.

(B) Management Fee. Fee paid to the property management company to oversee the operation of the Property and is most often based upon a percentage of EGI as documented in an existing property management agreement or proposal. Typically, 5 percent of EGI is used, though higher percentages for rural transactions may be used. Percentages as low as 3 percent may be used if well documented.

(C) Payroll Expense. Compensation, insurance benefits, and payroll taxes for on-site office, leasing and maintenance staff. Payroll does not include Third-Party security or tenant services contracts. Staffing specific to tenant services, security or other staffing not related to customary property operations should be itemized and included in other expenses or tenant services expense.

(D) Repairs and Maintenance Expense. Materials and supplies for the repairs and maintenance of the Development including Third-Party maintenance contracts. This line-item does not include costs that are customarily capitalized that would result from major replacements or renovations.

(E) Utilities Expense. Gas and electric energy expenses paid by the Development. Estimates of utility savings from green building components, including on-site renewable energy, must be documented by an unrelated contractor or component vendor.

(F) Water, Sewer, and Trash Expense ("WST"). Includes all water, sewer and trash expenses paid by the Development.

(G) Insurance Expense. Cost of Insurance coverage for the buildings, contents, and general liability, but not health or workman's compensation insurance.

(H) Property Tax. Includes real property and personal property taxes but not payroll taxes.

(i) An assessed value will be calculated based on the capitalization rate published by the county taxing authority. If the county taxing authority does not publish a capitalization rate, a capitalization rate of 10 percent or a comparable assessed value may be used.

(ii) Other assessed values or property tax estimates may be used based on development specific factors as determined by the Underwriter.

(iii) If the Applicant proposes a property tax exemption or PILOT agreement the Applicant must provide documentation in accordance with §10.402(d). At the underwriter's discretion, such documentation may be required prior to Commitment if deemed necessary.

(I) Replacement Reserves. Periodic deposits to a reserve account to pay for the future replacement or major repair of building systems and components (generally items considered capitalized costs). The Underwriter will use a minimum reserve of \$250 per Unit for New Construction and Reconstruction Developments and \$300 per Unit for all other Developments. The Underwriter may require an amount above \$300 for the Development based on information provided in the Property Condition Assessment ("PCA") or, for existing USDA developments, an amount approved by USDA. The Applicant's assumption for reserves may be adjusted by the Underwriter if the amount provided by the Applicant is insufficient to fund capital needs as documented by the PCA during the first fifteen (15) years of the long term pro forma. Higher reserves may be used if documented by a primary lender or syndicator.

(J) Other Operating Expenses. The Underwriter will include other reasonable, customary and documented property-level operating expenses such as audit fees, security expense, telecommunication expenses (tenant reimbursements must be reflected in EGI) and TDHCA's compliance fees. This category does not include depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees.

(K) Tenant Services. Tenant services are not included as an operating expense or included in the DCR calculation unless:

(i) There is a documented financial obligation on behalf of the Owner with a unit of state or local government to provide tenant supportive services at a specified dollar amount. The financial obligation must be identified by the permanent lender in their term sheet and the dollar amount of the financial obligation must be included in the DCR calculation on the permanent lender's 15-year pro forma at Application. At cost certification and as a minimum, the estimated expenses underwritten at Application will be included in the DCR calculation regardless if actually incurred; or,

(ii) The Applicant demonstrates a history of providing comparable supportive services and expenses at existing affiliated properties within the local area. Except for Supportive Housing Developments, the estimated expense of supportive services must be identified by the permanent lender in their term sheet and included in the DCR calculation on the 15-year pro forma. At cost certification and as a minimum, the estimated expenses underwritten at Application will be included in the DCR calculation regardless if actually incurred;

(iii) On-site staffing or pro ration of staffing for coordination of services only, not provision of services, can be included as a supportive services expense without permanent lender documentation.

(L) Total Operating Expenses. The total of expense items described above. If the Applicant's total expense estimate is within 5 percent of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR, the Underwriter's independent calculation will be used unless the Applicant's first year stabilized pro forma meets the requirements of paragraph (3) of this subsection.

(3) Net Operating Income ("NOI"). The difference between the EGI and total operating expenses. If the Applicant's first year stabilized NOI figure is within 5 percent of the NOI calculated by the Underwriter, the Applicant's NOI is characterized as reasonable in the Report; however, for purposes of calculating the first year stabilized pro forma DCR, the Underwriter's calculation of NOI will be used unless the Applicant's first year stabilized EGI, total operating expenses, and NOI are each within 5 percent of the Underwriter's estimates. For Housing Tax Credit Developments at cost certification, actual NOI will be used as adjusted for stabilization of rents and extraordinary lease-up expenses. Permanent lender and equity partner stabilization requirements documented in the loan and partnership agreements will be considered in determining the appropriate adjustments and the NOI used by the Underwriter.

(4) Debt Coverage Ratio. DCR is calculated by dividing NOI by the sum of scheduled loan principal and interest payments for all permanent debt sources of funds. If executed loan documents do not exist, loan terms including principal and/or interest payments are calculated based on the terms indicated in the most current term sheet(s). Otherwise, actual terms indicated in the executed loan documents will be used. Term sheet(s) must indicate the DCR required by the lender for initial underwriting as well as for stabilization purposes. Unusual or non-traditional financing structures may also be considered.

(A) Interest Rate. The rate documented in the term sheet(s) or loan document(s) will be used for debt service calculations. Term sheets indicating a variable interest rate must provide a breakdown of the rate index and any component rates comprising an all-in interest rate. The term sheet(s) must state the lender's underwriting interest rate assumption, or the Applicant must submit a separate statement from the lender with an estimate of the interest rate as of the date of such statement. At initial underwriting, the Underwriter may adjust the underwritten interest rate assumption based on market data collected on similarly structured transactions or rate index

history. Private Mortgage Insurance premiums and similar fees are not included in the interest rate but calculated on outstanding principal balance and added to the total debt service payment.

(B) Amortization Period. For purposes of calculating DCR, the permanent lender's amortization period will be used if not less than thirty (30) years and not more than forty (40) years. Up to fifty (50) years may be used for federally sourced or insured loans. For permanent lender debt with amortization periods less than thirty (30) years, thirty (30) years will be used. For permanent lender debt with amortization periods greater than forty (40) years, forty (40) years will be used. For non-Housing Tax Credit transactions a lesser amortization period may be used if the Department's funds are fully amortized over the same period as the primary senior debt.

(C) Repayment Period. For purposes of projecting the DCR over a thirty (30) year period for developments with permanent financing structures with balloon payments in less than thirty (30) years, the Underwriter will carry forward debt service based on a full amortization at the interest rate stated in the term sheet(s).

(D) Acceptable Debt Coverage Ratio Range. Except as set forth in clauses (i) or (ii) of this subparagraph, the acceptable first year stabilized pro forma DCR for all priority or foreclosable lien financing plus the Department's proposed financing must be between a minimum of 1.15 and a maximum of 1.35 (maximum of 1.50 for Housing Tax Credit Developments at cost certification).

(i) If the DCR is less than the minimum, the recommendations of the Report may be based on a reduction to debt service and the Underwriter will make adjustments to the financing structure in the order presented in subclauses (I) - (III) of this clause subject to a Direct Loan NOFA and program rules:

(I) a reduction to the principal amount of a Direct Loan;

(II) in the case where the amount of the Direct Loan determined in (I) is insufficient to balance the sources and uses;

(a) a reduction to the interest rate;

(b) an increase in the amortization period;

(III) an assumed reduction in the permanent loan amount for non-Department funded loans based upon the rates and terms in the permanent loan term sheet(s) as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(ii) If the DCR is greater than the maximum, the recommendations of the Report may be based on an increase to debt service and the Underwriter will make adjustments to the assumed

financing structure in the order presented in subclauses (I) - (III) of this clause subject to a Direct Loan NOFA and program rules:

(I) an increase to the interest rate up to the highest interest rate on any senior debt or if no senior debt a market rate determined by the Underwriter based on current market interest rates;

(II) or a decrease in the amortization period but not less than thirty (30) years ;

(III) an assumed increase in the permanent loan amount for non-Department funded loans based upon the rates and terms in the permanent loan term sheet as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(iii) For Housing Tax Credit Developments, a reduction in the recommended Housing Credit Allocation Amount may be made based on the Gap Method described in subsection (c)(2) of this section as a result of an increased debt assumption, if any.

(iv) For Developments financed with a Direct Loan subordinate to FHA financing, DCR on the Direct Loan will be calculated using 75% of the Surplus Cash (as defined by the applicable FHA program).

(v) The Underwriter may limit total debt service that is senior to a Direct Loan to produce an acceptable DCR on the Direct Loan.

(5) Long Term Pro forma. The Underwriter will create a 30-year operating pro forma using the following:

(A) The Underwriter's or Applicant's first year stabilized pro forma as determined by paragraph (3) of this subsection.

(B) A 2 percent annual growth factor is utilized for income and a 3 percent annual growth factor is utilized for operating expenses except for management fees that are calculated based on a percentage of each year's EGI.

(C) Adjustments may be made to the long term pro forma if satisfactory support documentation is provided by the Applicant or as independently determined by the Underwriter.

(e) Total Housing Development Costs. The Department's estimate of the Total Housing Development Cost will be based on the Applicant's development cost schedule to the extent that costs can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For New Construction Developments, the Underwriter's total cost estimate will be used unless the Applicant's Total Housing Development Cost is within 5 percent of the Underwriter's estimate. The Department's estimate of the Total Housing Development Cost for Rehabilitation Developments will be based in accordance with the

estimated cost provided in the PCA for the scope of work as defined by the Applicant and §10.306(a)(5) of this chapter (relating to PCA Guidelines). If the Applicant's cost estimate is utilized and the Applicant's line item costs are inconsistent with documentation provided in the Application or program rules, the Underwriter may make adjustments to the Applicant's Total Housing Development Cost.

(1) Acquisition Costs. The underwritten acquisition cost is verified with Site Control document(s) for the Property. At Cost Certification, the underwritten acquisition cost will be the amount verified by the settlement statement. For Identify of Interest acquisitions, the cost will be limited to the underwritten acquisition cost at initial Underwriting.

(A) Excess Land Acquisition. In cases where more land is to be acquired (by the Applicant or a Related Party) than will be utilized as the Development Site and the remainder acreage is not accessible for use by tenants or dedicated as permanent and maintained green space, the value ascribed to the proposed Development Site will be prorated based on acreage from the total cost reflected in the Site Control document(s). An appraisal containing segregated values for the total acreage, the acreage for the Development Site and the remainder acreage, or tax assessment value may be used by the Underwriter in making a proration determination based on relative value; however, the Underwriter will not utilize a prorated value greater than the total amount in the Site Control document(s).

(B) Identity of Interest Acquisitions.

(i) An acquisition will be considered an identity of interest transaction when an Affiliate of the seller is an Affiliate of, a Related Party to, any owner at any level of the Development Team or a Related Party lender; and

(I) is the current owner in whole or in part of the Property; or

(II) has or had within the prior 36 months, legal or beneficial ownership of the property or any portion thereof or interest therein prior to the first day of the Application Acceptance Period.

(ii) In all identity of interest transactions the Applicant is required to provide:

(I) the original acquisition cost in the most recent non-identity of interest transaction evidenced by an executed settlement statement or, if a settlement statement is not available, the original asset value listed in the most current financial statement for the identity of interest owner; and

(II) if the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost stated in the application:

(-a-) an appraisal that meets the requirements of §10.304 of this chapter (relating to Appraisal Rules and Guidelines); and

(-b-) any other verifiable costs of owning, holding, or improving the Property, excluding seller financing, that when added to the value from subclause (I) of this clause justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include property taxes, interest expense to unrelated Third Party lender(s), capitalized costs of any physical improvements, the cost of zoning, platting, and any off-site costs to provide utilities or improve access to the Property. All allowable holding and improvement costs must directly benefit the proposed Development by a reduction to hard or soft costs. Additionally, an annual return of 10 percent may be applied to the original capital investment and documented holding and improvement costs; this return will be applied from the date the applicable cost is incurred until the date of the Department's Board meeting at which the Grant, Direct Loan and/or Housing Credit Allocation will be considered.

(-2-) For transactions which include existing residential or non-residential buildings that will be rehabilitated or otherwise retained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the Property, and in the case of USDA financed Developments the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the Property and avoid foreclosure. Additionally, an annual return of 10 percent may be applied to the original capital investment and documented holding and improvement costs; this return will be applied from the date the applicable cost was incurred until the date of the Department's Board meeting at which the Grant, Direct Loan and/or Housing Credit Allocation will be considered. For any period of time during which the existing residential or non-residential buildings are occupied or otherwise producing revenue, holding and improvement costs will not include capitalized costs, operating expenses, property taxes, interest expense or any other cost associated with the operations of the buildings.

(C) In no instance will the acquisition cost utilized by the Underwriter exceed the lesser of the original acquisition cost evidenced by clause (ii)(I) of this subparagraph plus costs identified in clause (ii)(II)(-b-) of this subparagraph, or if applicable the "as-is" value conclusion evidenced by clause (ii)(II)(-a-) of this subparagraph [or the transfer value approved by USDA](#). Acquisition cost is limited to appraised land value for transactions which include existing buildings that will be demolished. The resulting acquisition cost will be referred to as the "Adjusted Acquisition Cost."

(D) Eligible Basis on Acquisition of Buildings. Building acquisition cost will be included in the underwritten Eligible Basis if the Applicant provided an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §10.304 of this chapter. The underwritten eligible building cost will be the lowest of the values determined based on clauses (i) - (iii) of this subparagraph:

(i) the Applicant's stated eligible building acquisition cost;

(ii) the total acquisition cost reflected in the Site Control document(s), or the Adjusted Acquisition Cost (as defined in subparagraph (B)(iii) of this paragraph), prorated using the relative land and building values indicated by the applicable appraised value;

(iii) total acquisition cost reflected in the Site Control document(s), or the Adjusted Acquisition Cost (as defined in subparagraph (B)(iii) of this paragraph), less the appraised "as-vacant" land value; or

(iv) the Underwriter will use the value that best corresponds to the circumstances presently affecting the Development that will continue to affect the Development after transfer to the new owner in determining the building value. These circumstances include but are not limited to operating subsidies, rental assistance, [transfer values approved by USDA](#) and/or property tax exemptions. Any value of existing favorable financing will be attributed prorata to the land and buildings.

(2) Off-Site Costs. The Underwriter will only consider costs of Off-Site Construction that are well documented and certified to by a Third Party engineer on the required Application forms with supporting documentation.

(3) Site Work Costs. The Underwriter will only consider costs of Site Work that are well documented and certified to by a Third Party engineer on the required Application forms with supporting documentation.

(4) Building Costs.

(A) New Construction and Reconstruction. The Underwriter will use the Marshall and Swift Residential Cost Handbook, other comparable published Third-Party cost estimating data sources, historical final cost certifications of previous Housing Tax Credit developments and other acceptable cost data available to the Underwriter to estimate Building Cost. Generally, the "Average Quality" multiple, townhouse, or single family costs, as appropriate, from the Marshall and Swift Residential Cost Handbook or other comparable published Third-Party data source, will be used based upon details provided in the Application and particularly building plans and elevations. The Underwriter will consider amenities, specifications and development types not included in the Average Quality standard. The Underwriter may consider a sales tax exemption for nonprofit General Contractors.

(B) Rehabilitation and Adaptive Reuse.

(i) The Applicant must provide a scope of work and narrative description of the work to be completed. The narrative should speak to all off-site, site work, building components including finishes and equipment, and development amenities. The narrative should be in sufficient detail so that the reader can understand the work and it should generally be arranged consistent with the line-items on the PCA Cost Schedule Supplement and must also be consistent with the development cost schedule of the Application.



(ii) The Underwriter will use cost data provided on the PCA Cost Schedule Supplement.

(5) Contingency. Total contingency, including any soft cost contingency, will be limited to a maximum of 7 percent of Building Cost plus Site Work and off-sites for New Construction and Reconstruction Developments, and 10 percent of Building Cost plus Site Work and off-sites for Rehabilitation and Adaptive Reuse Developments. For Housing Tax Credit Developments, the percentage is applied to the sum of the eligible Building Cost, eligible Site Work costs and eligible off-site costs in calculating the eligible contingency cost.

(6) General Contractor Fee. General Contractor fees include general requirements, contractor overhead, and contractor profit. General requirements include, but are not limited to, on-site supervision or construction management, off-site supervision and overhead, jobsite security, equipment rental, storage, temporary utilities, and other indirect costs. General Contractor fees are limited to a total of 14 percent on Developments with Hard Costs of \$3 million or greater, the lesser of \$420,000 or 16 percent on Developments with Hard Costs less than \$3 million and greater than \$2 million, and the lesser of \$320,000 or 18 percent on Developments with Hard Costs at \$2 million or less. Any contractor fees to Affiliates or Related Party subcontractors regardless of the percentage of the contract sum in the construction contract (s) will be treated collectively with the General Contractor Fee limitations. For Housing Tax Credit Developments, the percentages are applied to the sum of the Eligible Hard Costs in calculating the eligible contractor fees. For Developments also receiving financing from USDA, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or USDA requirements. Additional fees for ineligible costs will be limited to the same percentage of ineligible Hard Costs but will not be included in Eligible Basis.

(7) Developer Fee.

(A) For Housing Tax Credit Developments, the Developer Fee included in Eligible Basis cannot exceed 15 percent of the project's eligible costs, less Developer fees, for Developments proposing fifty (50) Units or more and 20 percent of the project's eligible costs, less Developer fees, for Developments proposing forty-nine (49) Units or less. For Public Housing Authority Developments for conversion under the HUD Rental Assistance Demonstration ("RAD") program that will be financed using tax-exempt mortgage revenue bonds, the Developer Fee cannot exceed 20 percent of the project's eligible cost less Developer Fee.

(B) Any additional Developer fee claimed for ineligible costs will be limited to the same percentage but applied only to ineligible Hard Costs (15 percent for Developments with fifty (50) or more Units, or 20 percent for Developments with forty-nine (49) or fewer Units). Any Developer fee above this limit will be excluded from Total Housing Development Costs. All fees to Affiliates and/or Related Parties for work or guarantees determined by the Underwriter to be typically completed or provided by the Developer or Principal(s) of the Developer will be considered part of Developer fee.

(C) In the case of a transaction requesting acquisition Housing Tax Credits:

(i) the allocation of eligible Developer fee in calculating Rehabilitation/New Construction Housing Tax Credits will not exceed 15 percent of the Rehabilitation/New Construction eligible costs less Developer fees for Developments proposing fifty (50) Units or more and 20 percent of the Rehabilitation/New Construction eligible costs less Developer fees for Developments proposing forty-nine (49) Units or less; and

(ii) no Developer fee attributable to an identity of interest acquisition of the Development will be included.

(D) Eligible Developer fee is multiplied by the appropriate Applicable Percentage depending whether it is attributable to acquisition or rehabilitation basis.

(E) For non-Housing Tax Credit developments, the percentage can be up to 15 percent, but is based upon Total Housing Development Cost less the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, reserves, and any identity of interest acquisition cost.

(8) Financing Costs. All fees required by the construction lender, permanent lender and equity partner must be indicated in the term sheets. Eligible construction period interest is limited to the lesser of actual eligible construction period interest, or the interest on one (1) year's fully drawn construction period loan funds at the construction period interest rate indicated in the term sheet(s). For tax-exempt bond transactions up to twenty four (24) months of interest may be included. Any excess over this amount will not be included in Eligible Basis. Construction period interest on Related Party construction loans is only included in Eligible Basis with documentation satisfactory to the Underwriter that the loan will be at a market interest rate, fees and loan terms and the Related Party lender can demonstrate that it is routinely engaged in construction financing to unrelated parties.

(9) Reserves. Except for the underwriting of a Housing Tax Credit Development at cost certification, the Underwriter will utilize the amount described in the Applicant's project cost schedule if it is within the range of two (2) to six (6) months of stabilized operating expenses plus debt service. Alternatively, the Underwriter may consider a greater amount proposed by the first lien lender or syndicator if the detail for such greater amount is found by the Underwriter to be both reasonable and well documented. Reserves do not include capitalized asset management fees, guaranty reserves, tenant services reserves or other similar costs. Lease up reserves, exclusive of initial start-up costs, funding of other reserves and interim interest, may be considered with documentation showing sizing assumptions acceptable to the Underwriter. In no instance at initial underwriting will total reserves exceed twelve (12) months of stabilized operating expenses plus debt service (and only for USDA or HUD financed rehabilitation transactions the initial deposits to replacement reserves and transferred replacement reserves for USDA or HUD financed rehabilitation transactions). Pursuant to §10.404(c) and for the underwriting of a Housing Tax Credit Development at cost certification, operating reserves that will be maintained for a minimum period of five years and documented in the Owner's partnership agreement and/or the permanent lender's loan documents will be included as a development cost.

(10) Soft Costs. Eligible soft costs are generally costs that can be capitalized in the basis of the Development for tax purposes. The Underwriter will evaluate and apply the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Code. Generally the Applicant's costs are used however the Underwriter will use comparative data to determine the reasonableness of all soft costs.

(11) Additional Tenant Amenities. For Housing Tax Credit Developments and after submission of the cost certification package, the Underwriter may consider costs of additional building and site amenities (suitable for the tenant population being served) proposed by the Owner in an amount not to exceed 1.5% of the originally underwritten Hard Costs. The additional amenities may be included in the LURA.

(12) Special Reserve Account. For Housing Tax Credit Developments at cost certification, the Underwriter may include a deposit of up to \$2,500 per Unit into a Special Reserve Account as a Development Cost.

(f) Development Team Capacity and Development Plan.

(1) The Underwriter will evaluate and report on the overall capacity of the Development Team by reviewing aspects, including but not limited to those identified in subparagraphs (A) - (D) of this paragraph:

(A) personal credit reports for development sponsors, Developer fee recipients and those individuals anticipated to provide guarantee(s) in cases when warranted. The Underwriter may evaluate the credit report and identify any bankruptcy, state or federal tax liens or other relevant credit risks for compliance with eligibility and debarment requirements in this chapter;

(B) quality of construction, Rehabilitation, and ongoing maintenance of previously awarded housing developments by review of construction inspection reports, compliance on-site visits, findings of UPCS violations and other information available to the Underwriter;

(C) for Housing Tax Credit Developments, repeated or ongoing failure to timely submit cost certifications, requests for and clearance of final inspections, and timely response to deficiencies in the cost certification process;

(D) adherence to obligations on existing or prior Department funded developments with respect to program rules and documentation.

(2) While all components of the development plan may technically meet the other individual requirements of this section, a confluence of serious concerns and unmitigated risks identified during the underwriting process may result in an Application being referred to the Committee by the Director of Real Estate Analysis. The Committee will review any recommendation made under this subsection to deny an Application for a Grant, Direct Loan and/or Housing Credit Allocation prior to completion of the Report and posting to the Department's website.

(g) Other Underwriting Considerations. The Underwriter will evaluate additional feasibility elements as described in paragraphs (1) - (3) of this subsection.

(1) Floodplains. The Underwriter evaluates the site plan, floodplain map, survey and other information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter, the Report will include a condition that:

(A) the Applicant must pursue and receive a Letter of Map Amendment ("LOMA") or Letter of Map Revision ("LOMR-F"); or

(B) the Applicant must identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain and certify that the flood insurance will be obtained; and

(C) the Development must be proposed to be designed to comply with the QAP, Program Rules and NOFA, and applicable Federal or state requirements.

(2) Proximity to Other Developments. The Underwriter will identify in the Report any developments funded or known and anticipated to be eligible for funding within one linear mile of the subject. Distance is measured in a straight line from nearest boundary point to nearest boundary point.

(3) Supportive Housing. The unique development and operating characteristics of Supportive Housing Developments may require special consideration in these areas:

(A) Operating Income. The extremely-low-income tenant population typically targeted by a Supportive Housing Development may include deep-skewing of rents to well below the 50 percent AMGI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below the maximum rent limit proposed for the units or equal to any project based rental subsidy rent to be utilized for the Development if higher than the maximum rent limits;

(B) Operating Expenses. A Supportive Housing Development may have significantly higher expenses for payroll, management fee, security, resident support services, or other items than typical affordable housing developments. The Underwriter will rely heavily upon the historical operating expenses of other Supportive Housing Developments affiliated with the Applicant or otherwise available to the Underwriter. Expense estimates must be categorized as outlined in subsection (d)(2) of this section;

(C) DCR and Long Term Feasibility. Supportive Housing Developments may be exempted from the DCR requirements of subsection (d)(4)(D) of this section if the Development is anticipated to operate without conventional or "must-pay" debt. Applicants must provide evidence of sufficient financial resources to offset any projected 15-year cumulative negative Cash Flow. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's

long term feasibility requirements and may take the form of one or a combination of: executed subsidy commitment(s); set-aside of Applicant's financial resources to be substantiated by current financial statements evidencing sufficient resources; and/or proof of annual fundraising success sufficient to fill anticipated operating losses. If either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a Supportive Housing Development, a resolution from the Applicant's governing board must be provided confirming their irrevocable commitment to the provision of these funds and activities; and/or

(D) Total Housing Development Costs. For Supportive Housing Developments designed with only Efficiency Units, the Underwriter may use "Average Quality" dormitory costs, or costs of other appropriate design styles from the Marshall & Swift Valuation Service, with adjustments for amenities and/or quality as evidenced in the Application, as a base cost in evaluating the reasonableness of the Applicant's Building Cost estimate for New Construction Developments.

(h) Work Out Development. Developments that are underwritten subsequent to Board approval in order to refinance or gain relief from restrictions may be considered infeasible based on the guidelines in this section, but may be characterized as "the best available option" or "acceptable available option" depending on the circumstances and subject to the discretion of the Underwriter as long as the option analyzed and recommended is more likely to achieve a better financial outcome for the property and the Department than the status quo.

(i) Feasibility Conclusion. An infeasible Development will not be recommended for a Grant, Direct Loan or Housing Credit Allocation unless the Underwriter can determine an alternative structure and/or conditions the recommendations of the Report upon receipt of documentation supporting an alternative structure. A Development will be characterized as infeasible if paragraph (1) or (2) of this subsection applies. The Development will be characterized as infeasible if one or more of paragraphs (3) - (5) of this subsection applies unless paragraph (6)(B) of this subsection also applies.

(1) Gross Capture Rate, AMGI Band Capture Rates, and Individual Unit Capture Rate. The method for determining capture rates for a Development is defined in §10.303 of this chapter. The Underwriter will independently verify all components and conclusions of the capture rates and may, at their discretion, use independently acquired demographic data to calculate demand and may make a determination of the capture rates based upon an analysis of the Sub-market. The Development:

(A) is characterized as an Elderly Development and the Gross Capture Rate or any AMGI bad capture rate exceeds 10 percent; or

(B) is outside a Rural Area and targets the general population, and the Gross Capture Rate or any AMGI band capture rate exceeds 10 percent (or 15 percent for Tax-Exempt Bond Developments located in an MSA (as defined in the HTC Site Demographics Characteristics Report) with a population greater than 1 million if the average physical occupancy is 92.5% or greater for all stabilized affordable housing developments located within a 20 minute drive time, as supported by the Market Analyst, from the subject Development); or

(C) is in a Rural Area and targets the general population, and the Gross Capture Rate or any AMGI band capture rate exceeds 30 percent; or

(D) is Supportive Housing and the Gross Capture Rate or any AMGI band capture rate exceeds 30 percent; or,

(E) has an Individual Unit Capture Rate for any Unit Type greater than 65 percent.

(F) Developments meeting the requirements of subparagraph (A), (B), (C), (D) or (E) of this paragraph may avoid being characterized as infeasible if clause (i) or (ii) of this subparagraph apply.

(i) Replacement Housing. The proposed Development is comprised of affordable housing which replaces previously existing affordable housing within the Primary Market Area as defined in §10.303 of this chapter on a Unit for Unit basis, and gives the displaced tenants of the previously existing affordable housing a leasing preference.

(ii) Existing Housing. The proposed Development is comprised of existing affordable housing, whether defined by an existing land use and rent restriction agreement or if the subject rents are at or below 50% AMI rents, which is at least 50 percent occupied and gives displaced existing tenants a leasing preference as stated in a relocation plan.

(2) Deferred Developer Fee. Applicants requesting an allocation of tax credits where the estimated deferred Developer Fee, based on the underwritten capitalization structure, is not repayable from Cash Flow within the first fifteen (15) years of the long term pro forma as described in subsection (d)(5) of this section.

(3) Pro Forma Rent. The Pro Forma Rent for Units with rents restricted at 60 percent of AMGI is less than the Net Program Rent for Units with rents restricted at or below 50 percent of AMGI unless the Applicant accepts the Underwriter's recommendation, if any, that all restricted units have rents and incomes restricted at or below the 50 percent of AMGI level.

(4) Initial Feasibility.

(A) Except when underwritten at cost certification, the first year stabilized pro forma operating expense divided by the first year stabilized pro forma Effective Gross Income is greater than 68 percent for Rural Developments 36 Units or less and 65 percent for all other Developments.

(B) The first year DCR is below 1.15 (1.00 for USDA Developments).

(5) Long Term Feasibility. The Long Term Pro forma at any time during years two through fifteen, as defined in subsection (d)(5) of this section, reflects:

(A) a Debt Coverage Ratio below 1.15; or,

(B) negative cash flow (throughout the term of a Direct Loan).

(6) Exceptions. The infeasibility conclusions may be excepted when:

(A) Waived by the Executive Director of the Department or by the Committee if documentation is submitted by the Applicant to support unique circumstances that would provide mitigation.

(B) Developments not meeting the requirements of one or more of paragraphs (3), (4)(A) or (5) of this subsection will be re-characterized as feasible if one or more of clauses (i) - (v) of this subparagraph apply. A Development financed with a Direct Loan will not be re-characterized as feasible with respect to (5)(B).

(i) The Development will receive Project-based Section 8 Rental Assistance or the HUD Rental Assistance Demonstration Program for at least 50 percent of the Units and a firm commitment, with terms including Contract Rent and number of Units, is submitted at Application.

(ii) The Development will receive rental assistance for at least 50 percent of the Units in association with USDA financing.

(iii) The Development will be characterized as public housing as defined by HUD for at least 50 percent of the Units.

(iv) The Development will be characterized as Supportive Housing for at least 50 percent of the Units and evidence of adequate financial support for the long term viability of the Development is provided.

(v) The Development has other long term project based restrictions on rents for at least 50 percent of the Units that allow rents to increase based upon expenses and the Applicant's proposed rents are at least 10 percent lower than both the Net Program Rent and Market Rent.

### **§10.303 Market Analysis Rules and Guidelines**

(a) General Provision. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject Property rental rates or sales price and state conclusions as to the impact of the Property with respect to the determined housing needs. The Market Analysis must include a statement that the report preparer has read and understood the requirements of this section. The Market Analysis must also include a statement that the person or company preparing the Market Analysis is a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the Market Analysis, and that the fee is in no way contingent upon the outcome of the Market Analysis.

(b) Self-Contained. A Market Analysis prepared for the Department must allow the reader to understand the market data presented, the analysis of the data, and the conclusions derived from such data. All data presented should reflect the most current information available and the report must provide a parenthetical (in-text) citation or footnote describing the data source. The analysis must clearly lead the reader to the same or similar conclusions reached by the Market Analyst. All steps leading to a calculated figure must be presented in the body of the report.

(c) Market Analyst Qualifications. A Market Analysis submitted to the Department must be prepared and certified by an approved Qualified Market Analyst. (§2306.67055) The Department will maintain an approved Market Analyst list based on the guidelines set forth in paragraphs (1) - (3) of this subsection.

(1) The approved Qualified Market Analyst list will be updated and published annually on or about November 1st. If not listed as an approved Qualified Market Analyst by the Department, a Market Analyst may request approval by submitting items in subparagraphs (A) - (F) of this paragraph at least thirty (30) calendar days prior to the first day of the competitive tax credit Application Acceptance Period or thirty (30) calendar days prior to submission of any other application for funding for which the Market Analyst must be approved.

(A) Franchise Tax Account Status from the Texas Comptroller of Public Accounts (not applicable for sole proprietorships).

(B) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis. A firm with multiple offices or locations must indicate all members expected to be providing Market Analysis.

(C) Resumes for all members of the firm or subcontractors who may author or sign the Market Analysis.

(D) General information regarding the firm's experience including references, the number of previous similar assignments and timeframes in which previous assignments were completed.

(E) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the Application Round in which each Market Analysis is submitted.

(F) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the sample Market Analysis is submitted.

An already approved Qualified Market Analyst will remain on the list so long as at least one (1) Market Analysis has been submitted to the Department in the previous 12 months or items (A),(B),(C) and (E) are submitted prior to October 1st. Otherwise, the Market Analyst will automatically be removed from the list.



(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the Application Round and as time permits, staff or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved Qualified Market Analyst list.

(A) In and of itself, removal from the list of approved Market Analysts will not invalidate a Market Analysis commissioned prior to the removal date and at least ninety (90) days prior to the first day of the applicable Application Acceptance Period.

(B) To be reinstated as an approved Qualified Market Analyst, the Market Analyst must amend the previous report to remove all discrepancies or submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the updated or new sample Market Analysis is submitted.

(d) Market Analysis Contents. A Market Analysis for a rental Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) - (13) of this subsection.

(1) Title Page. Include Property address or location, effective date of analysis, date report completed, name and address of person authorizing report, and name and address of Market Analyst.

(2) Letter of Transmittal. The date of the letter must be the date the report was completed. Include Property address or location, description of Property, statement as to purpose and scope of analysis, reference to accompanying Market Analysis report with effective date of analysis and summary of conclusions, date of Property inspection, name of persons inspecting subject Property, and signatures of all Market Analysts authorized to work on the assignment. Include a statement that the report preparer has read and understood the requirements of this section.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Market Analysis Summary. Include the Department's Market Analysis Summary exhibit.

(5) Assumptions and Limiting Conditions. Include a description of all assumptions, both general and specific, made by the Market Analyst concerning the Property.

(6) Identification of the Property. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(7) Statement of Ownership. Disclose the current owners of record and provide a three (3) year history of ownership for the subject Property.

(8) Primary Market Area. A limited geographic area from which the Development is expected to draw most of its demand. The size and shape of the PMA should be reflective of proximity to employment centers, services and amenities and contain the most significant areas from which to draw demand. All of the Market Analyst's conclusions specific to the subject Development must be based on only one PMA definition. The Market Analyst must adhere to the methodology described in this paragraph when determining the market area. (§2306.67055)

(A) The PMA will be defined by the Market Analyst as:

(i) geographic size based on a base year population no larger than necessary to provide sufficient demand but no more than 100,000 people;

(ii) boundaries based on U.S. census tracts; and

(iii) the population of the PMA may exceed 100,000 if the amount over the limit is contained within a single census tract.

(B) The Market Analyst's definition of the PMA must include:

(i) a detailed narrative specific to the PMA explaining:

(I) how the boundaries of the PMA were determined with respect to census tracts chosen and factors for including or excluding certain census tracts in proximity to the Development;

(II) whether a more logical market area within the PMA exists but is not definable by census tracts and how this subsection of the PMA supports the rationale for the defined PMA;

(III) what are the specific attributes of the Development's location within the PMA that would draw prospective tenants from other areas of the PMA to relocate to the Development;

(IV) what are the specific attributes, if known, of the Development itself that would draw prospective tenants currently residing in other areas of the PMA to relocate to the Development;

(V) if the PMA crosses county lines, discuss the different income and rent limits in each county and how these differing amounts would affect the demand for the Development;

(VI) for rural Developments, discuss the relative draw (services, jobs, medical facilities, recreation, schools, etc.) of the Development's immediate local area (city or populous area if no city) in comparison to its neighboring local areas (cities, or populous areas if no cities), in and around the PMA. A rural PMA should not include significantly larger more populous areas unless the analyst can provide substantiation and rationale that the tenants would migrate to the Development's location from the larger cities;

(V) discuss and quantify current and planned single-family and non-residential construction (include permit data if available); and

(VI) other housing issues in general, if pertinent;

(ii) a complete demographic report for the defined PMA;

(iii) a scaled distance map indicating the PMA boundaries showing relevant U.S. census tracts with complete 11-digit identification numbers in numerical order with labels as well as the location of the subject Development and all comparable Developments. The map must indicate the total square miles of PMA; and,

(iv) a proximity table indicating distance from the Development to employment centers, medical facilities, schools, entertainment and any other amenities relevant to the potential residents and include drive time estimates.

(C) Comparable Units. Identify developments in the PMA with Comparable Units. In PMAs lacking sufficient rent comparables, it may be necessary for the Market Analyst to collect data from markets with similar characteristics and make quantifiable and qualitative location adjustments. Provide a data sheet for each comparable development consisting of:

(i) development name;

(ii) address;

(iii) year of construction and year of Rehabilitation, if applicable;

(iv) property condition;

(v) Target Population;

(vi) unit mix specifying number of Bedrooms, number of baths, Net Rentable Area; and

(I) monthly rent and Utility Allowance; or

(II) sales price with terms, marketing period and date of sale;

(vii) description of concessions;

(viii) list of unit amenities;

(ix) utility structure;

(x) list of common amenities;

(xi) narrative comparison of its proximity to employment centers and services relative to targeted tenant population of the subject property; and,

(xii) for rental developments only, the occupancy and turnover.

(9) Market Information.

(A) Identify the number of units for each of the categories in clauses (i) - (vi) of this subparagraph, if applicable:

(i) total housing;

(ii) all multi-family rental developments, including unrestricted and market-rate developments, whether existing, under construction or proposed;

(iii) Affordable housing;

(iv) Comparable Units;

(v) Unstabilized Comparable Units; and

(vi) proposed Comparable Units.

(B) Occupancy. The occupancy rate indicated in the Market Analysis may be used to support both the overall demand conclusion for the proposed Development and the vacancy rate assumption used in underwriting the Development described in §10.302(d)(1)(C) of this chapter (relating to Underwriting Rules and Guidelines). State the overall physical occupancy rate for the proposed housing tenure (renter or owner) within the defined market areas by:

(i) number of Bedrooms;

(ii) quality of construction (class);

(iii) Target Population; and

(iv) Comparable Units.

(C) Absorption. State the absorption trends by quality of construction (class) and absorption rates for Comparable Units.

(D) Demographic Reports.

(i) All demographic reports must include population and household data for a five (5) year period with the year of Application submission as the base year;

(ii) All demographic reports must provide sufficient data to enable calculation of income-eligible, age-, size-, and tenure-appropriate household populations;

(iii) For Elderly Developments , all demographic reports must provide a detailed breakdown of households by age and by income; and

(iv) A complete copy of all demographic reports relied upon for the demand analysis, including the reference index that indicates the census tracts on which the report is based.

(E) Demand. Provide a comprehensive evaluation of the need for the proposed housing for the Development as a whole and each Unit type by number of Bedrooms proposed and rent restriction category within the defined market areas using the most current census and demographic data available. A complete demand and capture rate analysis is required in every Market Study, regardless of the current occupancy level of an existing Development.

(i) Demographics. The Market Analyst should use demographic data specific to the characteristics of the households that will be living in the proposed Development. For example, the Market Analyst should use demographic data specific to the elderly populations (and any other qualifying residents for Elderly Developments) to be served by an Elderly Development, if available, and should avoid making adjustments from more general demographic data. If adjustment rates are used based on more general data for any of the criteria described in subclauses (I) - (V) of this clause, they should be clearly identified and documented as to their source in the report.

(I) Population. Provide population and household figures, supported by actual demographics, for a five (5) year period with the year of Application submission as the base year.

(II) Target. If applicable, adjust the household projections for the qualifying demographic characteristics such as the minimum age of the population to be served by the proposed Development.

(III) Household Size-Appropriate. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on ~~1.52~~ persons per Bedroom ~~(round up)~~ or one person for Efficiency Units.

(IV) Income Eligible. Adjust the household size appropriate projections for income eligibility based on the income bands for the proposed Unit Type by number of Bedrooms proposed and rent restriction category with:

(-a-) the lower end of each income band calculated based on the lowest gross rent proposed divided by 40 percent for the general population and 50 percent for elderly households; and

(-b-) the upper end of each income band equal to the applicable gross median income limit for the largest appropriate household size based on ~~1.5~~2 persons per Bedroom (round up) or one person for Efficiency Units.

(V) Tenure-Appropriate. Adjust the income-eligible household projections for tenure (renter or owner). If tenure appropriate income eligible target household data is available, a tenure appropriate adjustment is not necessary.

(ii) Gross Demand. Gross Demand is defined as the sum of Potential Demand from the PMA, Demand from Other Sources, and External Demand.

(iii) Potential Demand. Potential Demand is defined as the number of income-eligible, age-, size-, and tenure-appropriate target households in the designated market area at the proposed placed in service date.

(I) Maximum eligible income is equal to the applicable gross median income limit for the largest appropriate household size. ~~based on 1.5 persons per Bedroom (round up) or one person for Efficiency Units.~~

(II) For Developments targeting the general population:

(-a-) minimum eligible income is based on a 40 percent rent to income ratio;

(-b-) appropriate household size is defined as ~~1.5~~2 persons per Bedroom (rounded up); and

(-c-) the tenure-appropriate population for a rental Development is limited to the population of renter households.

(III) For Developments consisting solely of single family residences on separate lots with all Units having three (3) or more Bedrooms:

(-a-) minimum eligible income is based on a 40 percent rent to income ratio;

(-b-) appropriate household size is defined as ~~1.5~~2 persons per Bedroom (rounded up); and

(-c-) Gross Demand includes both renter and owner households.

(IV) Elderly Developments:

(-a-) minimum eligible income is based on a 50 percent rent to income ratio; and

(-b-) Gross Demand includes all household sizes and both renter and owner households within the age range (and any other qualifying characteristics) to be served by the Elderly Development.

(V) Supportive Housing:

(-a-) minimum eligible income is \$1; and

(-b-) households meeting the occupancy qualifications of the Development (data to quantify this demand may be based on statistics beyond the defined PMA but not outside the historical service area of the Applicant).

(VI) For Developments with rent assisted units (PBV's, PHU's):

(-a-) minimum eligible income for the assisted units is \$1; and

(-b-) maximum eligible income for the assisted units is the minimum eligible income of the corresponding affordable unit.

(iv) External Demand: Assume an additional 10% of Potential Demand from the PMA to represent demand coming from outside the PMA.

(v) Demand from Other Sources:

(I) the source of additional demand and the methodology used to calculate the additional demand must be clearly stated;

(II) consideration of Demand from Other Sources is at the discretion of the Underwriter;

(III) Demand from Other Sources must be limited to households that are not included in Potential Demand; and

(IV) if households with Section 8 vouchers are identified as a source of demand, the Market Study must include:

(-a-) documentation of the number of vouchers administered by the local Housing Authority; and

(-b-) a complete demographic report for the area in which the vouchers are distributed.

(F) Employment. Provide a comprehensive analysis of employment trends and forecasts in the Primary Market Area. Analysis must discuss existing or planned employment opportunities with qualifying income ranges.

(10) Conclusions. Include a comprehensive evaluation of the subject Property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) - (I) of this paragraph. All conclusions must be consistent with the data and analysis presented throughout the Market Analysis.

(A) Unit Mix. Provide a best possible unit mix conclusion based on the occupancy rates by Bedroom type within the PMA and target, income-eligible, size-appropriate and tenure-appropriate household demand by unit type and income type within the PMA.

(B) Rents. Provide a separate Market Rent conclusion for each proposed Unit Type by number of Bedrooms and rent restriction category. Conclusions of Market Rent below the maximum Net Program Rent limit must be well documented as the conclusions may impact the feasibility of the Development under §10.302(i) of this chapter. In support of the Market Rent conclusions, provide a separate attribute adjustment matrix for each proposed Unit Type by number of Bedrooms and rental restriction category.

(i) The Department recommends use of HUD Form 92273.

(ii) A minimum of three developments must be represented on each attribute adjustment matrix.

(iii) Adjustments for concessions must be included, if applicable.

(iv) Adjustments for proximity and drive times to employment centers and services narrated in the Comparable Unit description, and the rationale for the amount of the adjustments must be included.

(v) Total adjustments in excess of 15 percent must be supported with additional narrative.

(vi) Total adjustments in excess of 25 percent indicate the Units are not comparable for the purposes of determining Market Rent conclusions.

(C) Effective Gross Income. Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the Applicant's estimates.

(D) Demand:

(i) state the Gross Demand for each Unit Type by number of Bedrooms proposed and rent restriction category (*e.g.* one-Bedroom Units restricted at 50 percent of AMGI; two-Bedroom Units restricted at 60 percent of AMGI); and

(ii) state the Gross Demand for the proposed Development as a whole. If some households are eligible for more than one Unit Type due to overlapping eligible ranges for income or household size, Gross Demand should be adjusted to avoid including households more than once.

(iii) state the Gross Demand generated from each AMGI band. If some household incomes are included in more than one AMGI band, Gross Demand should be adjusted to avoid including households more than once.

(E) Relevant Supply. The Relevant Supply of proposed and unstabilized Comparable Units includes:



(i) the proposed subject Units [to be absorbed](#);

(ii) Comparable Units in an Application with priority over the subject pursuant to §10.201(6) of this chapter; and

(iii) Comparable Units in previously approved Developments in the PMA that have not achieved 90% occupancy for a minimum of 90 days.

(F) Gross Capture Rate. The Gross Capture Rate is defined as the Relevant Supply divided by the Gross Demand. Refer to §10.302(i) of this chapter for feasibility criteria.

(G) Individual Unit Capture Rate. For each Unit Type by number of Bedrooms and rent restriction categories, the individual unit capture rate is defined as the Relevant Supply of proposed and unstabilized Comparable Units divided by the eligible demand for that Unit. Some households are eligible for multiple Unit Types. In order to calculate individual unit capture rates, each household is included in the capture rate for only one Unit Type.

(H) Capture Rate by AMGI Band. For each AMGI band (30%, 40%, 50%, 60%), the capture rate by AMGI band is defined as Relevant Supply of proposed and unstabilized Comparable Units divided by the eligible demand from that AMGI band. Some households are qualified for multiple income bands. In order to calculate AMGI band rates, each household is included in the capture rate for only one AMGI band.

(I) Absorption. Project an absorption period for the subject Development to achieve Breakeven Occupancy. State the absorption rate.

(J) Market Impact. Provide an assessment of the impact the subject Development, as completed, will have on existing Developments supported by Housing Tax Credits in the Primary Market. (§2306.67055)

(12) Photographs. Provide labeled color photographs of the subject Property, the neighborhood, street scenes, and comparables. An aerial photograph is desirable but not mandatory.

(13) Appendices. Any Third Party reports including demographics relied upon by the Market Analyst must be provided in appendix form. A list of works cited including personal communications also must be provided, and the Modern Language Association (MLA) format is suggested.

(14) Qualifications. Current Franchise Tax Account Status from the Texas Comptroller of Public Accounts (not applicable for sole proprietorships) and any changes to items listed in §10.303(c)(1)(B) and (C) of this chapter.

(e) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject Development and the provisions of the particular program guidelines.

(f) In the event that the PMA for a subject Development overlaps the PMA's of other proposed or unstabilized comparable Developments, the Underwriter may perform an extended Sub-Market analysis considering the combined PMA's and all proposed and unstabilized Units in the extended Sub-Market Area; the Gross Capture Rate from such an extended Sub-Market Area analysis may be used as the basis for a feasibility conclusion.

(g) All Applicants shall acknowledge, by virtue of filing an Application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst.

### **§10.304 Appraisal Rules and Guidelines**

(a) General Provision. An appraisal prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must include a statement that the report preparer has read and understood the requirements of this section. The appraisal must include a statement that the person or company preparing the appraisal is a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the appraisal and that the fee is in no way contingent upon the outcome of the appraisal.

(b) Self-Contained. An appraisal prepared for the Department must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions.

(c) Appraiser Qualifications. The qualifications of each appraiser are determined on a case-by-case basis by the Director of Real Estate Analysis or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser. At minimum, a qualified appraiser must be appropriately certified or licensed by the Texas Appraiser Licensing and Certification Board.

(d) Appraisal Contents. An appraisal prepared for the Department must be organized in a format that follows a logical progression. In addition to the contents described in USPAP Standards Rule 2, the appraisal must include items addressed in paragraphs (1) - (12) of this subsection.

(1) Title Page. Include a statement identifying the Department as the client, acknowledging that the Department is granted full authority to rely on the findings of the report, and name and address of person authorizing report.

(2) Letter of Transmittal. Include reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report,

effective date of appraisal, date of property inspection, name of person(s) inspecting the property, tax assessor's parcel number(s) of the site, estimate of marketing period, and signatures of all appraisers authorized to work on the assignment including the appraiser who inspected the property. Include a statement indicating the report preparer has read and understood the requirements of this section.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Disclosure of Competency. Include appraiser's qualifications, detailing education and experience.

(5) Statement of Ownership of the Subject Property. Discuss all prior sales of the subject Property which occurred within the past three (3) years. Any pending agreements of sale, options to buy, or listing of the subject Property must be disclosed in the appraisal report.

(6) Property Rights Appraised. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(7) Site/Improvement Description. Discuss the site characteristics including subparagraphs (A) - (E) of this paragraph.

(A) Physical Site Characteristics. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the Development Site. Include a plat map and/or survey.

(B) Floodplain. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject Property clearly identified.

(C) Zoning. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of Development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the highest and best use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) Description of Improvements. Provide a thorough description and analysis of the improvements including size (Net Rentable Area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, energy efficiency measures, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) Environmental Hazards. It is recognized appraisers are not experts in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (such as discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(8) Highest and Best Use. Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider paragraph (7)(A) - (E) of this subsection as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised Property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements (legally permissible, physically possible, feasible, and maximally productive) must be considered.

(9) Appraisal Process. It is mandatory that all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the Property. If an approach is not applicable to a particular property an adequate explanation must be provided. A land value estimate must be provided if the Cost Approach is not applicable.

(A) Cost Approach. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three (3) year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) - (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) Sales Comparison Approach. This section should contain an adequate number of sales to provide the reader with a description of the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Sales information should include address, legal description, tax assessor's parcel number(s), sales price, financing considerations and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three (3) year sale history, complete description of the Property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) The method(s) used in the Sales Comparison Approach must be reflective of actual market activity and market participants.

(I) Sale Price/Unit of Comparison. The analysis of the sale comparables must identify, relate, and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions, and physical features. Sufficient narrative must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable.

(II) Net Operating Income/Unit of Comparison. The Net Operating Income statistics or the comparables must be calculated in the same manner. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) Income Approach. This section must contain an analysis of both the actual historical and projected income and expense aspects of the subject Property.

(i) Market Rent Estimate/Comparable Rental Analysis. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental Units. The comparables must indicate current research for this specific property type. The comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The individual data sheets should include property address, lease terms, description of the property (e.g., Unit Type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to

understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) Comparison of Market Rent to Contract Rent. Actual income for the subject along with the owner's current budget projections must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The Contract Rents should be compared to the market-derived rents. A determination should be made as to whether the Contract Rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) Vacancy/Collection Loss. Historical occupancy data and current occupancy level for the subject should be reported and compared to occupancy data from the rental comparables and overall occupancy data for the subject's Primary Market.

(iv) Expense Analysis. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (such as IREM, BOMA, etc.). Any expense differences should be reconciled. Include historical data regarding the subject's assessment and tax rates and a statement as to whether or not any delinquent taxes exist.

(v) Capitalization. The appraiser should present the capitalization method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) Direct Capitalization. The primary method of deriving an overall rate is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(10) Value Estimates. Reconciliation of final value estimates is required. The Underwriter may request additional valuation information based on unique existing circumstances that are relevant for deriving the market value of the Property.

(A) All appraisals shall contain a separate estimate of the "as vacant" market value of the underlying land, based upon current sales comparables. The "as vacant" value assumes that there are no improvements on the property and therefore demolition costs should not be considered. The appraiser should consider the fee simple or leased fee interest as appropriate.

(B) For existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value".

For public housing converting to project-based rental assistance, the appraiser must provide a value based on the future restricted rents. The value used in the analysis may be based on the unrestricted market rents if supported by an appraisal. The Department may require that the appraisal be reviewed by a third-party appraiser acceptable to the Department but selected by the Applicant. Use of the restricted rents by the appraiser will not require an appraisal review. Regardless of the rents used in the valuation, the appraiser must consider any other on-going restrictions that will remain in place even if not affecting rents. If the rental assistance has an impact on the value, such as use of a lower capitalization rate due to the lower risk associated with rental rates and/or occupancy rates on project-based developments, this must be fully explained and supported to the satisfaction of the Underwriter.

(C) For existing Developments with rent restrictions, the appraisal must include the "as-is as-restricted" value. In particular, the value must be based on the proposed restricted rents when deriving the value based on the income approach.

(D) For all other existing Developments, the appraisal must include the "as-is" value.

(E) For any Development with favorable financing (generally below market debt) that will remain in place and transfer to the new owner, the appraisal must include a separate value for the existing favorable financing with supporting information.

(F) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment ("FF&E") and/or intangible items. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(11) Marketing Time. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(12) Photographs. Provide good quality color photographs of the subject Property (front, rear, and side elevations, on-site amenities, interior of typical Units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(e) Additional Appraisal Concerns. The appraiser(s) must be aware of the Department program rules and guidelines and the appraisal must include analysis of any impact to the subject's value.

### **§10.305 Environmental Site Assessment Rules and Guidelines**

(a) General Provisions. The Environmental Site Assessments (ESA) prepared for the Department must be conducted and reported in conformity with the standards of the American Society for Testing and Materials ("ASTM"). The initial report must conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E1527- 13 or any subsequent standards as published). Any subsequent reports should also

conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The ESA shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to the Department as a User of the report (as defined by ASTM standards). Copies of reports provided to the Department which were commissioned by other financial institutions must either address Texas Department of Housing and Community Affairs as a co-recipient of the report or letters from both the provider and the recipient of the report may be submitted extending reliance on the report to the Department. The ESA report must also include a statement that the person or company preparing the ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the ESA, and that the fee is in no way contingent upon the outcome of the assessment. The ESA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

(b) In addition to ASTM requirements, the report must:

(1) state if a noise study is recommended for a property in accordance with current HUD guidelines and identify its proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise;

(2) provide a copy of a current survey, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the ESA or identified during the physical inspection;

(3) provide a copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map;

(4) if the subject Development Site includes any improvements or debris from pre-existing improvements, state if testing for Lead Based Paint and/or asbestos containing materials would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(5) state if testing for lead in the drinking water would be required pursuant to local, state, and federal laws, or recommended due to any other consideration such as the age of pipes and solder in existing improvements. For buildings constructed prior to 1980, a report on the quality of the local water supply does not satisfy this requirement;

(6) assess the potential for the presence of Radon on the Property, and recommend specific testing if necessary;

(7) identify and assess the presence of oil, gas or chemical pipelines, processing facilities, storage facilities or other potentially hazardous explosive activities on-site or in the general area of the site that could potentially adversely impact the Development. Location of these items must be shown on a drawing or map in relation to the Development Site and all existing or future



improvements. The drawing must depict any blast zones (in accordance with HUD guidelines) and include HUD blast zone calculations; and

(8) include a vapor encroachment screening in accordance with Vapor Intrusion E2600-10.

(c) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site, but would nonetheless affect the Property, the Development Owner must act on such a recommendation, or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(d) For Developments in programs that allow a waiver of the Phase I ESA such as an existing USDA funded Development, the Development Owners are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(e) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms to the requirements of this section.

#### **§10.306 Property Condition Assessment Guidelines**

(a) General Provisions. The objective of the Property Condition Assessment (PCA) for Rehabilitation Developments (excluding Reconstruction) and Adaptive Reuse Developments is to provide a self-contained report that provides an evaluation of the current conditions of the Development, identifies a scope of work and cost estimates for both immediate and long-term physical needs, evaluates the sufficiency of the Applicant's scope of work under 10 TAC §10.302(e)(4)(B)(i) for the rehabilitation or conversion of the building(s) from a non-residential use to multifamily residential use and provides an independent review of the Applicant's proposed costs based on the scope of work. The report should be in sufficient detail for the Underwriter to fully understand current conditions, scope of work and cost estimates. It is the responsibility of the Applicant to ensure that the scope of work and cost estimates submitted in the Application is provided to the PCA author. The PCA must include a copy of the Applicant's scope of work narrative and Development Cost Schedule.

(b) The PCA must be conducted and reported in conformity with the American Society for Testing and Materials "Standard Guide for Property Condition Assessments. Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in subsections (f) and (g) of this section. Additional information is encouraged if deemed relevant by the PCA author.

(c) The PCA must include the Department's Property Condition Assessment Cost Schedule Supplement ("PCA Supplement"). The purpose of the PCA Supplement is to consolidate and show reconciliation of the scope of work and costs of the immediate physical needs identified by the PCA author with the Applicant's scope of work and costs provided in the Application. The

consolidated scope of work and costs shown on the PCA Supplement will be used by the Underwriter in the analysis. The PCA Supplement also details the projected repairs and replacements through at least thirty (30) years.

(d) The PCA must include good quality color photographs of the subject Property (front, rear, and side elevations, on-site amenities, interior of the structure). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(e) The PCA must also include discussion and analysis of:

(1) Description of Current Conditions. For both Rehabilitation and Adaptive Reuse, the PCA must contain a detailed description with good quality photographs of the current conditions of all major systems and components of the development regardless of whether the system or component will be removed, repaired or replaced. For historic structures, the PCA must contain a description with photographs of each aspect of the building(s) that qualifies it as historic and must include a narrative explaining how the scope of work relates to maintaining the historic designation of the development. Replacement or relocation of systems and components must be described.

(2) Description of Scope of Work. The PCA must provide a narrative of the consolidated scope of work either as a stand-alone section of the report or included with the description of the current conditions for each major system and components. Any new construction must be described. Plans or drawings (that are in addition to any plans or drawings otherwise required by rule) and that relate to any part of the scope of work should be included, if available.

(3) Useful Life Estimates. For each system and component of the property the PCA must estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(4) Code Compliance. The PCA must review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject Property. For Applications requesting Direct Loan funding from the Department, the PCA provider must include a comparison between the local building code and the International Existing Building Code of the International Code Council.;

(5) Program Rules. The PCA must assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, the Department's Uniform Physical Condition Standards, and any scoring criteria including amenities for which the Applicant may claim points;

(6) Accessibility Requirements. The PCA report must include an analysis of compliance with the Department's accessibility requirements pursuant to Chapter 1, Subchapter B and Section 10.101 (B)(8) and include identify the specific items in the scope of work and costs needed to ensure that the Development will meet these requirements upon Rehabilitation (including conversion and Adaptive Reuse).

(7) Reconciliation of Scope of Work and Costs. The PCA report must include the Department's PCA Cost Schedule Supplement with the signature of the PCA provider; the costs presented on the PCA Cost Schedule Supplement are expected to be consistent with both the scope of work and immediate costs identified in the body of the PCA report, and with the Applicant's scope of work and costs as presented on the Applicant's development cost schedule; any significant variation between the costs listed on the PCA Cost Schedule Supplement and the costs listed in the body of the PCA report or on the Applicant's development cost schedule must be reconciled in a narrative analysis from the PCA provider; and

(8) Cost Estimates. The Development Cost Schedule and PCA Supplement must include all costs identified below:

(A) Immediately Necessary Repairs and Replacement. For all Rehabilitation developments, and Adaptive Reuse developments if applicable, immediately necessary repair and replacement should be identified for systems or components which are expected to have a remaining useful life of less than one (1) year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) Proposed Repair, Replacement, or New Construction. If the development plan calls for additional scope of work above and beyond the immediate repair and replacement items described in subparagraph (A) of this paragraph, the additional scope of work must be evaluated and either the nature or source of obsolescence to be cured or improvement to the operations of the Property discussed. The PCA must provide a separate estimate of the costs associated with the additional scope of work, citing the basis or the source from which such cost estimate is derived.

(C) Reconciliation of Costs. The combined costs described in subparagraphs (A) and (B) of this paragraph should be consistent with the costs presented on the Applicant's development cost schedule and the PCA Supplement.

(D) Expected Repair and Replacement Over Time. The term during which the PCA should estimate the cost of expected repair and replacement over time must equal the lesser of thirty (30) years or the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the Property. The PCA must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the

property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The PCA must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred and no less than thirty (30) years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5 percent per annum.

(f) Any costs not identified and discussed in the PCA as part of subsection (a)(6), (8)(A) and (8)(B) of this section will not be included in the underwritten Total Development Cost in the Report.

(g) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments;

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments;

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports;

(4) USDA guidelines for Capital Needs Assessment.

(h) The Department may consider for acceptance reports prepared according to other standards which are not specifically named in subsection (g) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(e) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to Texas Department of Housing and Community Affairs as the client. Copies of reports provided to the Department which were commissioned by other financial institutions should address Texas Department of Housing and Community Affairs as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to Texas Department of Housing and Community Affairs.

(i) The PCA report must include a statement that the individual and/or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. Because of the Department's heavy reliance on the independent cost information, the provider must not be a Related Party to or an Affiliate of any other

Development Team member. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

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**From:** Darrell G Jack [djack@stic.net]  
**Sent:** Wednesday, November 08, 2017 9:57 AM  
**To:** Brent Stewart  
**Subject:** 2018 Capture Rates

Brent

Can we talk before tomorrow's board meeting? The published changes are great, but I don't think it creates the additional demand needed to support a second project in an urban area. Kirt has run a comparison of some of the demos and found the rule changes as proposed adds 30% to 35%, while at the same time taking away the SMA reduces the demand by 25%. To create development opportunity, especially in urban areas, the capture rate needs to be increased to 15%; or in the alternative, increase the population of the PMA to 150,000.

Would you be open to trying this for a year and reviewing the results for 2019. You can always reduce the capture rate if you see that projects coming out of the ground are having extended lease-up periods. Currently, our survey consistently shows existing affordable projects in high demand.

Thanks,

Darrell G Jack  
Apartment MarketData, LLC  
20540 Hwy 46 West  
Suite 115 – PMB 416  
Spring Branch, Texas 78070  
(210) 530-0040

Brent Stewart

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**From:** Brent Stewart  
**Sent:** Monday, November 27, 2017 12:31 PM  
**To:** 'Darrell G Jack'  
**CC:** Tom Cavanagh; Jeanna Rolsing  
**Subject:** Capture rate on bond transactions

As we discussed, this would be staff's response to the concept of a 15% capture rate on bond deals.

(B) is outside a Rural Area and targets the general population; and the Gross Capture Rate AMGI band capture rate exceeds 10 percent (or 15 percent for Tax-Exempt Bond Develop located in an MSA with a population greater than 1 million if the average physical occupancy is or greater for all affordable housing developments located within a 20 minute drive time) ~~for the +~~ proposed units; or

Thanks,

Brent

***R. Brent Stewart***

*Real Estate Analysis Division*

*Texas Department of Housing & Community Affairs*

*512.475.2973*

**About TDHCA**

The Texas Department of Housing and Community Affairs administers a number of state and federal programs through for-profit, nonprofit, and local government partnerships to strengthen communities through affordable housing development, home ownership opportunities, weatherization, and community-based services for Texans in need. For more information, including current funding opportunities and information on local providers, please visit [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us).

*Any person receiving guidance from TDHCA staff should be mindful that, as set forth in [10 TAC Section 11.1\(b\)](#) there are important limitations and caveats (Also see [10 TAC §10.2\(b\)](#)).*



RURAL RENTAL HOUSING ASSOCIATION OF TEXAS, INC.

SENT VIA ELECTRONIC EMAIL

November 27, 2017

Mr. Brent Stewart  
Texas Department of Housing and Community Affairs  
P.O. Box 13941  
Austin, Texas 78711-3941

**RE: PUBLIC COMMENT | REAL ESTATE ANALYSIS RULE IN CHAPTER 10, SUBCHAPTER D OF THE TEXAS ADMINISTRATIVE CODE**

Dear Mr. Stewart:

I am submitting public comment on behalf of the members of the Rural Rental Housing Association who file applications for tax credits annually to preserve rural housing in our state through rehabilitation. We appreciate your past attention to our comments in your decision-making and strongly encourage you amend the Real Estate Analysis rules in Chapter 10, Subchapter D of the Texas Administrative Code in accordance with the comments provided herein. The comment serves as a follow-up to our joint meeting with members of your agency and the United States Department of Agriculture, Rural Development State Office held in September. At this meeting we focused discussion on the difference in requirements between the agencies which may have indirect effects on developers in Texas, not occurring in deals in other states. Following your discourse with their Chief Underwriter from the National Office, all parties were apprised of different perspectives of these transactions and contained herein is a proposed solution to the issues we pin-pointed.

We request you include the "Return to Owner" ("RTO"), in your calculation of the "Acquisition Costs," under §10.302(d)(2)(J) Other Operating Expenses. This resolves our strive to fit into two windows of requirements and not being able to utilize funds that are otherwise available in states without competing requirements. There are multiple reasons why this is a legitimate request. The misunderstanding of the "Return to Owner," in the USDA deals was addressed in the joint meeting. As the meeting of the minds occurred on the RTO to the general partner being fixed per the loan agreement limits from USDA, this should alleviate the concern of over enrichment to any of the parties to the deal. At that point the loan agreement limits the RTO and excess cash flow goes to accounts subject to regulation by USDA. The concern over the excess cash flow, addressed by the Agency's limiting of the "Debt Service Coverage Ratio" ("DSC"), here indirectly over-restrains the deal because the RTO is not included in both calculations of the cost. This is not fair to the parties in the deal whose return is affected by this exclusion. When the application for credits is approved by USDA significant time and effort has already been given to ensure the deals fits within the proper DSC, only to have the tax credits under the current language cut due to not including the RTO in the acquisition costs, increasing the DSC. The requirement does not include a real cost actually experienced by the parties to the deal, and is thus overly burdensome in comparison to what is allowed and intended to occur under the Federal requirements. We believe through discourse over



November 27, 2017

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the past few months with an independent third party who does not benefit from this change, other than seeing Texas residents housed by our efforts, that we have eased any concerns over the excess cash flow and our efforts to include the RTO in acquisition costs.

Here is our revised language we request is added:

**§10.302(d)(2)(J) Other Operating Expenses.**

The Underwriter will include other reasonable, customary and documented property-level operating expenses such as audit fees, security expense, telecommunication expenses (tenant reimbursements must be reflected in EGI), and TDHCA's compliance fees, **and a return to owner expense as approved by USDA, if applicable.** This category does not include depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees.

To address some of our prior comments and assist you in your consideration of our requests, I will list our other requests for changes in language below. We believe these changes also resolve our issue with the DCR limits and exclusion of RTO in acquisition costs as well that have had tremendous impact on deals.

Exception to DCR Range:

**§10.302(d)(4)(D)(ii)**

If the DCR is greater than the maximum, the recommendations of the Report may be based on an assumed increase to debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause subject to a Direct Loan NOFA and program rules. **USDA financed developments may exceed the DCR range if evidenced by an approved USDA Preliminary Assessment Tool.**

Appraisals:

**§10.304(d)(10)(B) and (C)**

(B) For existing Developments with any project-based rental assistance that will remain with the property after the acquisition, the appraisal must include an "as-is as-currently-restricted value". **For USDA financed developments whose RUCs/RUPs has expired, or the loan was obligated prior to December 15, 1989, the Market Rent Estimate Approach to Value will be used in conjunction with USDA.** For public housing converting to project-based rental assistance, the appraiser must provide a value based on the future restricted rents. The value used in the analysis may be based on the unrestricted market rents if supported by an appraisal. The Department may require that the appraisal be reviewed by a third-party appraiser acceptable to the Department but selected by the applicant. Use of the restricted rents by the appraiser will not require an appraisal review. Regardless of the rents used in the valuation, the appraiser must consider any other on-going restrictions that will remain in place even if not affecting rents. If the rental assistance has an impact on the value, such as use of a lower

November 27, 2017

Page 3

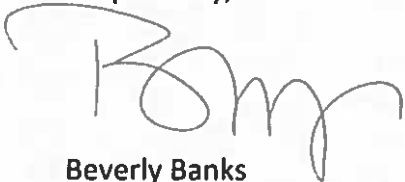
The change of language requests listed above can also be effective in allowing properties to meet both Agency's requirements. This addition in the appraisal requirements allows those properties to be appraised in the same manner as the regulations under the Federal program. The legal right for the properties to be valued under that approach has been well established through the U.S. judiciary. We accordingly believe the request for the unified appraisal method is well within reason.

Regarding the exception language to the DSC limits, we understand and respect the purpose behind these limits as they have been discussed in detail in our meetings. We believe the proposed exception is an option to resolve our issues that still maintains the integrity of the policy behind the rule. The purpose of the exception language above is to only apply to the USDA deals as the Federal requirements in the loan agreement already limits the RTO to the developer. Accordingly, if the rule stays in place another solution is to except the properties who already have a restriction which limits the return based on the policy of preventing over-enrichment. This seems to us as a clear indirect impact situation where misunderstanding of the excess cash flow caused double limits which are overly burdensome.

The rules in place are overly-burdensome to applying for 9% tax credits in Texas, as the policy behind the Federal program already provides the intended limits. These developers continually face these obstacles to provide housing in this state and they choose to operate in a heavily regulated program, as opposed to a conventional open-market where there is no restraint on over-enrichment. Now we come requesting consideration of the raised language addressing these significant impediments to rehabilitating these properties. We believe this to be a legitimate request to use fair language that will allow us a clear window to prepare these deals and ultimately provide quality housing across our state.

Thank you for all of your discourse and consideration in this matter!

Respectfully,

A handwritten signature in black ink, appearing to read "Banks", written in a cursive style.

Beverly Banks  
President



**TAAHP**

TEXAS AFFILIATION OF AFFORDABLE HOUSING PROVIDERS | 221 E. 9<sup>th</sup> street, ste. 408 | Austin, TX 78701  
tel 512.476.9901 fax 512.476.9903 [taa.org](http://taa.org) [texashousingconference.org](http://texashousingconference.org)

November 11, 2017

Mr. Brent Stewart  
Director, Real Estate Analysis Division  
Texas Department of Housing and Community Affairs  
221 East 11<sup>th</sup> Street  
Austin, TX 78701

Re: Public Comment – 2018 Underwriting Rules

Dear Mr. Stewart:

This letter represents comments by the Texas Affiliation of Affordable Housing Providers (“TAAHP”) to the Draft 2018 Uniform Multifamily Rules at 10 Texas Administrative Code (“TAC”) Chapter 10, Subchapter D, Underwriting and Loan Policy (the “Underwriting Rules”). TAAHP has more than 300 members including affordable housing professionals who are active in development, ownership and management of affordable housing in the State of Texas.

**§10.302(d)(4)(D) Acceptable Debt Coverage Ratio**

- **Comment:** The calculated minimum debt coverage ratio should be applied to must-pay debt and not loans subject to available cash flow. This includes cash flow loans from TDHCA. Additionally, 2017 language allowing for Direct Loans to be reclassified as grants should be retained.
- **Suggested Language:**

**(D) Acceptable Debt Coverage Ratio Range.** Except as set forth in clauses (i) or (ii) of this subparagraph, the acceptable first year stabilized pro forma DCR for all priority or foreclosable lien financing plus the Department's proposed financing subject to scheduled repayments of principal and interest must be between a minimum of 1.15 and a maximum of 1.35 (maximum of 1.50 for Housing Tax Credit Developments at cost certification).

**(II) a reclassification of Direct Loans to reflect grants**

**§10.302(i)(I) Gross Capture Rate**

- **Comment:** We request an increase in the allowable Gross Capture Rate from 10% to 15% for developments in larger jurisdictions, with populations above 500,000. This change is proposed in order to account for high growth areas where available census data does not accurately reflect population growth occurring in the market. We believe that there would be minimal impact on investor interest by making this increase,

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*Rock Real Estate LLC*

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particularly in areas that are experiencing increased demand from a variety of factors.

- **Suggested Language:**

(A) is characterized as an Elderly Development and

(i) the Gross Capture Rate or any AMGI band capture rate exceeds 15 percent for Developments in jurisdictions whose population is 500,000 or greater; or

(ii) the Gross Capture Rate or any AMGI band capture rate exceeds 10 percent for Developments in jurisdictions whose population is under 500,000.

(B) is outside a Rural Area and targets the general population, and

(i) the Gross Capture Rate or any AMGI band capture rate exceeds 15 percent for Developments in jurisdictions whose population is 500,000 or greater; or

(ii) the Gross Capture Rate or any AMGI band capture rate exceeds 10 percent for Developments in jurisdictions whose population is under 500,000.

**§10.303(d)(9)(E)(i)(III) and §10.303(d)(9)(E)(iii)(I) Household Size**

- **Comment:** HUD uses a standard of 2 persons per bedroom rather than the 1.5 used by TDHCA. This is also consistent with occupancy standards of many property management firms. For this reason, we request that a standard of 2 persons per bedroom be used for general population developments.

- **Suggested Language:**

(III) Household Size-Appropriate. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on 2 persons per Bedroom for Developments targeting the general population, and 1.5 persons per Bedroom for all other Developments (round up) or one person for Efficiency Units.

(I) Maximum eligible income is equal to the applicable gross median income limit for the largest appropriate household size based on 2 persons per Bedroom for Developments targeting the general population, and 1.5 persons per Bedroom for all other Developments (round up) or one person for Efficiency Units.

(I) Maximum eligible income is equal to the applicable gross median income limit for the largest appropriate household size based on 2 persons per Bedroom for Developments targeting the general population, and 1.5 persons per Bedroom for all other Developments (round up) or one person for Efficiency Units.

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**§10.303(d)(8) Secondary Market Area**

- **Comment:** We request that TDHCA retain inclusion of the Secondary Market Area as part of the Underwriting process for any projects for which expansion of the Primary Market Area is needed to justify demand originating from the SMA, based upon the discretion of the Market Analyst and appropriate supporting documentation. This justification should take into consideration job growth impacting the Development's submarket, evidence of commute distances by the workforce that justifies need for local affordable housing, lack of affordable housing supply or high occupancy rates indicating growth in demand, loss of affordable housing inventory, attributes of the Development's location or features that will draw prospective tenants to the area, and other housing issues in general, if pertinent. Limitation of demand from the Secondary Market Area to 25% seems reasonable, so there is no request to change that percentage as a part of overall Gross Demand.
- **Suggested Language:** 2017 language.

We thank you for your time and consideration of these recommendations. Please note that representatives of the TAAHP QAP Committee are happy to meet with you and your staff in order to discuss these recommendations more fully.

Thank you for your service to Texas.

Sincerely,

Audrey Martin  
QAP Committee Member

Cc: Tim Irvine, TDHCA Executive Director  
TAAHP Membership

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6b

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action on a request for the extension of the placement in service deadline under 10 TAC §11.6(5) of the 2017 Qualified Allocation Plan (“QAP”) related to Credits Returns Resulting from Force Majeure Events

**RECOMMENDED ACTION**

**WHEREAS**, an award of Competitive (9%) Housing Tax Credits in the amount of \$747,343 to 15241 Trails of Brady (the “Development”) was approved by the Board on July 30, 2015;

**WHEREAS**, staff executed a Carryover Allocation Agreement with the Development Owner on December 28, 2015, that included a certification from the Development Owner that each building for which the allocation was made would be placed in service by December 31, 2017;

**WHEREAS**, on December 1, 2017, the Department received from the Development Owner a request to extend the placement in service deadline under the requirements of 10 TAC §11.6(5) related to Credits Returns Resulting from Force Majeure Events;

**WHEREAS**, other than in situations covered by force majeure, the Department lacks authority to extend federal deadlines for placement in service; and

**WHEREAS**, the precipitating events described in the request meet the requirements for force majeure events described in 10 TAC §11.6(5);

**NOW, therefore, it is hereby**

**RESOLVED**, the request for treatment of Trails of Brady under an application of the force majeure rule is approved and the placed in service deadline is extended until March 30, 2018; and

**FURTHER RESOLVED**, that staff is authorized, empowered, and directed, for and on behalf of the Department to execute such documents, instruments and writings and perform such acts and deeds as may be necessary to effectuate the foregoing.

**BACKGROUND**

An award of \$747,343 in Competitive (9%) Housing Tax Credits to the Development was approved by the Board on July 30, 2015. The Development proposed the New Construction of 72 Units for the General population in Brady. Staff executed a Carryover Allocation Agreement with the Development Owner on December 28, 2015, that included a certification from the Development Owner that, in order to satisfy the requirements of §42 of the Internal Revenue Code, each building for which the allocation was made would be placed in service by December 31, 2017.

On December 1, 2017, the Department received from legal counsel of THF Brady Housing, Ltd., the Development Owner, a request to extend the placement in service deadline, if necessary, from December 29, 2017, to March 30, 2018, with an option to further extend the deadline to June 30, 2018, under the requirements of 10 TAC §11.6(5) related to Credits Returns Resulting from Force Majeure Events. This rule allows a Development Owner to return issued credits within three years of award and have those credits re-allocated to the Development outside of the usual regional allocation system if all of the requirements of the subsection are met. Pursuant to 10 TAC §11.6(5), the Department's Governing Board may approve the execution of a current program year Carryover Allocation Agreement regarding the returned credits with the Development Owner that returned such credits only if:

(A) The credits were returned as a result of "Force Majeure" events that occurred after the start of construction and before issuance of Forms 8609. **Force Majeure events are the following sudden and unforeseen circumstances outside the control of the Development Owner:** acts of God such as fire, tornado, flooding, significant and unusual rainfall or subfreezing temperatures, or loss of access to necessary water or utilities as a direct result of significant weather events; explosion; vandalism; orders or acts of military authority; litigation; changes in law, rules, or regulations; national emergency or insurrection; riot; acts of terrorism; supplier failures; or materials or labor shortages. If a Force Majeure event is also a presidentially declared disaster, the Department may treat the matter under the applicable federal provisions. Force Majeure events must make construction activity impossible or materially impede its progress; (emphasis added)

Of the circumstances listed in the rule, the request indicates that force majeure might be triggered by significant and unusual rainfall, or materials and/or labor shortages. It should further be noted that in the case of a disaster designated by the President, an extension of up to one year can be granted by the Department; however, no such designated disaster has occurred covering this location.

#### **Significant and Unusual Rainfall**

In the request, the Development Owner states that "[i]n the months of October 2016 through May 2017 (8 months), there were 44 days with precipitation. By contrast, the average number of precipitation days in McCulloch County for a 12-month period is typically 40.49 days. In particular, total rainfall by inches in the months of December 2016 and January, February, and April, 2017 exceeded the average number of inches of rainfall in McCulloch County. The nature of the site is that even minimal rainfall would pool and require time to dry out." The request included an "Exhibit A" document described as a listing of "96 days of delay associated with the unusual rainfall," and photographs described as showing "the effect of rainfall, with pooled water present on a clear, sunny day."

#### **Materials or Labor Shortages**

In the request, the Development Owner states that "[i]n addition to the delays associated with rainfall, the Development also suffered from labor shortages. The subcontractor base in Brady, Texas is non-existent. Brady is 2½ hours from Austin, 3½ hours from Dallas, and almost 5 hours from Houston. As a result, the subcontractor base that is willing to travel to Brady is minimal. When subcontractors did commit to do the work, many of them would work for a little while and then quit because the commute was too much. This would require the general contractor to select a new subcontractor for the job. Owner's general contractor estimates that every loss of a critical path subcontractor results in a 20-30 day delay. The Development experienced the loss of its major subcontractors for Utilities/Earthwork, Framing/Siding, and Electrical, all at critical points in the schedule."

and



... “the Development felt the impacts of Hurricane Harvey. Even though McCulloch County is not one of the counties designated as a Major Disaster Area, many of its subcontractors were from the Houston area. The subcontractors and its employees were unavailable for a period of time, as they tended to their homes and families as Hurricane Harvey swept through. In particular, at the time of Hurricane Harvey, the Development was in the sheet rocking stage and could not proceed without these workers. The delays associated with Hurricane Harvey are also documented by Development Owner’s general contractor on Exhibit A.”

The request also included a description of circumstances that do not fall under the requirements of 10 TAC §11.6(5), including:

“In addition to the Tax Credits, financing for the Development consists of a USDA 538 Loan from the Rural Rental Housing Program. The USDA application required submission of a full set of design plans. Owner worked with its construction professionals to finalize the plans promptly and was able to submit its USDA application on January 14, 2016. After a long and arduous USDA process, the Commitment for a USDA 538 loan was obtained, and the financing closed on August 30, 2016.”

Pursuant to 10 TAC §10.402(h) of the Asset Management Rules, all multifamily developments must submit a construction status report (“CSR”), due by the tenth day of the month following each reporting quarter's end (January, April, July, and October) and continue on a quarterly basis until the entire development is complete. Included in the CSRs reviewed for this Development are field reports from BGO Architects. The reports are included with this action item. Beginning with the third report dated January 10, 2017, reports from BGO Architects provide narrative supportive of the Development Owner’s claims:

- As of January 3, 2017 – “Weather has been a slight delay but the GC is hoping to make up the time during framing.”
- As of February 3, 2017 - The report estimates the Development as 19.45% complete.
- As of March 6, 2017 – “A new framer are (sic) site super were on site..”
- As of March 30, 2017 - The report estimates the Development as 43.07% complete.
- As of April 29, 2017 - The report estimates the Development as 50.62% complete.
- As of May 1, 2017 – “Scheduling and completion dates were discussed – GC is confident they can complete the project when the owner needs occupancy.”
- As of June 1, 2017 - The report estimates the Development as 57.2% complete.
- As of June 5, 2017 – “Scheduling and completion dates were discussed – Owner again requested an updated schedule of turn over dates. GC is confident they can complete the project when the owner needs occupancy.”
- As of July 3, 2017 - The report estimates the Development as 63.98% complete.
- As of July 5, 2017 – “Scheduling and completion was discussed – The GC has made great strides this month and once drywall starts the GC will update the schedule and provide final turn dates.”
- As of August 8, 2017 – “Schedule was discussed. The GC is still confident in their ability to make the completion date.”
- As of September 8, 2017 – “Schedule was discussed. The GC is still confident in their ability to make the completion date.”
- As of October 4, 2017 - The report estimates the Development as 84.6% complete.
- As of October 6, 2017 – “Schedule was discussed. The GC needs more manpower to ensure the project is delivered by the required completion date. ... The GC has made progress this month but no one trade has completed anything. Man power seems to continue to be a problem for the GC.”

The request documents a two-week period starting August 24, 2017, and ending on September 6, 2017, with the note “[c]rews lost due to displacement and storm event.” The request also includes several photographs indicating puddles of water on the site.

Staff has determined that the Development Owner has provided sufficient evidence that the Development has been affected by “sudden and unforeseen circumstances outside the control of the Development Owner” as described in 10 TAC §11.6(5), particularly a labor shortage. Should the events lead to the failure to meet the deadline for the Development to be placed in service, staff has determined that the Development Owner should be receive an extension due to Force Majeure events. If the Board grants the request to consider this a force majeure event, the Development Owner will return \$747,343 in credits. The credits will be returned to the Development Owner with a 2017 Carryover Allocation Agreement and a new date for the Development to be placed in service will be documented.

If the Board denies the request to consider this a force majeure event, the Development Owner will return \$747,343 in credits. Pursuant to 10 TAC §11.6(2), related to returned credits, the credits would first be made available in the subregion from which they were originally awarded; in this case Region 12, Rural. There are no pending Applications on the waiting list from that subregion. Pursuant to 10 TAC §11.6(4), related to the waiting list, for credit returned after September 30, awards from the waiting list will be made when the remaining balance is sufficient to award the next Application on the waiting list. When the returned credits are added to the credits remaining from the 2017 application cycle (\$205,075), the total credits available is \$952,418. The next Application on the waiting list requests \$1,500,000, which is more than the amount of available credits.

Staff recommends the Board approve the request for treatment of Trails of Brady under an application of the force majeure rule, and the extension of the placed in service deadline until March 30, 2018.



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Cynthia L. Bast  
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Direct Fax: 512-391-4707  
cbast@lockelord.com

December 1, 2017

Ms. Dee Patience  
Asset Manager  
Texas Department of Housing and Community Affairs  
221 East 11th Street  
Austin, Texas 78701

Re: Trails of Brady in McCulloch County, Texas (the "**Development**")  
TDHCA No. 15241

Dear Ms. Patience:

Our firm represents THF Brady Housing, Ltd. ("**Owner**") and this letter is sent on its behalf. Owner received an allocation of low-income housing tax credits ("**Tax Credits**") from the Texas Department of Housing and Community Affairs ("**TDHCA**") for the construction of the Development. Pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code, Owner is required to place the Development in service by December 31, 2017. Unfortunately, due to matters described below, construction of the Project was significantly delayed, and Owner may not be able to place the Development in service prior to the end of the current year.

#### Background Information

1. In addition to the Tax Credits, financing for the Development consists of a USDA 538 Loan from the Rural Rental Housing Program. The USDA application required submission of a full set of design plans. Owner worked with its construction professionals to finalize the plans promptly and was able to submit its USDA application on January 14, 2016. After a long and arduous USDA process, the Commitment for a USDA 538 loan was obtained, and the financing closed on August 30, 2016.
2. The Notice of Commencement was issued, and construction began on September 15, 2016.
3. Excessive rainfall had an adverse effect on the Development's construction schedule. In the months of October 2016 through May 2017 (8 months), there were 44 days with precipitation. By contrast, the average number of precipitation days in McCulloch

County for a 12-month period is typically 40.49 days.<sup>1</sup> In particular, total rainfall by inches in the months of December 2016 and January, February, and April, 2017 exceeded the average number of inches of rainfall in McCulloch County.<sup>2</sup> The nature of the site is that even minimal rainfall would pool and require time to dry out. Owner's general contractor has assembled a list of days with precipitation and assigned "dry out" days based upon the severity of the rain. The information is tabulated on Exhibit A and shows 96 days of delay associated with the unusual rainfall. Pictures at Exhibit B show the effect of rainfall, with pooled water present on a clear, sunny day.

4. In addition to delays associated with rainfall, the Development also suffered from labor shortages. The subcontractor base in Brady, Texas is non-existent. Brady is 2½ hours from Austin, 3½ hours from Dallas, and almost 5 hours from Houston. As a result, the subcontractor base that is willing to travel to Brady is minimal. When subcontractors did commit to do the work, many of them would work for a little while and then quit because the commute was too much. This would require the general contractor to select a new subcontractor for the job. Owner's general contractor estimates that every loss of a critical path subcontractor results in a 20-30 day delay. The Development experienced the loss of its major subcontractors for Utilities/Earthwork, Framing/Siding, and Electrical, all at critical points in the schedule.
5. Finally, the Development felt the impacts of Hurricane Harvey. Even though McCulloch County is not one of the counties designated as a Major Disaster Area, many of its subcontractors were from the Houston area. The subcontractors and its employees were unavailable for a period of time, as they tended to their homes and families as Hurricane Harvey swept through. In particular, at the time of Hurricane Harvey, the Development was in the sheet rocking stage and could not proceed without these workers. The delays associated with Hurricane Harvey are also documented by Owner's general contractor on Exhibit A.

#### Request

Trails of Brady is currently on track to meet the placement In service requirements by December 31, 2017, but in the event that is not possible and due to the delays described above, we request that Owner be permitted to return the Tax Credits and that TDHCA reallocate the Tax Credits to Owner in the current year pursuant to the "Force Majeure" provisions in Section 11.6(5) of the 2017 Qualified Allocation Plan. We believe Owner and the Development meet all of the requirements of Section 11.6(5), in that:

---

<sup>1</sup> Source: [www.usa.com](http://www.usa.com).

<sup>2</sup> Source: [www.usclimatedata.com](http://www.usclimatedata.com).

1. The delays in construction were a direct result of significant weather events, accompanied by labor shortages.
2. The delays were not caused by willful negligence or acts of Owner, any Affiliate, or any other Related Party.
3. Evidence of the delays prepared by the third party general contractor is attached as Exhibit A.
4. While there was little that could be done to minimize the impact of the rainfall, Owner did work with the general contractor to address scheduling issues to the best of its ability, including promptly working to replace subcontractors that were lost. Owner substantially fulfilled all of its obligations that were not impeded by the weather events and labor shortages.
5. The Force Majeure events may prevent Owner from meeting the placement in service requirements of the original allocation.
6. The requested current year Carryover Agreement would allocate the same amount of Tax Credits as those that would be returned.
7. The Development continues to be financially viable.

We sincerely appreciate your assistance with this matter and ask that it be considered as quickly as possible. Owner suggests that, if this request is granted, a deadline to place the Development in service within 90 days be imposed, with the possibility of one 90 day extension. Please feel free to contact me with any questions.

Sincerely,



Cynthia Bast

cc: Dru Childre  
Adrian Iglesias  
Mark Mayfield  
*Owner*

Marni Holloway  
Raquel Morales  
*TDHCA*

**Exhibit A**  
**(attached)**

CONST. START	9/30/2016	Actual Start of Construction Date
+ 361 CD's	9/26/2017	Actual Start Date + Original 361 day schedule
+ Add 96 weather	12/31/2017	Completion Date w/ weather adjustment

No.	Date	Rainfall
1	10/6/2016	0.10-0.20
2	10/7/2016	0.10-0.20
3	10/8/2016	Dry out
4	10/9/2016	Dryout
5	10/20/2016	0.10-0.20
6	10/21/2016	Dry out
7	10/22/2016	0.20-0.30
8	10/23/2016	0.10-0.20
9	10/24/2016	Dry out
10	10/25/2016	Dry out
11	11/4/2016	0.10-0.20
12	11/5/2016	Dry out
13	11/7/2016	0.30-0.40
14	11/8/2016	Dry out
15	11/9/2016	Dry out
16	11/25/2016	0.10-0.20
17	11/26/2016	0.40-0.50
18	11/27/2016	0.10-0.20
19	11/28/2016	Dry out
20	11/29/2016	Dry out
21	11/30/2016	Dry out
22	12/3/2016	0.80-0.90
23	12/4/2016	0.20-0.30
24	12/5/2016	0.10-0.20
25	12/6/2016	0.20-0.30
26	12/7/2016	Dry out
27	12/8/2016	Dry out
28	12/9/2016	Dry out
29	12/31/2016	0.10-0.20
30	1/1/2017	0.10-0.20
31	1/2/2017	0.40-0.50
32	1/3/2017	Dry out
33	1/4/2017	Dry out
34	1/15/2017	0.20-0.30
	SLAB A Poured +/-	
35	1/16/2017	0.40-0.50

36	11/17/2017	Dry out
37	1/18/2017	0.40-0.50
38	1/19/2017	0.10-0.20
39	1/20/2017	Dry out
40	1/21/2017	Dry out
41	1/22/2017	0.10-0.20
42	1/23/2017	Dry out
43	1/24/2017	Dry out
SLAB B POURED +/-		
44	2/14/2017	1.20-1.30
45	2/15/2017	0.10-0.20
46	2/16/2017	Dry out
47	2/17/2017	Dry out
48	2/18/2017	Dry out
49	2/20/2017	1.60-1.70
50	2/21/2017	Dry out
51	2/22/2017	Dry out
52	2/23/2017	Dry out
53	3/5/2017	0.10-0.20
54	3/11/2017	0.20-0.30
55	3/12/2017	0.10-0.20
56	3/13/2017	Dry out
57	3/14/2017	Dry out
58	3/24/2017	0.20-0.30
59	3/25/2017	0.10-0.20
60	3/29/2017	0.80-0.90
61	3/30/2017	Dry out
62	3/31/2017	Dry out
63	4/2/2017	0.20-0.30
64	4/3/2017	0.40-0.50
65	4/4/2017	Dry out
66	4/5/2017	Dry out
67	4/11/2017	0.20-0.30
68	4/12/2017	0.50-0.60
69	4/13/2017	Dry out
70	4/14/2017	0.30-0.40
71	4/15/2017	Dry out
72	4/16/2017	Dry out
73	4/17/2017	0.10-0.20
74	4/18/2017	Dry out
75	4/30/2017	0.10-0.20
SITE STABILIZED & ACCESSIBLE +/-		
76	5/11/2017	0.40-0.50
77	5/17/2017	0.10-0.20
78	5/22/2017	0.30-0.40
79	5/23/2017	0.10-0.20
80	5/24/2017	0.10-0.20



81	5/29/2017	0.40-0.50
82	6/3/2017	0.10-0.20

ROOFS INSTALLED +/-

-----

HURRICANE HARVEY 8.24-8.28

83	8/24/2017	Crews lost due to displacement & storm event
84	8/25/2017	Crews lost due to displacement & storm event
85	8/26/2017	Crews lost due to displacement & storm event
86	8/27/2017	Crews lost due to displacement & storm event
87	8/28/2017	Crews lost due to displacement & storm event
88	8/29/2017	Crews lost due to displacement & storm event
89	8/30/2017	Crews lost due to displacement & storm event
90	8/31/2017	Crews lost due to displacement & storm event
91	9/1/2017	Crews lost due to displacement & storm event
92	9/2/2017	Crews lost due to displacement & storm event
93	9/3/2017	Crews lost due to displacement & storm event
94	9/4/2017	Crews lost due to displacement & storm event
95	9/5/2017	Crews lost due to displacement & storm event
96	9/6/2017	Crews lost due to displacement & storm event

**Exhibit B**  
**(attached)**





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# **Construction Status Quarterly Report October - December**

**For**

**Trails of Brady**

**TDHCA #15241**

**THF Brady Housing, Ltd.**

**Primary Contact:  
Mark Mayfield  
Texas Housing Foundation  
1110 Broadway  
Marble Falls, TX 78654  
Phone: (830) 693-4521  
mmayfield@txhf.org**

**Secondary Contact:  
Dru Childre  
Dharma Development, LLC  
11312 Conchos River Trail  
Austin, TX 78717  
Phone: (512) 257-0054  
dru@dharmadevelop.com**

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# Tab 3

Item (3) – AIA G702 and G703

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**THF Housing Development Corporation**  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

## Progress Billing

Application: 5  
 Period: 02/03/2017

**Owner:** THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

**Job Location:** TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

### Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	58,830.00
Contract Sum to Date.....	7,178,380.40
Total Complete to Date.....	1,396,058.92
Total Retained.....	139,605.88
Total Earned Less Retained.....	1,256,453.04
Less Previous Billings.....	916,338.71
Current Payment Due.....	340,114.33
Balance on Contract.....	5,921,927.36

### Contractor's Certification of Work

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: [Signature]

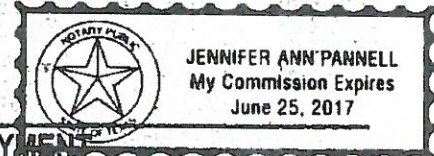
Date: 2/8/17

State of:

County of: Burnet

Subscribed and sworn to before Mark A. Mayfield  
 me this 8 day of February 2017

Notary Public: Jennifer Pannell  
 My Commission expires: 6-25-17



### ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... \$ 340,114.33

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: [Signature]

Date: 02.08.2017

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

PROGRESS BILLING

Application: 5

Period: 02/03/2017

Schedule of Work Completed

Description of Work	Scheduled	Changes	Contract	Previous	Current Comp.	Stored Mat.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	60,153.30	121,657.00		181,810.30	40.71	264,775.70	18,181.03
MASONRY	24,500.00		24,500.00						24,500.00	
METALS	119,800.00		119,800.00						119,800.00	
R. CARPENTRY	1,246,887.30		1,246,887.30		28,705.48	165,630.33	194,335.81	15.59	1,052,551.49	19,433.58
F. CARPENTRY	80,000.00		80,000.00						80,000.00	
INSULATION	75,050.00		75,050.00						75,050.00	
ROOFING	101,955.00		101,955.00			45,180.81	45,180.81	44.31	56,774.19	4,518.08
DOORS	171,845.43		171,845.43						171,845.43	
WINDOWS	56,824.29		56,824.29						56,824.29	
GLASS	12,500.00		12,500.00						12,500.00	
DRYWALL	420,000.00		420,000.00			23,192.50	23,192.50	5.52	396,807.50	2,319.25
TILE	44,284.00		44,284.00						44,284.00	
FLOORING	131,896.00		131,896.00						131,896.00	
PAINTING	305,000.00		305,000.00						305,000.00	
SPECIALTIES	45,916.48		45,916.48						45,916.48	
CABINETS/COUNTERTOPS	144,000.00		144,000.00						144,000.00	
APPLIANCES	114,803.00		114,803.00						114,803.00	
PLUMBING	450,000.00		450,000.00	98,938.50			98,938.50	21.99	351,061.50	9,893.85
SPRINKLER SYSTEMS	156,700.00		156,700.00	6,500.00			6,500.00	4.15	150,200.00	650.00
HVAC	310,000.00		310,000.00		6,000.00		6,000.00	1.94	304,000.00	600.00
ELECTRICAL	588,598.50		588,598.50	2,500.00	116,089.62		118,589.62	20.15	470,008.88	11,858.96
CLEARING/EARTHWORK	353,375.00		353,375.00	230,411.45	4,200.31		234,611.76	66.39	118,763.24	23,461.18
UNDERGROUND UTILITIES	298,561.00		298,561.00	238,686.23			238,686.23	79.95	59,874.77	23,868.62
ROADS / WALKWAYS	360,094.00		360,094.00		55,300.00		55,300.00	15.36	304,794.00	5,530.00
SITE IMPROVEMENTS	35,746.00		35,746.00						35,746.00	
LANDSCAPING	70,298.00		70,298.00	100.00			100.00	0.14	70,198.00	10.00
SECURITY	35,000.00		35,000.00		1,914.99		1,914.99	5.47	33,085.01	191.50
DUMP FEES	45,000.00		45,000.00	703.63			703.63	1.56	44,296.37	70.36
MOBILIZATION	25,000.00		25,000.00	25,000.00			25,000.00	100.00		2,500.00
GENERAL REQUIREMENTS	374,713.20		374,713.20	53,583.99	19,297.73		72,881.72	19.45	301,831.48	7,288.17



PROGRESS BILLING

Application: 5

Period: 02/03/2017

Schedule of Work Completed

Description of Work	Scheduled	Changes	Contract	Previous	Current Comp.	Stored Mat.	Total Comp.	%	Balance	Retained
GENERAL OVERHEAD	99,904.00		99,904.00	14,286.27	5,145.06		19,431.33	19.45	80,472.67	1,943.13
PROFIT	374,713.20		374,713.20	53,583.99	19,297.73		72,881.72	19.45	301,831.48	7,288.17
CHANGE ORDER #1		58,830.00	58,830.00						58,830.00	
Totals:	7,119,550.40	58,830.00	7,178,380.40	784,447.36	377,607.92	234,003.64	1,396,058.92	19.45	5,782,321.48	139,605.88

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# Tab 4

Item (4) – Construction Inspection  
Reports

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BGO ARCHITECTS  
4202 Beltway dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Framer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 11-04-16      **DATE ON SITE:** 11-01-16

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 02

---

**SITE CONDITIONS:** Warm and Sunny

**Progress Report:**

- **Demo / Clearing** – Complete
- **Site** – Installation of the site underground utilities has not been started. Some water and sewer pipe were stored on site. The roads were cut and progress is moving quickly
- **Building #1** – The pad was nearing completion – only missing a lift or two and compaction
- **Building #2** – The pad was nearing completion – only missing a lift or two and compaction
- **Building #3** – The pad was complete and undergoing final compaction
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – No progress

**General Comment Discussed Onsite:**

- The next site visit will be **December 6th 11:00 am on site**
- The schedule for the next couple of months was reviewed. The GC has foundations, under slab plumbing, and framing all lined up for production
- Submittals and RFI's were reviewed
- Site accessibility, grading, TDHCA final inspection was also discussed

**Past Issues and Non-Compliance with Construction Documents:**

- None

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

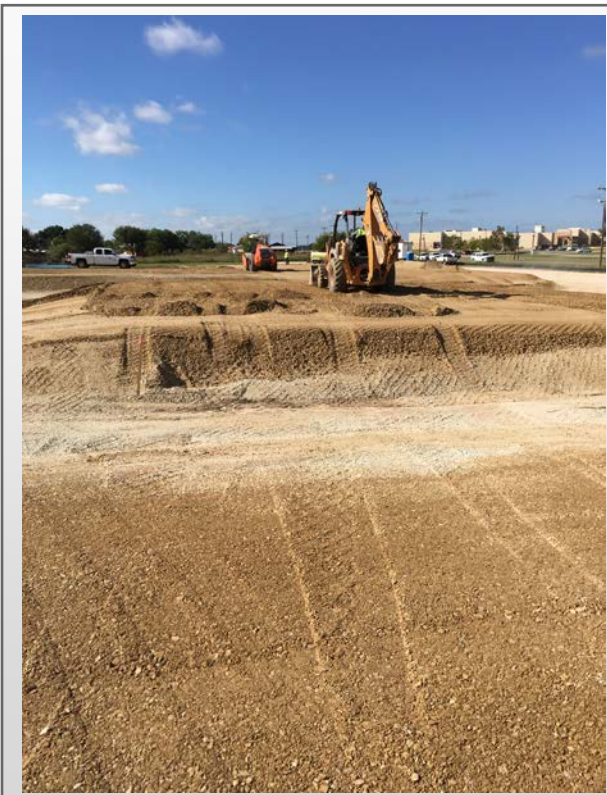
IT OTO RA:



Building #1



Building #2



Building #3 – Club Building



Detention Pond



BGO ARCHITECTS  
4202 Beltway dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

---

## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Framer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182  
**REPORT DATE:** 12-08-16  
**OBSERVER:** Jaron Daily

**DATE ON SITE:** 12-05-16  
**DRAW REQUEST NO:** 03

---

**SITE CONDITIONS:** Cool, Rainy, and Muddy

**Progress Report:**

- **Demo / Clearing** – Complete
- **Site** – Installation of the site underground utilities has been started. The roads were cut and progress is moving quickly
- **Building #1** – The pad is complete. First floor plumbing rough-ins are 80% complete
- **Building #2** – The pad is complete and the plumbing rough-ins had just begun
- **Club** – The forms were up, tendons in place and the slab was ready to be poured
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – No progress

**General Comment Discussed Onsite:**

- The next site visit will be **January 3rd 11:00 am on site**
- The entry box culvert was reviewed in conjunction with the water and sewer line locations. The info was to be forwarded to the civil for review and approval
- The club floor drains were reviewed and all parties are fine omitting the maintenance and mail room drains. Slab to slope to ensure any water will drain away from the building
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off
- GC to ensure all trash enclosures are placed in line with the edge of the fire lane – more info can be provided if needed.
- Submittals and RFI's were quickly reviewed

**Past Issues and Non-Compliance with Construction Documents:**

- None

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



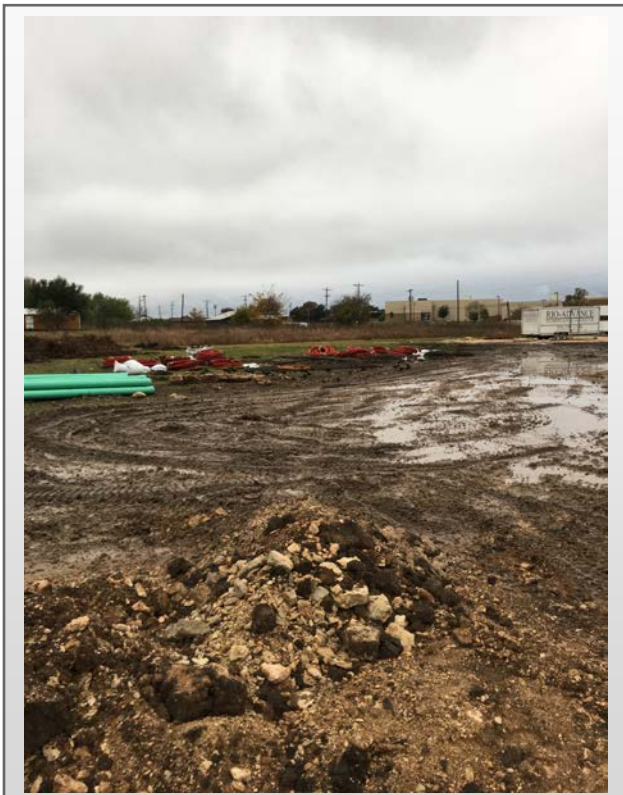
Club



Building #1



Building #2



Front parking lot





BGO ARCHITECTS  
4202 Beltway dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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### FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182  
**REPORT DATE:** 01-10-17  
**OBSERVER:** Jaron Daily

**DATE ON SITE:** 01-03-17  
**DRAW REQUEST NO:** 04

---

SITE CONDITIONS: Cool, Sunny, and Muddy

**Progress Report:**

- **Demo / Clearing** – Complete
- **Site** – Installation of the site underground utilities is nearing completion. The roads were cut and the site is starting to take shape
- **Building #1** – The pad is complete. First floor plumbing rough-ins are complete. The forming is 75% complete and the grade beams are in the process of being dug
- **Building #2** – The pad is complete. First floor plumbing rough-ins are 75% complete
- **Club** – The slab was poured and the forms stripped. GC anticipates framing starting in a couple of weeks
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Berms are in progress and the pond is taking shape

**General Comment Discussed Onsite:**

- The next site visit will be **February 7th 11:00 am on site**
- The slab had small divots in the edge from pulling the forms. GC to ensure the slab is not used to pry against in form removal
- The overall concrete work looks great
- Site accessibility and grades were quickly discussed
- **Weather has been a slight delay but the GC is hoping to make up the time during framing**
- Submittals and RFI's were reviewed – no major outstanding items

- Trusses were observed stored incorrectly. They should be stored per the MFG storing instructions as to not damage the components
- Only approved building wrap is to be used – there are 4 different types of paper used on the club alone
- The dryer vents in the club should be revised to remove the 90 degree bend at the ceiling
- MEP stored materials were observed in a locked container
- Submittals and RFI's were reviewed – no major outstanding items

**Past Issues and Non-Compliance with Construction Documents:**

- The slab had small divots in the edge from pulling the forms. GC to ensure the slab is not used to pry against in form removal
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off
- GC to ensure all trash enclosures are placed in line with the edge of the fire lane – more info can be provided if needed.

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



Club – front elevation



Club – ensure proper building wrap is used



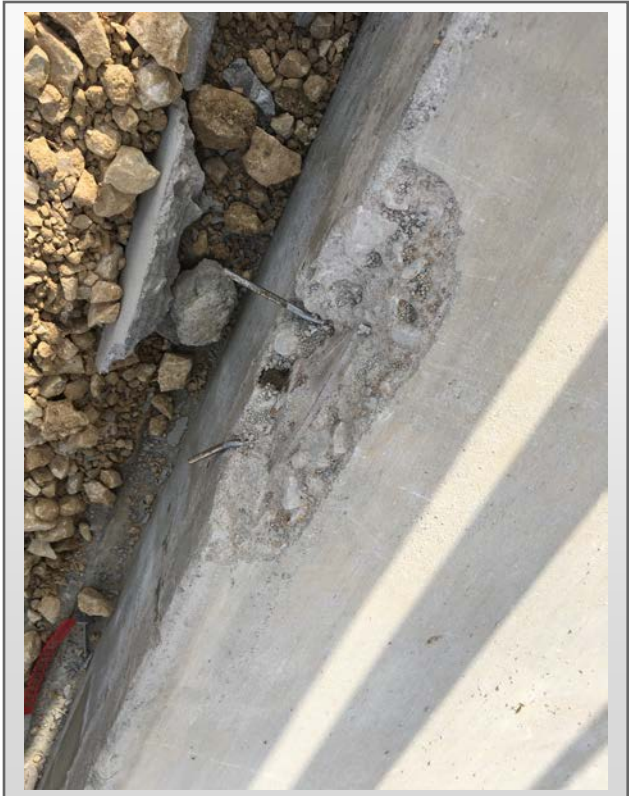
Club – interior ready for insulation



Club – ensure 90 degree elbows are removed



Building #1 framing underway



Building #1 tendon head spalling – structural to review



Building #1 – ensure proper laydown of trusses



Building #1 – ensure proper tendon head coverage



Building #2 slab



Building #2 slab



Building #2 grade beams in preparation for the last pour



Stored materials in a locked container



BGO ARCHITECTS

4202 Beltway dr.

Addison, Texas 75001 214-520-8878

Fax 214-520-8879

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**FIELD REPORT**

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Framer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 02-08-17

**OBSERVER:** Jaron Daily

**DATE ON SITE:** 02-06-17

**DRAW REQUEST NO:** 05

---

SITE CONDITIONS: Warm, Partly Cloudy, and Dry

**Progress Report:**

- **Demo / Clearing** – Complete
- **Site** – Installation of the site underground utilities is nearing completion. The roads were cut and about 50% of the curb and gutter are installed
- **Building #1** – The slab is poured and about 75% of the first floor framing is complete
- **Building #2** – The slab is 50% poured and the last pour should happen next week
- **Club** – The framing and the MEP rough-in is complete.
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Berms are in progress and the pond is nearing completion

**General Comment Discussed Onsite:**

- The next site visit will be **March 7th 11:00 am on site**
- The GC requested bracket details (size and material) be forwarded – BGO to follow up this week with Sk’s
- The porch stone heights were discussed and direction was given to wrap the wainscot to the inside corner at the rear of the front column. The ¾ height would wrap the 4 sides and terminate at an inside corner
- GC was advised that all material changes and color changes shall happen at an inside corner
- Minimum cover on the PT cables at the balcony should be reviewed by the structural and recommendation given. Once such location has had some “spalling” due to tendon head placement

**Past Issues and Non-Compliance with Construction Documents:**

- The entry box culvert was reviewed in conjunction with the water and sewer line locations. The info was to be forwarded to the civil for review and approval – Civil has approved the locations and GC is OK to proceed per plan
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off
- GC to ensure all trash enclosures are placed in line with the edge of the fire lane – more info can be provided if needed.

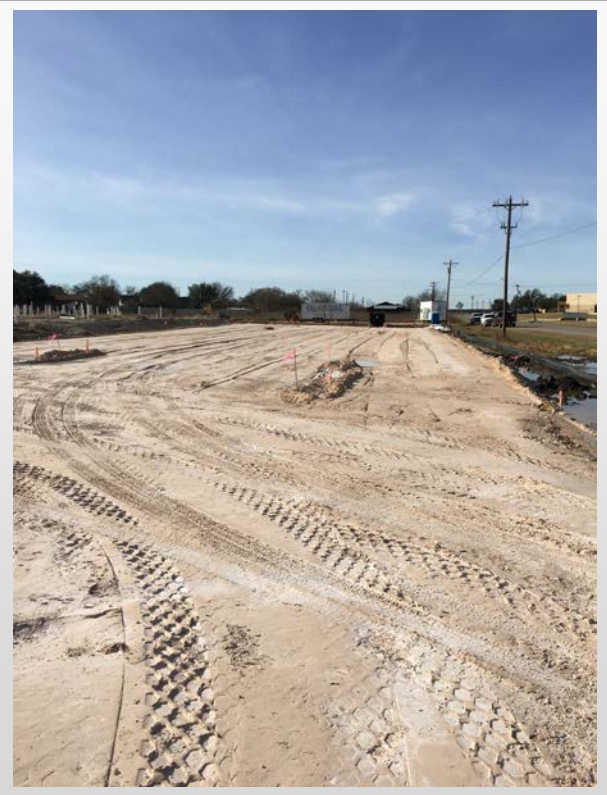
**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



General site picture of drives



General site picture of drives



Building #1 – Forms in place

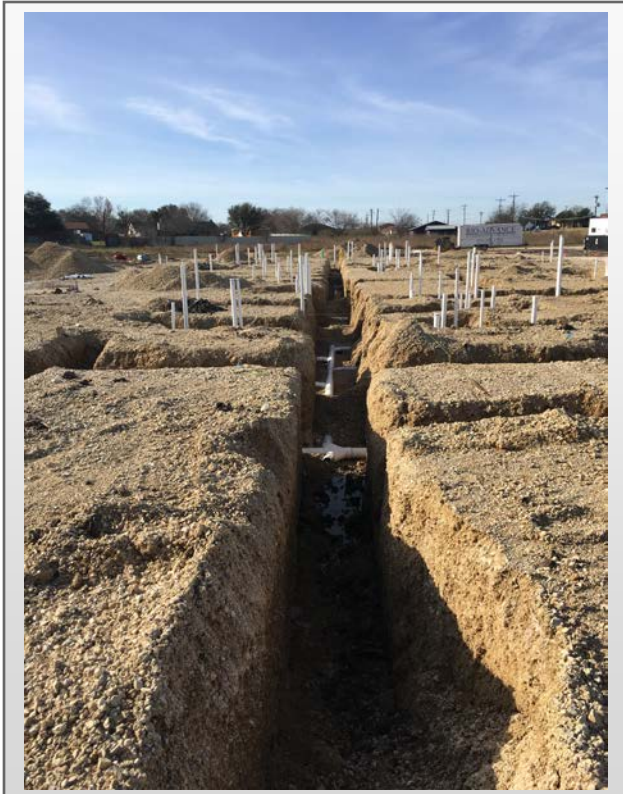


Building #1 – Forms in place





Building #2 – Plumbing underway



Building #2 – Plumbing underway



Building #3 – Slab in place



Building #3 – Slab in place

---

# **Construction Status Quarterly Report January - March**

**For**

**Trails of Brady**

**TDHCA #15241**

**THF Brady Housing, Ltd.**

**Primary Contact:  
Mark Mayfield  
Texas Housing Foundation  
1110 Broadway  
Marble Falls, TX 78654  
Phone: (830) 693-4521  
mmayfield@txhf.org**

**Secondary Contact:  
Dru Childre  
Dharma Development, LLC  
11312 Conchos River Trail  
Austin, TX 78717  
Phone: (512) 257-0054  
dru@dharmadevelop.com**

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# Tab 3

Item (3) – AIA G702 and G703

---

**THF Housing Development Corporation**  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

## Progress Billing

Application: 7  
 Period: 03/30/2017

**Owner:** THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

**Job Location:** TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

### Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	58,830.00
Contract Sum to Date.....	7,178,380.40
Total Complete to Date.....	3,091,387.75
Total Retained.....	309,138.79
Total Earned Less Retained.....	2,782,248.96
Less Previous Billings.....	2,246,727.76
Current Payment Due.....	535,521.20
Balance on Contract.....	4,396,131.44

### Contractor's Certification of Work

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

**CONTRACTOR:**  
 By: [Signature] Date: 3/31/17

State of: Texas  
 County of: Burnet  
 Subscribed and sworn to before Jennifer Pannell  
 me this 31 day of March 2017

Notary Public:  
 My Commission expires:



### ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... \$ 535,521.20

*(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)*

**ARCHITECT:**  
 By: [Signature] Date: 04.03.2017

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Progress Billing

Application : 7  
 Period: 03/30/2017

Description of Work	Scheduled	Changes	Contract	Previous	Current Com.	Prev. Stored Mat	Current Stor.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	320,575.07				320,575.07	71.78	126,010.93	32,057.51
MASONRY	24,500.00		24,500.00		24,500.00			24,500.00	100.00	-	2,450.00
METALS	119,800.00		119,800.00		1,000.00			1,000.00	0.83	118,800.00	100.00
R. CARPENTRY	1,246,887.30		1,246,887.30	366,410.96	325,297.73	165,630.33		857,339.02	68.76	389,548.28	85,733.90
F. CARPENTRY	80,000.00		80,000.00					0.00		80,000.00	-
INSULATION	75,050.00		75,050.00	1,000.00				1,000.00	1.33	74,050.00	100.00
ROOFING	101,955.00		101,955.00	7,800.00		45,180.81		52,980.81	51.96	48,974.19	5,298.08
DOORS	171,845.43		171,845.43					0.00		171,845.43	-
WINDOWS	56,824.29		56,824.29	21,879.02				21,879.02	38.50	34,945.27	2,187.90
GLASS	12,500.00		12,500.00					0.00		12,500.00	-
DRYWALL	420,000.00		420,000.00	2,965.00	36,771.79	23,192.50		62,929.29	14.98	357,070.71	6,292.93
TILE	44,284.00		44,284.00					0.00		44,284.00	-
FLOORING	131,896.00		131,896.00					0.00		131,896.00	-
PAINTING	305,000.00		305,000.00					0.00		305,000.00	-
SPECIALITIES	45,916.48		45,916.48					0.00		45,916.48	-
CABINETS & COUNTEROP	144,000.00		144,000.00					0.00		144,000.00	-
APPLIANCES	114,803.00		114,803.00					0.00		114,803.00	-
PLUMBING	450,000.00		450,000.00	140,213.50				140,213.50	31.16	309,786.50	14,021.35
SPRINKLER SYSTEM	156,700.00		156,700.00	6,500.00				6,500.00	4.15	150,200.00	650.00
HVAC	310,000.00		310,000.00	11,400.00		123,000.00		134,400.00	43.35	175,600.00	13,440.00
ELECTRICAL	588,598.50		588,598.50	150,604.47	38,401.55			189,006.02	32.11	399,592.48	18,900.60
CLEARING/EARTHWORK	353,375.00		353,375.00	260,966.28				260,966.25	73.85	92,408.74	26,096.63
UNDERGROUND UTILITIES	298,561.00		298,561.00	287,717.79	10,843.21			298,561.00	100.00	-	29,856.10
ROADS / WALKWAYS	360,094.00		360,094.00	175,300.00	85,000.00			260,300.00	72.29	99,794.00	26,030.00
SITE IMPROVEMENTS	35,746.00		35,746.00					0.00		35,746.00	-
LANDSCAPING	70,298.00		70,298.00	100.00				100.00	0.14	70,198.00	10.00
SECURITY	35,000.00		35,000.00	4,035.05	757.75			4,792.80	13.69	30,207.20	478.28
DUMP FEES	45,000.00		45,000.00	2,666.33	2,042.02			4,708.35	10.46	40,291.65	470.84
MOBILIZATION	25,000.00		25,000.00	25,000.00				25,000.00	100.00	-	2,500.00
GENERAL REQUIREMENT:	374,713.20		374,713.20	130,325.25	31,063.73			161,388.98	43.07	213,324.22	16,138.90
GENERAL OVERHEAD	99,904.00		99,904.00	34,746.61	8,282.04			43,028.65	43.07	56,875.35	4,302.87
PROJECT PROFIT	374,713.20		374,713.20	130,325.25	31,063.73			161,388.98	43.07	213,324.22	16,138.90
CHANGE ORDER #1		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	5,883.00
	\$ 7,119,550.40	\$ 58,830.00	\$ 7,178,380.40	\$ 2,139,360.56	\$ 595,023.55	\$ 357,003.64	\$ -	\$ 3,091,387.76	43.07	\$ 4,086,992.65	\$ 309,138.79

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# Tab 4

Item (4) – Construction Inspection  
Reports

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BGO ARCHITECTS

4202 Beltway dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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**FIELD REPORT**

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182  
**REPORT DATE:** 03-08-17  
**OBSERVER:** Jaron Daily

**DATE ON SITE:** 03-06-17  
**DRAW REQUEST NO:** 06

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SITE CONDITIONS: Warm, Partly Cloudy, and Dry

**Progress Report:**

- **Demo / Clearing** – Complete
- **Site** – Installation of the site underground utilities are complete. The roads were cut and a majority the curb and gutter are installed
- **Building #1** – The first floor framing is nearing completion. The second floor trusses are set and 50% of the decking is in place
- **Building #2** – The slab is 100% poured and framing has just begun on #2
- **Club** – The insulation is installed and the ceiling sheetrock has been hung
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Berms are in progress and the pond is completion

**General Comment Discussed Onsite:**

- The next site visit will be **TBD**
- **A new framer are site super were on site** - both are focused on progress and quality
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- All the floor trusses and a great deal of lumber were on site
- Additional MEP stored materials were observed in a locked container
- Submittals and RFI's were discussed – no major outstanding items
- There were no reports of theft or vandalism
- BGO to get with civil to provide direction on rail type at entry

**Past Issues and Non-Compliance with Construction Documents:**

- The slab had small divots in the edge from pulling the forms. GC to ensure the slab is not used to pry against in form removal
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off
- GC to ensure all trash enclosures are placed in line with the edge of the fire lane – more info can be provided if needed.

**SUMMARY:**

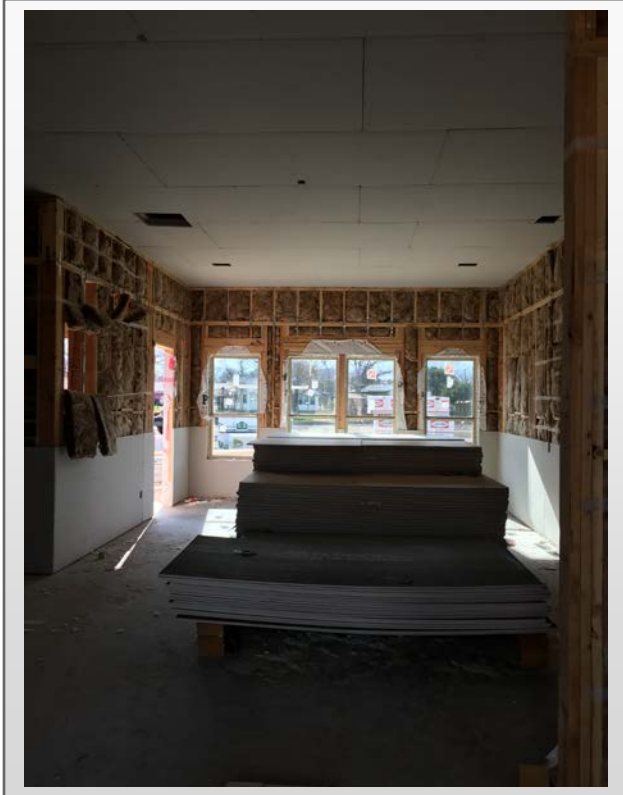
- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.



IT OTO RA:



Club Building



Club Building



Building #1



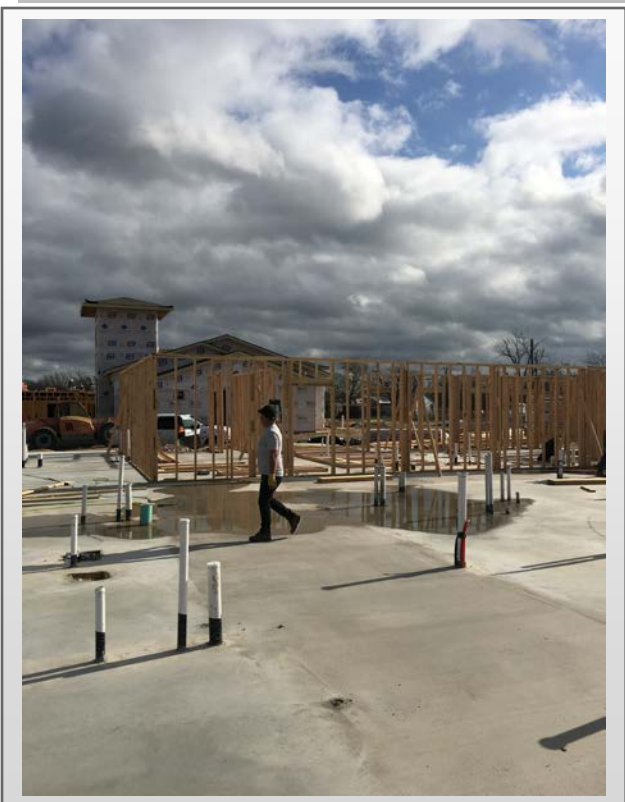
Building #1



Building #1



Building #1



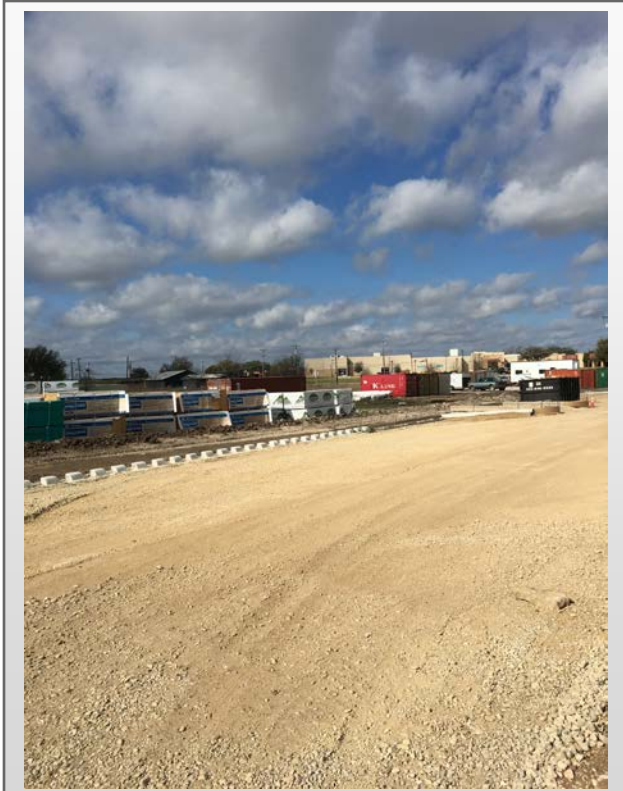
Building #2



Building #2



Stored Floor Trusses



Stored Lumber



HVAC parts in locked containers



HVAC parts in locked containers

IT OTO RA:



General Site Picture



General Site Picture



General Site Picture



Building #1



Building #2



Building #2

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# **Construction Status Quarterly Report April - June**

**For**

**Trails of Brady**

**TDHCA #15241**

**THF Brady Housing, Ltd.**

**Primary Contact:  
Mark Mayfield  
Texas Housing Foundation  
1110 Broadway  
Marble Falls, TX 78654  
Phone: (830) 693-4521  
mmayfield@txhf.org**

**Secondary Contact:  
Dru Childre  
Dharma Development, LLC  
11312 Conchos River Trail  
Austin, TX 78717  
Phone: (512) 257-0054  
dru@dharmadevelop.com**

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# Tab 3

Item (3) – AIA G702 and G703

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THF Housing Development Corporation  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

## Progress Billing

Application: 8  
 Period: 04/29/2017

Owner: THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

Job Location: TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

### Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	117,660.00
Contract Sum to Date.....	7,237,210.40
Total Complete to Date.....	3,663,651.94
Total Retained.....	201,273.10
Total Earned Less Retained.....	3,462,378.84
Less Previous Billings.....	2,782,248.96
Current Payment Due.....	680,129.88
Balance on Contract.....	3,774,831.56

### Contractor's Certification of Work

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: *[Signature]*  
 By: *[Signature]* Date: *5/1/17*  
 State of: *Texas*

County of: *Burnet*  
 Subscribed and sworn to before  
 me this *1* day of *May* 2017

Notary Public:  
 My Commission expires:



### ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... *\$ 680,129.88*  
 (Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Commutation Sheet that are changed to conform with the amount certified.)

ARCHITECT:  
 By: *[Signature]* Date: *05.01.2017*

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Progress Billing

Application: 8  
 Period: 04-28-2017

Description of Work	Scheduled	Changes	Contract	Previous	Current Com.	Prev. Stored Mat	Current Stor.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	320,575.07				320,575.07	71.78	126,010.93	18,028.75
MASONRY	24,500.00		24,500.00	24,500.00				24,500.00	100.00	-	1,225.00
METALS	119,800.00		119,800.00	1,000.00				1,000.00	0.83	118,800.00	50.00
R. CARPENTRY	1,246,887.30		1,246,887.30	691,708.69	255,316.92	165,630.33		1,112,655.94	89.23	134,231.36	63,914.31
F. CARPENTRY	80,000.00		80,000.00		663.25			663.25	0.83	79,336.75	33.16
INSULATION	75,050.00		75,050.00	1,000.00				1,000.00	1.33	74,050.00	50.00
ROOFING	101,955.00		101,955.00	7,800.00		45,180.81		52,980.81	51.96	48,974.19	4,908.08
DOORS	171,845.43		171,845.43		8,035.30			8,035.30	4.68	163,810.13	401.77
WINDOWS	56,824.29		56,824.29	21,879.02				21,879.02	38.50	34,945.27	1,093.95
GLASS	12,500.00		12,500.00					0.00		12,500.00	-
DRYWALL	420,000.00		420,000.00	39,736.79	200.00	23,192.50		63,129.29	15.03	356,870.71	4,316.09
TILE	44,284.00		44,284.00					0.00		44,284.00	-
FLOORING	131,896.00		131,896.00					0.00		131,896.00	-
PAINTING	305,000.00		305,000.00					0.00		305,000.00	-
SPECIALITIES	45,916.48		45,916.48		6,103.93			6,103.93	13.29	39,812.55	305.20
CABINETS & COUNTEROP	144,000.00		144,000.00				4,806.49	4,806.49	3.34	139,193.51	480.65
APPLIANCES	114,803.00		114,803.00					0.00		114,803.00	-
PLUMBING	450,000.00		450,000.00	140,213.50				140,213.50	31.16	309,786.50	7,010.68
SPRINKLER SYSTEM	156,700.00		156,700.00	6,500.00				6,500.00	4.15	150,200.00	325.00
HVAC	310,000.00		310,000.00	11,400.00	22,000.00	123,000.00		156,400.00	50.45	153,600.00	13,970.00
ELECTRICAL	588,598.50		588,598.50	189,006.02	52,859.71			241,865.73	41.09	346,732.77	12,093.29
CLEARING/EARTHWORK	353,375.00		353,375.00	260,966.26	85,539.03			346,505.29	98.06	6,869.71	17,325.26
UNDERGROUND UTILITIES	298,561.00		298,561.00	298,561.00				298,561.00	100.00	-	14,928.05
ROADS / WALKWAYS	360,094.00		360,094.00	260,300.00	11,070.00			271,370.00	75.36	88,724.00	13,568.50
SITE IMPROVEMENTS	35,746.00		35,746.00					0.00		35,746.00	-
LANDSCAPING	70,298.00		70,298.00	100.00				100.00	0.14	70,198.00	5.00
SECURITY	35,000.00		35,000.00	4,792.80				4,792.80	13.69	30,207.20	239.64
DUMP FEES	45,000.00		45,000.00	4,708.35	2,715.13			7,423.48	16.50	37,576.52	371.17
MOBILIZATION	25,000.00		25,000.00	25,000.00				25,000.00	100.00	-	1,250.00
GENERAL REQUIREMENT:	374,713.20		374,713.20	161,388.98	28,290.84			189,679.82	50.62	185,033.38	9,483.99
GENERAL OVERHEAD	99,904.00		99,904.00	43,028.65	7,542.75			50,571.40	50.62	49,332.60	2,528.57
PROJECT PROFIT	374,713.20		374,713.20	161,388.98	28,290.84			189,679.82	50.62	185,033.38	9,483.99
CHANGE ORDER #1		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #2		58,830.00	58,830.00		58,830.00			58,830.00	100.00	-	2,941.50
	\$ 7,119,550.40	\$ 117,860.00	\$ 7,237,210.40	\$ 2,734,384.11	\$ 567,457.70	\$ 357,003.64	\$ 4,806.49	\$ 3,663,651.94	50.62	\$ 3,573,558.46	\$ 201,273.10



**THF Housing Development Corporation**  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

## Progress Billing

Application: 9  
 Period: 06/01/2017

**Owner:** THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

**Job Location:** TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

### Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	117,660.00
Contract Sum to Date.....	7,237,210.40
Total Complete to Date.....	4,139,733.91
Total Retained.....	225,077.21
Total Earned Less Retained.....	3,914,656.70
Less Previous Billings.....	3,462,378.84
Current Payment Due.....	452,277.86
Balance on Contract.....	3,322,553.70

### Contractor's Certification of Work

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: [Signature] Date: 6/5/17

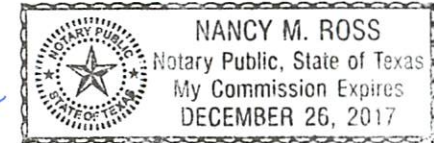
State of: Texas

County of: Burnet

Subscribed and sworn to before me this 5th day of June

Notary Public: Nancy M. Ross

My Commission expires: 12/26/17



### ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising This application, the Architect certifies to the Owner that to the best of the Architect's knowledge, Information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 452,277.86

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: [Signature] Date: 06.05.2017

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

Progress Billing

Application: 9  
Period: 06/01/2017

Description of Work	Scheduled	Changes	Contract	Previous	Current Com.	Prev. Stored Mat	Current Stor.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	320,575.07				320,575.07	71.78	126,010.93	16,028.75
MASONRY	24,500.00		24,500.00	24,500.00				24,500.00	100.00	-	1,225.00
METALS	119,800.00		119,800.00	1,000.00				1,000.00	0.83	118,800.00	50.00
R. CARPENTRY	1,246,887.30		1,246,887.30	947,025.61	63,972.84	165,630.33		1,176,628.78	94.37	70,258.52	67,112.95
F. CARPENTRY	80,000.00		80,000.00	663.25	4,334.29			4,997.54	6.25	75,002.46	249.88
INSULATION	75,050.00		75,050.00	1,000.00	1,500.00			2,500.00	3.33	72,550.00	125.00
ROOFING	101,955.00		101,955.00	7,800.00	36,093.36	45,180.81		89,074.17	87.37	12,880.83	6,712.75
DOORS	171,845.43		171,845.43	8,035.30				8,035.30	4.68	163,810.13	401.77
WINDOWS	56,824.29		56,824.29	21,879.02	34,945.27			56,824.29	100.00	-	2,841.21
GLASS	12,500.00		12,500.00							12,500.00	-
DRYWALL	420,000.00		420,000.00	39,936.79	574.99	23,192.50		63,704.28	15.17	356,295.72	4,344.84
TILE	44,284.00		44,284.00					0.00		44,284.00	-
FLOORING	131,896.00		131,896.00					0.00		131,896.00	-
PAINTING	305,000.00		305,000.00					0.00		305,000.00	-
SPECIALITIES	45,916.48		45,916.48	6,103.93	1,045.85			7,149.78	15.57	38,766.70	357.49
CABINETS & COUNTEROP	144,000.00		144,000.00		1,864.15	4,806.49		6,670.64	4.63	137,329.36	573.86
APPLIANCES	114,803.00		114,803.00					0.00		114,803.00	-
PLUMBING	450,000.00		450,000.00	140,213.50	181,000.00			321,213.50	71.38	128,786.50	16,060.68
SPRINKLER SYSTEM	156,700.00		156,700.00	6,500.00	74,992.00			81,492.00	52.01	75,208.00	4,074.60
HVAC	310,000.00		310,000.00	33,400.00	13,000.00	123,000.00		169,400.00	54.65	140,600.00	14,620.00
ELECTRICAL	588,598.50		588,598.50	241,865.73	149.98			242,015.71	41.12	346,582.79	12,100.79
CLEARING/EARTHWORK	353,375.00		353,375.00	346,505.29	37.99			346,543.28	98.07	6,831.72	17,327.16
UNDERGROUND UTILITIES	298,561.00		298,561.00	298,561.00				298,561.00	100.00	-	14,928.05
ROADS / WALKWAYS	360,094.00		360,094.00	271,370.00				271,370.00	75.36	88,724.00	13,568.50
SITE IMPROVEMENTS	35,746.00		35,746.00							35,746.00	-
LANDSCAPING	70,298.00		70,298.00	100.00				100.00	0.14	70,198.00	5.00
SECURITY	35,000.00		35,000.00	4,792.80				4,792.80	13.69	30,207.20	239.64
DUMP FEES	45,000.00		45,000.00	7,423.48	6,685.30			14,108.78	31.35	30,891.22	705.44
MOBILIZATION	25,000.00		25,000.00	25,000.00				25,000.00	100.00	-	1,250.00
GENERAL REQUIREMENT:	374,713.20		374,713.20	189,679.82	24,656.13			214,335.95	57.20	160,377.25	10,716.80
GENERAL OVERHEAD	99,904.00		99,904.00	50,571.40	6,573.69			57,145.09	57.20	42,758.91	2,857.25
PROJECT PROFIT	374,713.20		374,713.20	189,679.82	24,656.13			214,335.95	57.20	160,377.25	10,716.80
CHANGE ORDER #1		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #2		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
	\$ 7,119,550.40	\$ 117,660.00	\$ 7,237,210.40	\$ 3,301,841.81	\$ 476,081.97	\$ 361,810.13	\$ -	\$ 4,139,733.91	57.20	\$ 3,097,476.49	\$ 225,077.21

**THF Housing Development Corporation**  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

## Progress Billing

Application: 10  
 Period: 07/03/2017

**Owner:** THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

**Job Location:** TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

### Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	117,660.00
Contract Sum to Date.....	7,237,210.40
Total Complete to Date.....	4,630,419.89
Total Retained.....	249,611.52
Total Earned Less Retained.....	4,380,808.37
Less Previous Billings.....	3,914,656.70
Current Payment Due.....	466,151.67
Balance on Contract.....	2,856,402.03

### Contractor's Certification of Work

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: [Signature] Date: 7/5/17

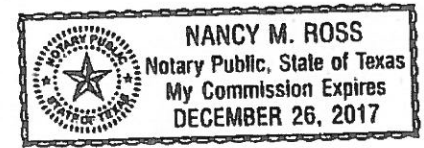
State of: Texas

County of: Burnet

Subscribed and sworn to before me this 5 day of July, 2017

Notary Public: Nancy M. Ross

My Commission expires: 12-26-17



### ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising This application, the Architect certifies to the Owner that to the best of the Architect's knowledge, Information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 466,151.67

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: [Signature] Date: 2017-07-05

Hick Cate BGO

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

Progress Billing

Application: 10  
 Period: 07/03/2017

Description of Work	Scheduled	Changes	Contract	Previous	Current Com.	Prev. Stored Mat	Current Stor.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	320,575.07	119,904.24			440,479.31	98.63	6,106.69	22,023.97
MASONRY	24,500.00		24,500.00	24,500.00				24,500.00	100.00	-	1,225.00
METALS	119,800.00		119,800.00	1,000.00				1,000.00	0.83	118,800.00	50.00
R. CARPENTRY	1,246,887.30		1,246,887.30	1,010,998.45	26,256.65	165,630.33		1,202,885.43	96.47	44,001.87	68,425.79
F. CARPENTRY	80,000.00		80,000.00	4,997.54	3,878.18			8,875.72	11.09	71,124.28	443.79
INSULATION	75,050.00		75,050.00	2,500.00				2,500.00	3.33	72,550.00	125.00
ROOFING	101,955.00		101,955.00	43,893.36	12,880.83	45,180.81		101,955.00	100.00	-	7,356.79
DOORS	171,845.43		171,845.43	8,035.30	34,922.68			42,957.98	25.0	128,887.45	2,147.90
WINDOWS	56,824.29		56,824.29	56,824.29				56,824.29	100.00	-	2,841.21
GLASS	12,500.00		12,500.00							12,500.00	-
DRYWALL	420,000.00		420,000.00	40,511.78	12,945.31	23,192.50		76,649.59	18.25	343,350.41	4,992.10
TILE	44,284.00		44,284.00					0.00		44,284.00	-
FLOORING	131,896.00		131,896.00					0.00		131,896.00	-
PAINTING	305,000.00		305,000.00					0.00		305,000.00	-
SPECIALITIES	45,916.48		45,916.48	7,149.78				7,149.78	15.57	38,766.70	357.49
CABINETS & COUNTEROP	144,000.00		144,000.00	1,864.15	10,637.00	4,806.49		17,307.64	12.02	126,692.36	1,105.71
APPLIANCES	114,803.00		114,803.00					0.00		114,803.00	-
PLUMBING	450,000.00		450,000.00	321,213.50	84,700.00			405,913.50	90.20	44,086.50	20,295.68
SPRINKLER SYSTEM	156,700.00		156,700.00	81,492.00				81,492.00	52.01	75,208.00	4,074.60
HVAC	310,000.00		310,000.00	46,400.00	26,000.00	123,000.00		195,400.00	63.03	114,600.00	15,920.00
ELECTRICAL	588,598.50		588,598.50	242,015.71	31,874.33			273,890.04	46.53	314,708.46	13,694.50
CLEARING/EARTHWORK	353,375.00		353,375.00	346,543.28				346,543.28	98.07	6,831.72	17,327.16
UNDERGROUND UTILITIES	298,561.00		298,561.00	298,561.00				298,561.00	100.00	-	14,928.05
ROADS / WALKWAYS	360,094.00		360,094.00	271,370.00	65,763.60			337,133.60	93.62	22,960.40	16,856.68
SITE IMPROVEMENTS	35,746.00		35,746.00							35,746.00	-
LANDSCAPING	70,298.00		70,298.00	100.00				100.00	0.14	70,198.00	5.00
SECURITY	35,000.00		35,000.00	4,792.80				4,792.80	13.69	30,207.20	239.64
DUMP FEES	45,000.00		45,000.00	14,108.78	3,338.55			17,447.33	38.77	27,552.67	872.37
MOBILIZATION	25,000.00		25,000.00	25,000.00				25,000.00	100.00	-	1,250.00
GENERAL REQUIREMENT:	374,713.20		374,713.20	214,335.95	25,405.56			239,741.51	63.98	134,971.69	11,987.08
GENERAL OVERHEAD	99,904.00		99,904.00	57,145.09	6,773.49			63,918.58	63.98	35,985.42	3,195.93
PROJECT PROFIT	374,713.20		374,713.20	214,335.95	25,405.56			239,741.51	63.98	134,971.69	11,987.08
CHANGE ORDER #1		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #2		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
	\$ 7,119,550.40	\$ 117,660.00	\$ 7,237,210.40	\$ 3,777,923.78	\$ 490,685.98	\$ 361,810.13	\$ -	\$ 4,630,419.89	63.98	\$ 2,606,790.51	\$ 249,611.52

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# Tab 4

Item (4) – Construction Inspection  
Reports

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## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 04-07-17 **DATE ON SITE:** 04-03-17

**OBSERVER:** Jaron Daily **DRAW REQUEST NO:** 07

Current Project Photos: <http://www.bgoarchitects.com/brady/brady040717.html>

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**SITE CONDITIONS:** Warm, Sunny, and Dry

**Progress Report:**

- **Site** – All curb and gutter are installed and the detention pond is completely graded
- **Building #1** – The second floor framing is complete and the third floor - floor trusses were being installed. Interior MEP rough ins have been started on the first floor
- **Building #2** – The first floor framing is complete with second floor decking installed. 25% of the second floor framing has been completed
- **Club** – The composition shingle roof, exterior stone, and siding are all complete. Interior drywall is taped, bed, and texture was started while we were on site
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Grading is complete

**General Comment Discussed Onsite:**

- The next site visit will be **05-01-17**
- A new framer quality and cleanliness has been great
- Submittals and RFI's were discussed – no major outstanding items
- There were no reports of theft or vandalism outside of some switch box covers being missing
- Civil entry detail was discussed and civil to formally issue the revised sheets
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls

**Past Issues and Non-Compliance with Construction Documents:**

- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



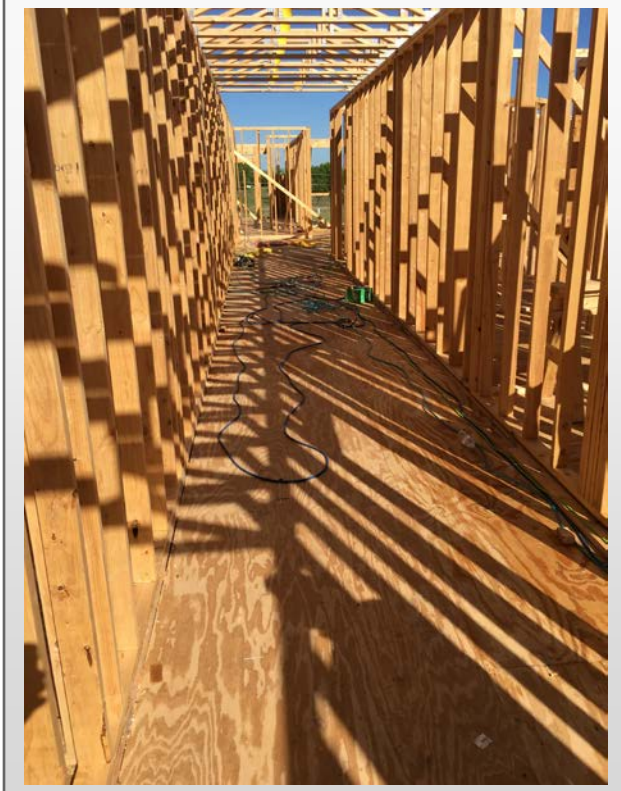
Building #1



Building #1



Building #1



Building #1





Building #1



Building #2



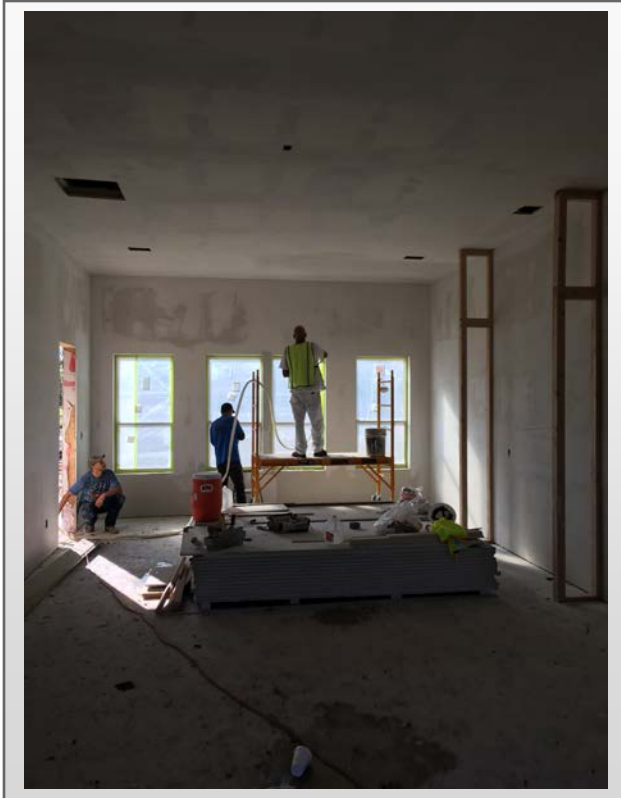
Building #2



Building #2



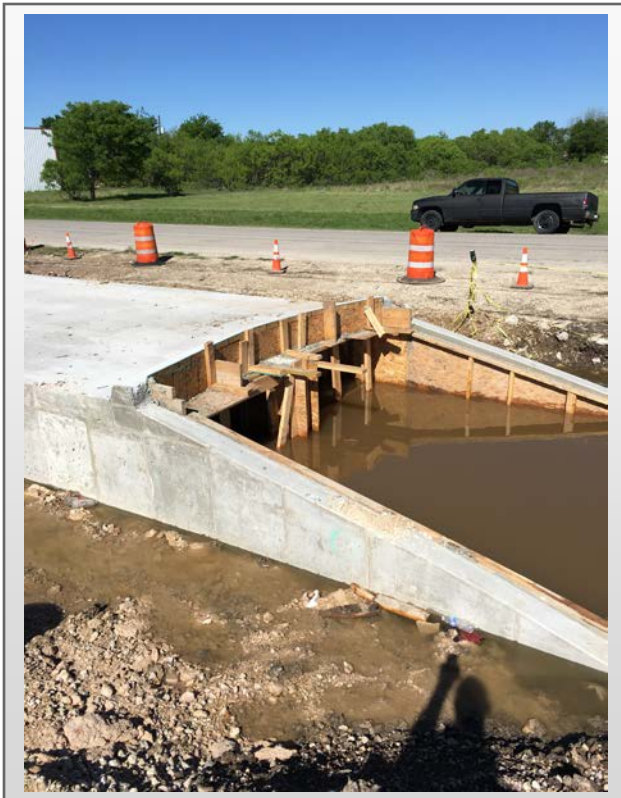
Club Building



Club Building



Club Building



Entry Culvert

IT OTO RA:



General Site Picture



General Site Picture



General Site Picture



General Site Picture



BGO ARCHITECTS  
4202 Beltway Dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Patrick Thomas – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 05-05-17      **DATE ON SITE:** 05-01-17

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 08

---

SITE CONDITIONS: Warm, Sunny, Dry, and Windy

### Progress Report:

- **Site** – No change from last month
- **Building #1** – All floor framing is complete – roof trusses have been delivered but not installed. The majority weather barrier and a most of the windows were installed. First floor MEP's were nearing completion. Second floor mechanical and plumbing rough were in progress. The third floor plumbing stacks were to plate.
- **Building #2** – All floor framing was complete with exception of the third floor units adjacent to the firewall – roof trusses had been delivered but not installed. The weather barrier and windows were installed at the first floor only. No MEP's have been started in this building.
- **Club** – No substantial change to the exterior of the club. The interior was textured, cabinets delivered, and the trim has been started
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Grading is complete and the outlet was starting to take shape

### General Comment Discussed Onsite:

- The next site visit will be **06-05-17** and the remainder of the schedule was discussed and is attached
- GC has bid the water filter system and will forward cost to the owner for review
- ID color selections of materials were discussed and the GC and Owner think they all the majority of the items selected

- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected
- GC to confirm strong back installation per truss MFGs installation instructions
- GC recommends a solid surface installation at the tubs. GC and owner to confirm feasibility and move forward
- Discussion was had on the fire system under the tubs and GC to comply with an approved UL assembly – no untested hybrid’s will be approved
- MEP and structural site reviews were discussed and added to the attached schedule
- GC/Owner to confirm with the city that BV’s inspection are sufficient for C of O
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- BGO recommends only using a SINGLE building wrap supplier that matches the plans an specs
- Scheduling and completion dates were discussed – GC is confident they can complete the project when the owner needs occupancy
- Submittals and RFI’s were discussed – no major outstanding items
- There were no reports of theft or vandalism

**Past Issues and Non-Compliance with Construction Documents:**

- Civil entry detail was discussed and civil to formally issue the revised sheets – **this has been completed and the GC is pricing the rail**
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

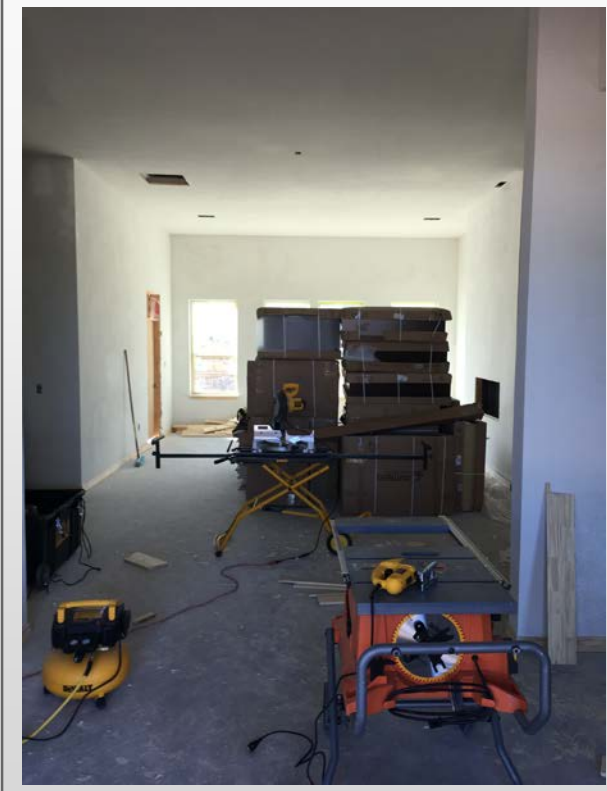
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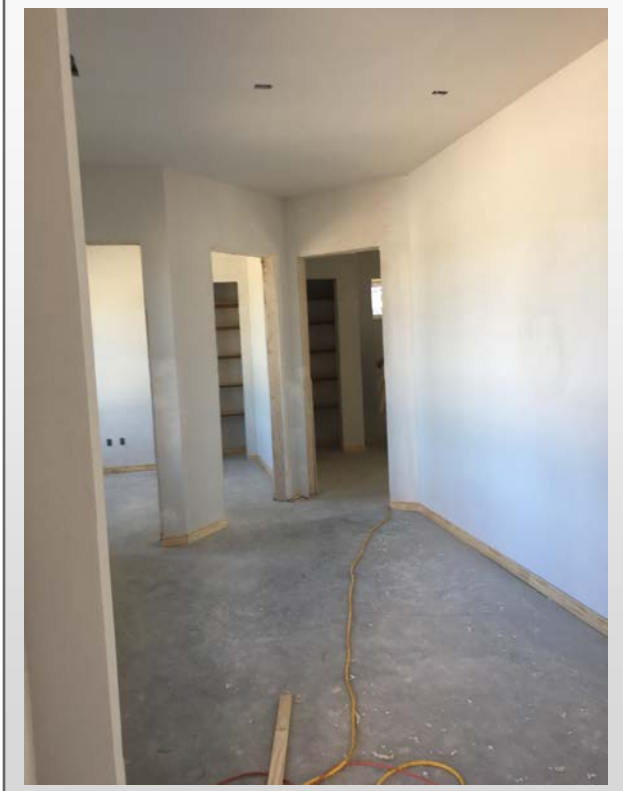
Club Building



Club Building



Club Building



Club Building



Building #1



Building #1



Building #1 – 1<sup>st</sup> Floor



Building #1 – 2<sup>nd</sup> Floor





Building #1 – 3<sup>rd</sup> Floor



Building #1 Roof Trusses



Building #2



Building #2



Building #2 – 1<sup>st</sup> floor



Building #2 – 2<sup>nd</sup> floor



Building #2 – 3<sup>rd</sup> floor



Building #2 firewall at 2<sup>nd</sup> floor



**FIELD REPORT**

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Jesse Thompson – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182  
**REPORT DATE:** 06-07-17  
**OBSERVER:** Jaron Daily

**DATE ON SITE:** 06-05-17  
**DRAW REQUEST NO:** 09

---

SITE CONDITIONS: Warm, Sunny, and Dry

**Progress Report:**

- **Site** – No change from last month
- **Building #1** – Roof trusses have been installed but not decked. First and second floor HVAC equipment and ducting and electrical rough in has been installed and exposed to the weather. Windows are installed and siding on exterior walls has begun
- **Building #2** – Roof is decked and weather barrier is 80% installed on roof. The exterior windows are installed and sprinkler install has begun
- **Club** – Exterior paint has been started. Interior drywall is textured and the trim, tile, and cabinets were being installed
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – Grading is complete and the outlet was starting to take shape

**General Comment Discussed Onsite:**

- The next site visit will be **07-05-17**
- Window flex wrap at sill of the windows was inadvertently left out and the GC is to remove window and install flashing before window reinstall
- Corner poly to be added to all areas without siding already installed
- Under tub UL and fire rating at boxes in rated walls was reviewed again and progress in place is (to date) unacceptable and needs correction or approval from the AHJ
- Penetrations within 4' of the firewall need to be relocated
- All wet HVAC eq. and ducting needs to be dried and checked to ensure no damage
- Structural site reviews are approved to be scheduled ASAP
- MEP site reviews will be scheduled in 2 weeks

- Scheduling and completion dates were discussed – Owner again requested an updated schedule of turn over dates. GC is confident they can complete the project when the owner needs occupancy
- 3rd floor water supply lines should extend up from the 2<sup>nd</sup> floor and not be run in the attic
- GC is unaware of any outstanding items needed from the owner or BGO that is impeding progress
- Submittals and RFI's were discussed – no major outstanding items
- There were no reports of theft or vandalism

**Past Issues and Non-Compliance with Construction Documents:**

- Discussion was had on the fire system under the tubs and GC to comply with an approved UL assembly – no untested hybrid's will be approved
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- BGO recommends only using a SINGLE building wrap supplier that matches the plans and specs
- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



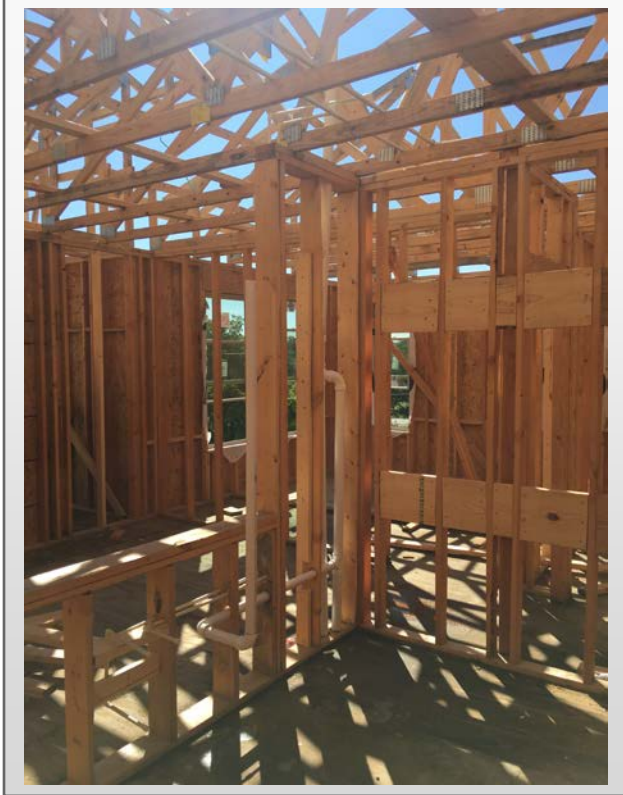
Building #1 exterior



Building #1 - 1<sup>st</sup> floor



Building #1 - 2<sup>nd</sup> floor



Building #1 - 3<sup>rd</sup> floor



Building #2 - exterior



Building #2 - 1<sup>st</sup> floor



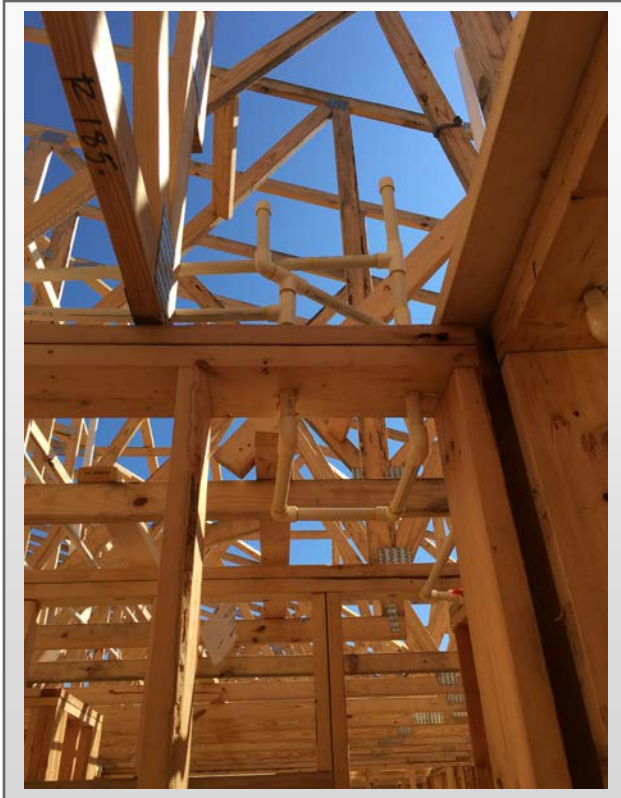
Building #2 - 2<sup>nd</sup> floor



Building #2 - 3<sup>rd</sup> floor



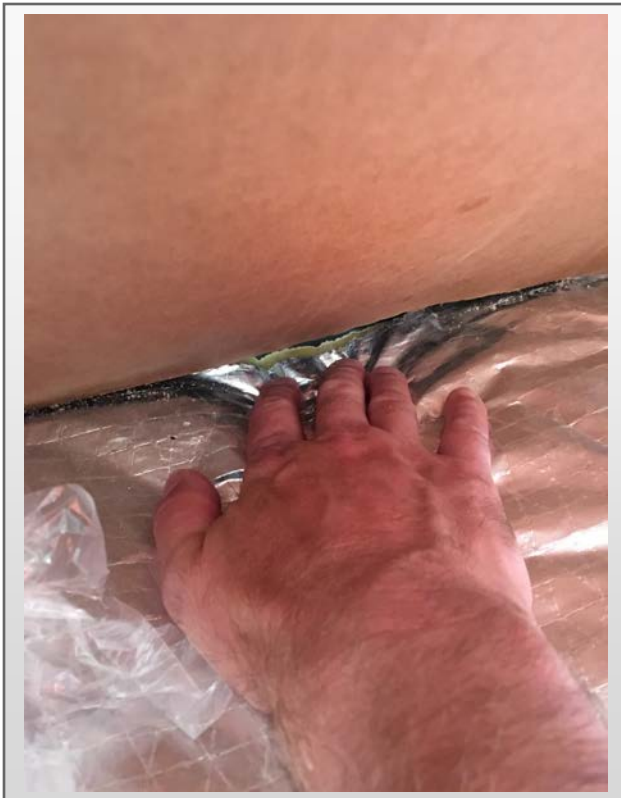
Building #2 firewall penetrations to be moved



Building #1 plumbing is not to be in the attic



Building #1 non-rated boxes in rated walls to be wrapped or moved



Building #1 some of the HVAC EQ had traces of water on/in the insulation



Building #1 building wrap and tape incorrectly installed



Club exterior nearing completion



Club restroom tile being installed



Club great room fireplace installed





BGO ARCHITECTS  
4202 Beltway Dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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### FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Seth Mayfield – Owner  
Ben Frammer / Jesse Thompson – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 07-05-17      **DATE ON SITE:** 07-05-17

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 10

---

SITE CONDITIONS: Warm, Sunny, and Mostly Dry

**Progress Report:**

- **Site** – The drive curb and gutter along with the site sidewalks are nearing completion. The subbase is in place and almost ready for asphalt
- **Building #1** – Comp shingle roof is complete and the siding is 70% complete and being worked on. First and second floor HVAC equipment and ducting and electrical rough in has been installed. Windows are installed but still need the flashing correction.
- **Building #2** – Comp shingle roof is complete and the siding is 15% complete and being worked on. All floors have HVAC equipment and ducting. Electrical rough in has been started. Windows are installed and flashing correction is almost complete.
- **Club** – No change in exterior this month. Flooring and cabinets have been installed and final finish out electrical and punch have been started
- **Trash Enclosure #1** – The GC was pouring the foundation while the group was on site
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – complete and operational

**General Comment Discussed Onsite:**

- The next site visit will be **08-08-17**
- GC to ensure final grade drains away from all buildings. The space between Building 1 and the Club will be challenging.
- The concrete ‘lip’ in the mail room needs to be skimmed to be level (no more than 2% slope in any direction)

- Window flex wrap at sill of the windows was inadvertently left out and the GC is to remove window and install flashing before window reinstall (The correction is underway and almost complete on Building #2)
- Draft stops are in place and look good
- Owner to confirm furniture and plug locations prior to 100% punch in the club
- Under tub UL was reviewed again. The local FM has accepted the use of the sleepers. GC to ensure the sleepers do not create voids/pockets in the gypcrete under the tub
- GC to ensure the holes cut for the tub pipes is patched with a UL approved assembly
- Penetrations within 4' of the firewall need to be relocated (no change from last month)
- 5/8" gyp needs to be installed at all decking (as tight to the decking as possible) that is not fire retardant and within 4' of a firewall
- 3rd floor water supply lines should extend up from the 2<sup>nd</sup> floor and not be run in the attic (building 2 still needs correction)
- GC to ensure the electrical boxes are set at the correct height for res channel / gyp to ensure fire rating needed
- The GC ensured the use of putty packs on all non-rated boxes that are installed in rated walls
- GC to ensure all breezeway sill flashing is installed tight to the wall. Any area that is not tight to the wall needs to be replaced
- GC to ensure all attic access points are lockable and not just scuttles
- The structural report items (attached) are being corrected and several were noted while the group was on site
- No major outstanding submittals or RFI's
- There were no reports of theft or vandalism
- Scheduling and completion was discussed – The GC has made great strides this month and once drywall starts the GC will update the schedule and provide final turn dates
- The club should be ready to turn to the owner by Aug 1<sup>st</sup> (for move in if nothing else)

**Past Issues and Non-Compliance with Construction Documents:**

- Corner poly to be added to all areas without siding already installed
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- The GC has made a great amount of progress this month. If quality and speed continue there should be no issue completing the project within the required timeline.
- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

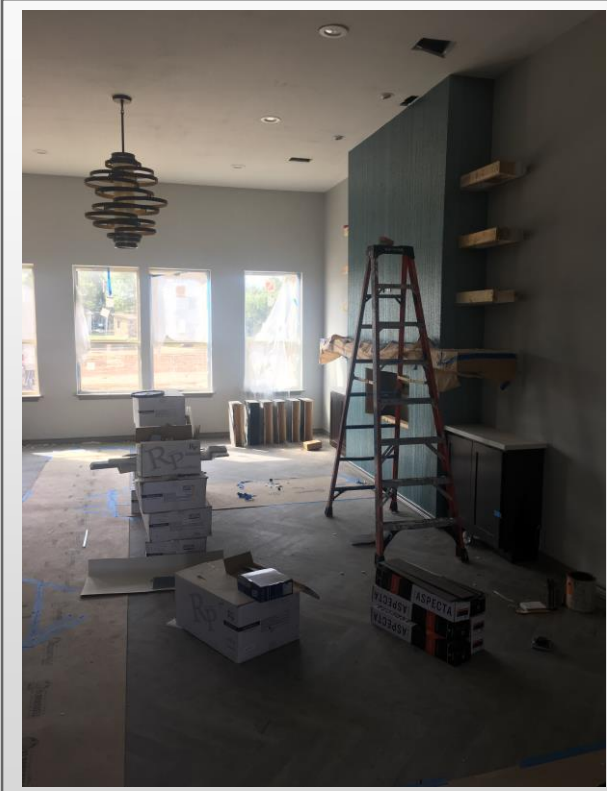
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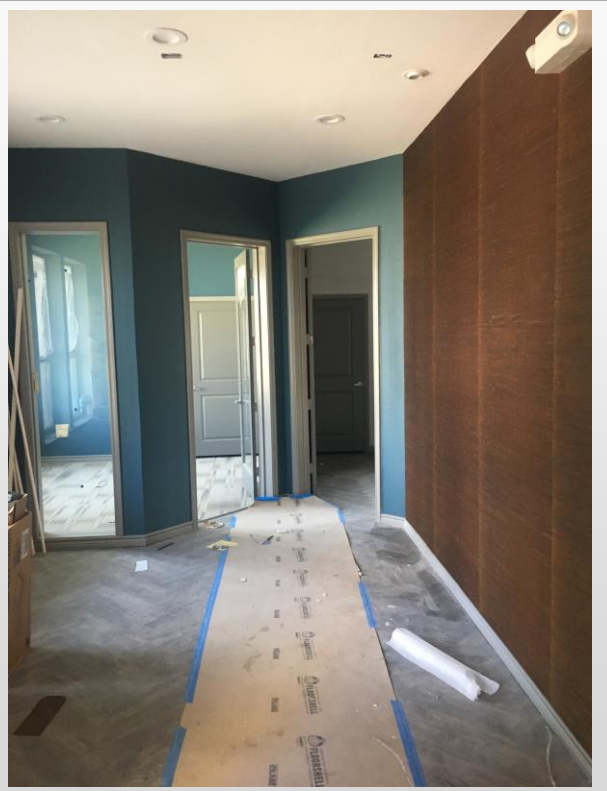
Club Entry



Club Rear



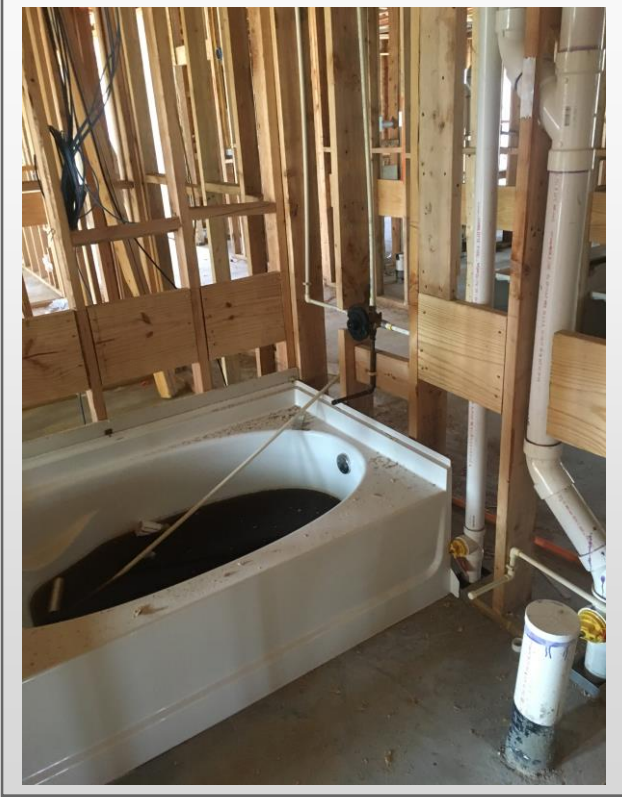
Club



Club



Building #1



Building #1 – First Floor



Building #1 – Second Floor



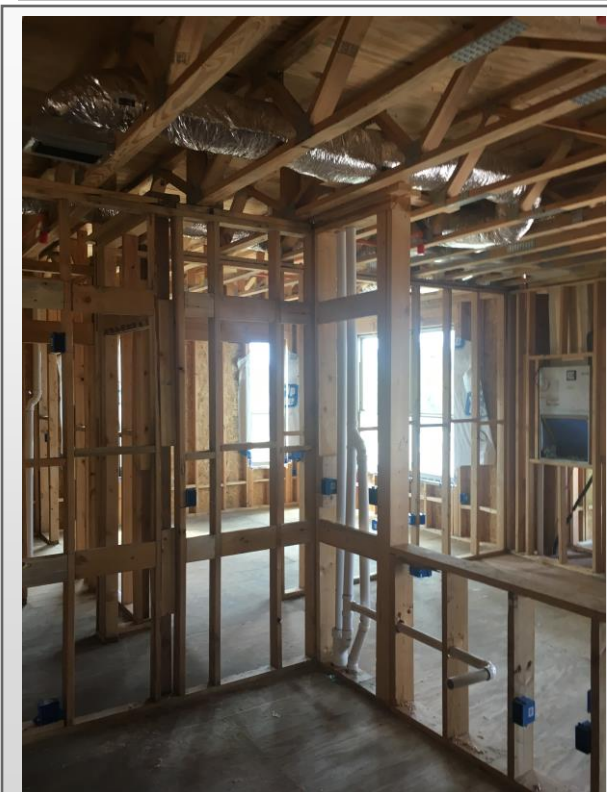
Building #1 – Third Floor



Building #2



Building #2 – Second Floor



Building #2 Second Floor



Building #2 – Third Floor



Plumbing within 4' of the firewall – needs to be relocated



Breezeway flashing not tight to the wall – needs replacing



Window wrap sill flashing installed



Ensure tub holes are patched

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# **Construction Status 3rd Quarter Report July - September**

**For**

**Trails of Brady**

**TDHCA #15241**

**THF Brady Housing, Ltd.**

**Primary Contact:  
Mark Mayfield  
Texas Housing Foundation  
1110 Broadway  
Marble Falls, TX 78654  
Phone: (830) 693-4521  
mmayfield@txhf.org**

**Secondary Contact:  
Dru Childre  
Dharma Development, LLC  
11312 Conchos River Trail  
Austin, TX 78717  
Phone: (512) 257-0054  
dru@dharmadevelop.com**

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# Tab 3

Item (3) – AIA G702 and G703

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**THF Housing Development Corporation**  
 1110 Broadway Street, Marble Falls, TX 78654-5504  
 Phone: 830-693-4521

# Progress Billing

Application: 13  
 Period: 10/04/2017

**Owner:** THF Brady Housing, Ltd.  
 1110 Broadway  
 Marble Falls, TX 78654

**Job Location:** TRAILS OF BRADY APARTMENTS  
 1915 Nine Road  
 Brady, TX 76825

## Application For Payment On Contract

Original Contract.....	7,119,550.40
Net Change by Change Orders.....	266,718.72
Contract Sum to Date.....	7,386,269.12
Total Complete to Date.....	<u>6,248,505.37</u>
Total Retained.....	330,515.80
Total Earned Less Retained.....	<u>5,917,989.57</u>
Less Previous Billings.....	<u>5,646,828.70</u>
Current Payment Due.....	<u>271,160.87</u>
Balance on Contract.....	<u>1,468,279.55</u>

## Contractor's Certification of Work

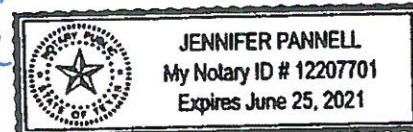
The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: [Signature] Date: 10/9/17

State of: TEXAS  
 County of: Burnet  
 Subscribed and sworn to before  
 me this 9 day of October 2017

Notary Public: Jennifer Pannell  
 My Commission expires: 6-25-21



## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising This application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 271,160.87

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: [Signature] Date: 10.09.2017

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

# Progress Billing

Application: 13  
 Period: 10/04/2017

Description of Work	Scheduled	Changes	Contract	Previous	Current Com.	Prev. Stored Mat	Current Stor.	Total Comp.	%	Balance	Retained
CONCRETE	446,586.00		446,586.00	446,586.00				446,586.00	100.00	-	22,329.30
MASONRY	24,500.00		24,500.00	24,500.00				24,500.00	100.00	-	1,225.00
METALS	119,800.00		119,800.00	73,078.00	15,574.00			88,652.00	74.0	31,148.00	4,432.60
R. CARPENTRY	1,246,887.30		1,246,887.30	1,051,120.80		165,630.33		1,216,751.13	97.58	30,136.17	69,119.07
F. CARPENTRY	80,000.00		80,000.00	25,974.45	11,625.55			37,600.00	47.0	42,400.00	1,880.00
INSULATION	75,050.00		75,050.00	66,044.00				66,044.00	88.0	9,006.00	3,302.20
ROOFING	101,955.00		101,955.00	56,774.19		45,180.81		101,955.00	100.0	-	7,356.79
DOORS	171,845.43		171,845.43	139,194.80	12,029.18			151,223.98	88.0	20,621.45	7,561.20
WINDOWS	56,824.29		56,824.29	56,824.29				56,824.29	100.0	-	2,841.21
GLASS	12,500.00		12,500.00	8,621.55				8,621.55	68.97	3,878.45	431.08
DRYWALL	420,000.00		420,000.00	328,107.00		23,192.50		351,299.50	83.64	68,700.50	18,724.60
TILE	44,284.00		44,284.00	9,299.64	7,528.28			16,827.92	38.0	27,456.08	841.40
FLOORING	131,896.00		131,896.00		54,077.36			54,077.36	41.0	77,818.64	2,703.87
PAINTING	305,000.00		305,000.00	19,751.46	59,548.54			79,300.00	26.0	225,700.00	3,965.00
SPECIALITIES	45,916.48		45,916.48	34,653.70	2,997.81			37,651.51	82.0	8,264.97	1,882.58
CABINETS & COUNTEROP	144,000.00		144,000.00	59,578.76	27,774.75	4,806.49		92,160.00	64.0	51,840.00	4,848.33
APPLIANCES	114,803.00		114,803.00	11,376.55				11,376.55	9.91	103,426.45	568.83
PLUMBING	450,000.00		450,000.00	382,499.50				382,499.50	85.0	67,500.50	19,124.98
SPRINKLER SYSTEM	156,700.00		156,700.00	133,195.00				133,195.00	85.0	23,505.00	6,659.75
HVAC	310,000.00		310,000.00	108,200.00	41,600.00	123,000.00		272,800.00	88.0	37,200.00	19,790.00
ELECTRICAL	588,598.50		588,598.50	482,650.77	17,657.96			500,308.73	85.0	88,289.77	25,015.44
CLEARING/EARTHWORK	353,375.00		353,375.00	349,630.86				349,630.86	98.94	3,744.14	17,481.54
UNDERGROUND UTILITIES	298,561.00		298,561.00	298,561.00				298,561.00	100.00	-	14,928.05
ROADS / WALKWAYS	360,094.00		360,094.00	360,094.00				360,094.00	100.00	-	18,004.70
SITE IMPROVEMENTS	35,746.00		35,746.00	25,746.00				25,746.00	72.02	10,000.00	1,287.30
LANDSCAPING	70,298.00		70,298.00	15,217.25				15,217.25	21.65	55,080.75	760.86
SECURITY	35,000.00		35,000.00	22,400.00	350.00			22,750.00	65.0	12,250.00	1,137.50
DUMP FEES	45,000.00		45,000.00	34,200.00	1,800.00			36,000.00	80.0	9,000.00	1,800.00
MOBILIZATION	25,000.00		25,000.00	25,000.00				25,000.00	100.00	-	1,250.00
GENERAL REQUIREMENT:	374,713.20		374,713.20	302,505.97	14,501.40			317,007.37	84.60	57,705.83	15,850.37
GENERAL OVERHEAD	99,904.00		99,904.00	80,652.50	3,866.28			84,518.78	84.60	15,385.22	4,225.94
PROJECT PROFIT	374,713.20		374,713.20	302,505.97	14,501.40			317,007.37	84.60	57,705.83	15,850.37
CHANGE ORDER #1		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #2		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #3		58,830.00	58,830.00	58,830.00				58,830.00	100.00	-	2,941.50
CHANGE ORDER #4		42,744.30	42,744.30	42,744.30				42,744.30	100.00	-	2,137.22
CHANGE ORDER #5		47,484.42	47,484.42	47,484.42				47,484.42	100.00	-	2,374.22
	\$ 7,119,550.40	\$ 266,718.72	\$ 7,386,269.12	\$ 5,601,262.73	\$ 285,432.51	\$ 361,810.13	\$ -	\$ 6,248,505.37	84.60	\$ 1,137,763.75	\$ 330,515.80

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# Tab 4

Item (4) – Construction Inspection  
Reports

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BGO ARCHITECTS  
4202 Beltway Dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

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## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Craig Weber – Owner  
Ben Frammer / Jesse Thompson – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 08-10-17      **DATE ON SITE:** 08-08-17

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 11

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SITE CONDITIONS: Warm, Sunny, and Mostly Dry

**Progress Report:**

- **Site** – The drive curb and gutter along with the site sidewalks are complete (minus punch). The city water connection is installed and the electric company was on site placing transformers.
- **Building #1** – The siding is substantially complete. 50% of the stairs are installed as are the balcony rails. First floor ceilings are rocked and the walls are insulated. Second floor walls and ceiling are being rocked. The third floor ceilings are being rocked and the walls are insulated. GC stated several windows and several structural items still being corrected on the first floor.
- **Building #2** – The siding is 95% complete. All the stairs are installed. All floors are at the same stage of construction. The majority of the exterior doors are installed, the MEP rough in and box out with wire is complete. HVAC and ducting is installed and res-channel has been hung in the first floor corridor. Window and structural corrections are complete.
- **Club** – No change in exterior this month. Minus a few outstanding items, the interior is cleaned and ready for punch.
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – complete and operational

**General Comment Discussed Onsite:**

- The next site visit will be **09-08-17**
- The concrete 'lip' at the mail room and some first floor unit entries needs to be skimmed to be level (no more than 2% slope in any direction)
- Broken sidewalks sections need to be replaced
- GC to ensure the HC sink skirts meet code (detail 11/A0-07)
- GC has been instructed to add a vanity light in the club restrooms per the architectural layout
- GC to ensure NO exterior paint colors transition at an outside color. GC requested color maps from BGO and we will supply in the coming days.
- Ensure the thresholds are installed under the door. The club and several units had the threshold installed too far to the interior of the building
- GC to ensure all first floors are blocked according to detail #8 and 9/A0-07 – many of the units were missing blocking at the first floor
- Ensure the HVAC overflow detection is per mfg recommendations. Most require the sensor to be installed in a "T" formation before the trap (see the attached) or on secondary overflow. The current configuration is not acceptable to the MEP and should be revised
- Owner requested an access panel to the HVAC drain for maintenance. MEP confirmed this is actually code required and suggested an 18x18 grill be placed in the wall to allow for drain access.
- The tubs are missing the glass mat tile backer. This is a code required item
- Ensure fire caulk is used at all UL penetrations
- Ensure correct screws are used when installing gyp board. Screws that are too long will shortcut the acoustics of the system and there will be sound transmission issues
- Ensure the stair landings are at least the width of the stairs. The landing at stair #1 on building A is too shallow. GC to confirm correct construction dimensions were used based on detail 1/A6.01
- Ensure all missing building wrap is replaced and lapped correctly
- Ensure a quad plug is provided in the maintenance area per the plans
- Ensure pulls are added to the clubhouse cabinets – to be selected by owner
- Ensure the unit kitchen island wiring that is missing is placed in conduit in the slab
- Penetrations within 4' of the firewall need to be relocated (no change from last month)
- GC to ensure the electrical boxes are set at the correct height for res channel / gyp to ensure fire rating needed. Most of building A had the refrigerator box incorrectly blocked and did not meet code – on going
- The GC ensured the use of putty packs on all non-rated boxes that are installed in rated walls – on going
- Unit signage is ready to move forward. The owner has reviewed and approved the concept, but not the submittal package
- Schedule was discussed. The GC is still confident in their ability to make the completion date
- Club punch walk is schedule for the 17<sup>th</sup> and the furniture will be delivered the 21<sup>st</sup>
- GC to provide a monument sign bid by the 15<sup>th</sup>
- GC to supply the owner with a bid for the chain link fence along the rear of the property as discussed
- GC to order pendant lights for the club kitchen – using the ID selections as a point of reference

- No major outstanding submittals or RFI's
- There were no reports of theft or vandalism

**Past Issues and Non-Compliance with Construction Documents:**

- GC to ensure final grade drains away from all buildings. The space between Building 1 and the Club will be challenging.
- Owner to confirm furniture and plug locations prior to 100% punch in the club
- Under tub UL was reviewed again. The local FM has accepted the use of the sleepers. GC to ensure the sleepers do not create voids/pockets in the gypcrete under the tub
- 5/8" gyp needs to be installed at all decking (as tight to the decking as possible) that is not fire retardant and within 4' of a firewall
- 3rd floor water supply lines should extend up from the 2<sup>nd</sup> floor and not be run in the attic (building 2 still needs correction)
- GC to ensure all breezeway sill flashing is installed tight to the wall. Any area that is not tight to the wall needs to be replaced
- GC to ensure all attic access points are lockable and not just scuttles
- Corner poly to be added to all areas without siding already installed
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- The GC has made a great amount of progress this month. If quality and speed continue there should be no issue completing the project within the required timeline.
- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



Water main installed



Main entry being poured



Club Exterior



Club Interior





Club colors transitioning on an outside corner



Misc. club sidewalk needing repair



Building A - Exterior



Building A – 1<sup>st</sup> floor



Building A – 2<sup>nd</sup> floor



Building A – 3<sup>rd</sup> floor



Building B - Exterior



Building B – 1<sup>st</sup> floor



Building B – 2<sup>nd</sup> floor



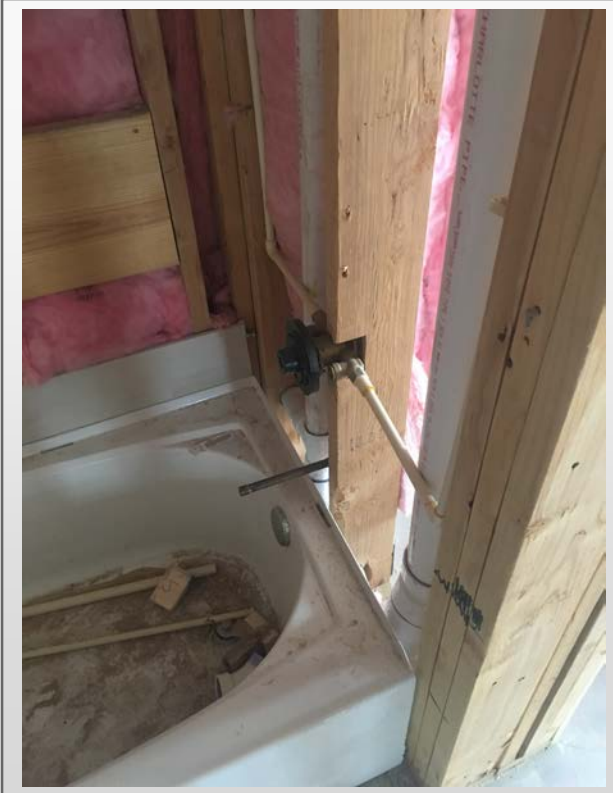
Building B - 3rd floor



Building A – Ensure the overflow switch is installed per the MFG



Building A – Ensure the non-rated boxes are putty packed



Building A – Missing blocking at tub head



Building A – Ensure wire is in conduit



Building A – Ensure only Glass Mat is used behind the tub tile



Building B - Missing some building wrap

# Trails of Brady FINAL Site Visit Schedule

## REVISED 08-08-2017

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All meetings start at 10:30 am

09-08-17

10-06-17

11-06-17

12-04-17



BGO ARCHITECTS  
4202 Beltway Dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

---

## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Craig Weber – Owner  
Ben Frammer / Jesse Thompson – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 09-12-17      **DATE ON SITE:** 09-08-17

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 12

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SITE CONDITIONS: Warm, Sunny, and Dry

**Progress Report:**

- **Site** – No change from last month
- **Building #1** – The siding, stairs, and MEP rough-in are complete; the drywall / tape bead and texture is nearing completion. The gypcrete has been poured in the second and third floors. Lower cabinets are stocked in the breezeways and some of the units. The water filtration equipment has been delivered, but not installed.
- **Building #2** – The siding is still missing a portion on the interior courtyard. The entire building has been insulated and sheetrock is being hung on the ceilings of the first floor. The stairs are in progress, but not complete. No light weight concrete or gypcrete has been poured. The water filter equipment has been delivered, but not installed. The building is stocked with exterior doors that are ready to install.
- **Club** – Some minor fine grading has been started, but other than that no change in exterior this month. The building is still without power – transformers have been set. The furniture has been moved in and the owner has supplied a punch list. No club punch items have been resolved.
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – complete and operational

**General Comment Discussed Onsite:**

- The next site visit will be **10-06-17**
- All items that were discussed last month and listed below under past issues are all still needing correction.
- GC to ensure proper T-bar installation with regards to water-proofing at the T-bar/flashing connection. The T-bar needs to be pulled up and the water-proofing needs to run under the T-bar. Per detail #6/7-08. The corners should be flashed as shown in detail #12/7-08.
- All cleanouts that have been broken off and filled with gravel will need to be cleaned out.
- The waterproofing at the balcony storage doors needs to be covered with metal counter flashing to ensure no punctures.
- The loose tile in the men's restroom needs to be removed and replaced
- The switch and fire extinguisher under the kitchen sink need to be moved or be flush – the space under the sink should be clear
- Unit 1206 – the tub end wall gyp extension needs to be cut back and should be equal distance from the tub as the foot wall
- Unit 1102 (and all HC units of the same style) - the tub wall extension needs to be cut back approx. 7" to allow for the clear pull of the bathroom door
- GC to ensure ¼" sheetrock is installed where res-channel cannot be (mainly at breezeway siding applications)
- Ensure the sheetrock extends to the decking as to not leave a gap above the gypcrete
- Schedule was discussed. The GC is still confident in their ability to make the completion date
- No major outstanding submittals or RFI's
- There were no reports of theft or vandalism

**Past Issues and Non-Compliance with Construction Documents:**

**08-08-17**

- The concrete 'lip' at the mail room and some first floor unit entries needs to be skimmed to be level (no more than 2% slope in any direction)
- GC to ensure the HC sink skirts meet code (detail 11/A0-07)
- GC has been instructed to add a vanity light in the club restrooms per the architectural layout
- GC to ensure NO exterior paint colors transition at an outside color. GC requested color maps from BGO and they have been supplied.
- Ensure the thresholds are installed under the door. The club and several units had the threshold installed too far to the interior of the building
- GC to ensure all first floors are blocked according to detail #8 and 9/A0-07 – many of the units were missing blocking at the first floor
- Ensure the HVAC overflow detection is per mfg recommendations. Most require the sensor to be installed in a "T" formation before the trap (see the attached) or on secondary overflow. The current configuration is not acceptable to the MEP and should be revised
- Owner requested an access panel to the HVAC drain for maintenance. MEP confirmed this is actually code required and suggested an 18x18 grill be placed in the wall to allow for drain access.
- The tubs are missing the glass mat tile backer. This is a code required item

- Ensure correct screws are used when installing gyp board. Screws that are too long will shortcut the acoustics of the system and there will be sound transmission issues
- Ensure the stair landings are at least the width of the stairs. The landing at stair #1 on building A is too shallow. GC to confirm correct construction dimensions were used based on detail 1/A6.01
- Ensure all missing building wrap is replaced and lapped correctly
- Ensure a quad plug is provided in the maintenance area per the plans
- Ensure the unit kitchen island wiring that is missing is placed in conduit in the slab
- Penetrations within 4' of the firewall need to be relocated (no change from last month)
- GC to ensure the electrical boxes are set at the correct height for res channel / gyp to ensure fire rating needed. Most of building A had the refrigerator box incorrectly blocked and did not meet code – on going
- The GC ensured the use of putty packs on all non-rated boxes that are installed in rated walls – on going

### **07-07-17 and before**

- GC to ensure final grade drains away from all buildings. The space between Building 1 and the Club will be challenging.
- Owner to confirm furniture and plug locations prior to 100% punch in the club
- Under tub UL was reviewed again. The local FM has accepted the use of the sleepers. GC to ensure the sleepers do not create voids/pockets in the gypcrete under the tub
- 5/8" gyp needs to be installed at all decking (as tight to the decking as possible) that is not fire retardant and within 4' of a firewall
- 3rd floor water supply lines should extend up from the 2<sup>nd</sup> floor and not be run in the attic (building 2 still needs correction)
- GC to ensure all breezeway sill flashing is installed tight to the wall. Any area that is not tight to the wall needs to be replaced
- GC to ensure all attic access points are lockable and not just scuttles
- Corner poly to be added to all areas without siding already installed
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls
- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off



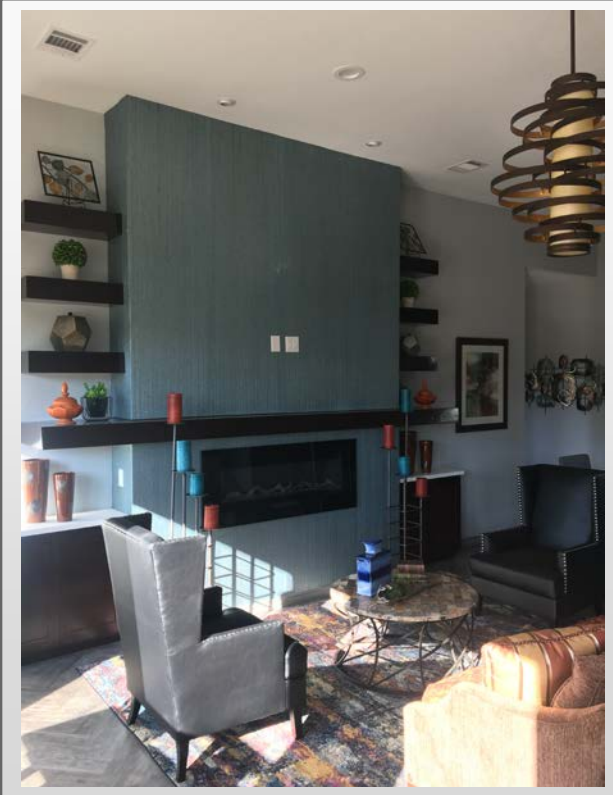
**SUMMARY:**

- The GC has made a great amount of progress this month. If quality and speed continue there should be no issue completing the project within the required timeline.
- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT PHOTO RA:



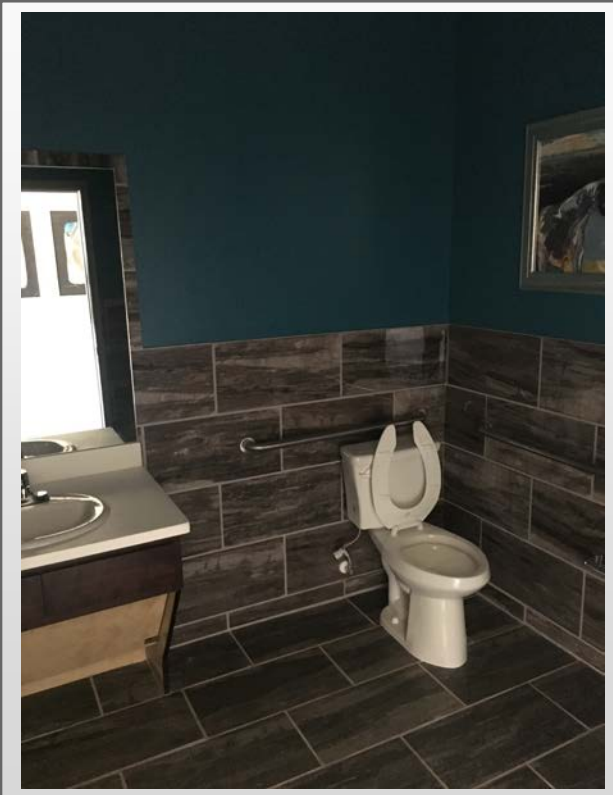
Club Building



Club Building



Club Building



Club Building



Building #1



Building #1 – doors and cabinets stocked and ready for install



Building #1 typical HVAC needs access panel



Building #1 – Typical tub needs code approved tile underlayment



Building #1 Unit 1202 – Base cabinets stocked



Building #1 Unit 1202 – Gypcrete installed. Ensure fireproofing is maintained



Building #1 Unit 1310- tape bead and texture complete



Building #2



Building #2



Building #2 Filtr Eq in place



Building #2 First floor unit



Building #2 Second floor unit



Building #2 Third floor unit



Building #2 ensure insulation is corrected before cover up



Building #2 Ensure cleanout pipes are clear prior to turnover



Building #2 Ensure missing building wrap is corrected prior to cover up

# Trails of Brady FINAL Site Visit Schedule

## REVISED 08-08-2017

---

All meetings start at 10:30 am

09-08-17

10-06-17

11-06-17

12-04-17



BGO ARCHITECTS  
4202 Beltway Dr. Addison, Texas 75001 214-520-8878 Fax 214-520-8879

---

## FIELD REPORT

**TO:** Dru Childre / Adrian Iglesias / Craig Weber – Owner  
Jesse Thompson – F&H Construction

**FROM:** Jaron Daily

**PROJECT NAME:** Trails of Brady – Brady, TX

**PROJECT NO:** 15182

**REPORT DATE:** 10-09-17      **DATE ON SITE:** 10-06-17

**OBSERVER:** Jaron Daily      **DRAW REQUEST NO:** 13

---

SITE CONDITIONS: Warm, Sunny, and Dry

### Progress Report:

- **Site** – No change from last month
- **Building #1** – The exterior has seen no change from last month. The interior trim has been started on the first floor. Trim and interior painting is well underway on the second and third floors. Cabinets are being set on the second floor. Tub tile surrounds are sporadic throughout. The water filtration equipment has still not been installed. Many interior doors are still missing. No outstanding items have been resolved.
- **Building #2** – The exterior has seen no change from last month. The first floor has sheet rock hung, the second has sheetrock started and the third is stocked and ready. No outstanding items have been resolved.
- **Club** – No progress this month and no club punch items have been resolved.
- **Trash Enclosure #1** – No progress
- **Trash Enclosure #2** - No progress
- **Trash Enclosure #3** - No progress
- **Detention Pond** – complete and operational

### General Comment Discussed Onsite:

- The next site visit will be **11-06-17**
- All items that were discussed last month and listed below under past issues and not crossed thru are all still needing correction.
- Third floor of the Building B needs to have the sheetrock laid down (not stored on its end) and limit the number to 36 total sheets per room (16 pairs) or as allowed by the structural drawings.
- Building B stair towers have the weather barrier lapped incorrectly. The barrier should sheet water to the outside. GC to ensure correct lapping.



- The owner had a long list of club punch items that were not completed according to the plans (thermostats still missing, Cat-6 should be run not Cat-5, number of drop wires, attic access locations, attic electrical runs and open J-Boxes)
- Questions were asked about the club attic access and expansion tanks in the building attic. Emails for both questions were emailed to the group. (MEP said tanks can be removed and a second attic access is required in the club)
- BGO to help confirm if data drop is needed in dining area
- **Schedule was discussed. The GC needs more manpower to ensure the project is delivered by the required completion date**
- No major outstanding submittals or RFI's
- There were no reports of theft or vandalism

**Past Issues and Non-Compliance with Construction Documents:**

**09-08-17**

- GC to ensure proper T-bar installation with regards to water-proofing at the T-bar/flashing connection. The T-bar needs to be pulled up and the water-proofing needs to run under the T-bar. Per detail #6/7-08. The corners should be flashed as shown in detail #12/7-08.
- All cleanouts that have been broken off and filled with gravel will need to be cleaned out.
- The waterproofing at the balcony storage doors needs to be covered with metal counter flashing to ensure no punctures.
- The loose tile in the men's restroom needs to be removed and replaced
- The switch and fire extinguisher under the kitchen sink need to be moved or be flush – the space under the sink should be clear
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- Ensure the sheetrock extends to the decking as to not leave a gap above the gypcrete

**08-08-17**

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- GC to ensure all first floors are blocked according to detail #8 and 9/A0-07 – many of the units were missing blocking at the first floor
- Ensure the HVAC overflow detection is per mfg recommendations. Most require the sensor to be installed in a "T" formation before the trap (see the attached) or on secondary overflow. The current configuration is not acceptable to the MEP and should be revised

- Owner requested an access panel to the HVAC drain for maintenance. MEP confirmed this is actually code required and suggested an 18x18 grill be placed in the wall to allow for drain access. **The group discussed having the GC cut access panels when the HVAC safety switch is corrected. GC to cut a large (2'x3') access to allow for future maintenance. The saved sheetrock should be reattached with screws along with an oversized section of plywood to ensure fire rating and no tenant access. The plywood should extend 4" past the gyp cut and is to be textured and painted to match the inside closet. Screw heads to remain exposed for future removal.**
- ~~The tubs are missing the glass mat tile backer. This is a code required item~~
- Ensure correct screws are used when installing gyp board. Screws that are too long will shortcut the acoustics of the system and there will be sound transmission issues
- Ensure the stair landings are at least the width of the stairs. The landing at stair #1 on building A is too shallow. GC to confirm correct construction dimensions were used based on detail 1/A6.01
- Ensure all missing building wrap is replaced and lapped correctly
- Ensure a quad plug is provided in the maintenance area per the plans
- Ensure the unit kitchen island wiring that is missing is placed in conduit in the slab
- Penetrations within 4' of the firewall need to be relocated (no change from last month)
- GC to ensure the electrical boxes are set at the correct height for res channel / gyp to ensure fire rating needed. Most of building A had the refrigerator box incorrectly blocked and did not meet code – on going
- The GC ensured the use of putty packs on all non-rated boxes that are installed in rated walls – on going

#### **07-07-17 and before**

- GC to ensure final grade drains away from all buildings. The space between Building 1 and the Club will be challenging.
- ~~Owner to confirm furniture and plug locations prior to 100% punch in the club~~
- ~~Under tub UL was reviewed again. The local FM has accepted the use of the sleepers. GC to ensure the sleepers do not create voids/pockets in the gypcrete under the tub~~
- 5/8" gyp needs to be installed at all decking (as tight to the decking as possible) that is not fire retardant and within 4' of a firewall
- 3rd floor water supply lines should extend up from the 2<sup>nd</sup> floor and not be run in the attic (building 2 still needs correction)
- GC to ensure all breezeway sill flashing is installed tight to the wall. Any area that is not tight to the wall needs to be replaced
- GC to ensure all attic access points are lockable and not just scuttles
- ~~Corner poly to be added to all areas without siding already installed~~
- BGO recommends using closed risers as shown in the details to avoid confusion caused by a new TDHCA interpretation
- Entry access at the first floor outside corner units must be skim coated to ensure ADA access to the unit entry door (no more than 2% in any direction for the width of the door and the push/pull space)
- ~~Ensure building wrap is installed incorrectly at the window heads and incorrect installation locations to be corrected~~
- The electrical boxes in the building #1 should not be back to back or shall have putty packs
- GC was instructed to be sure and only use rated boxes (or ensure non rated boxes are wrapped on 5 sides with drywall) in rated walls

- Trash dumpsters were discussed and the GC is proceeding to keep the dumpsters as close to the fire lane as possible
- Grading at the front corner of building #2 was reviewed with the proposed civil revisions. A small curb will be added to the sidewalk if needed to prevent sluff off

**SUMMARY:**

- The GC has made progress this month but no one trade has completed anything. Man power seems to continue to be a problem for the GC.
- Except for the above items, construction appears to be of good quality and substantially conforms to plans and specifications.

IT OTO RA:



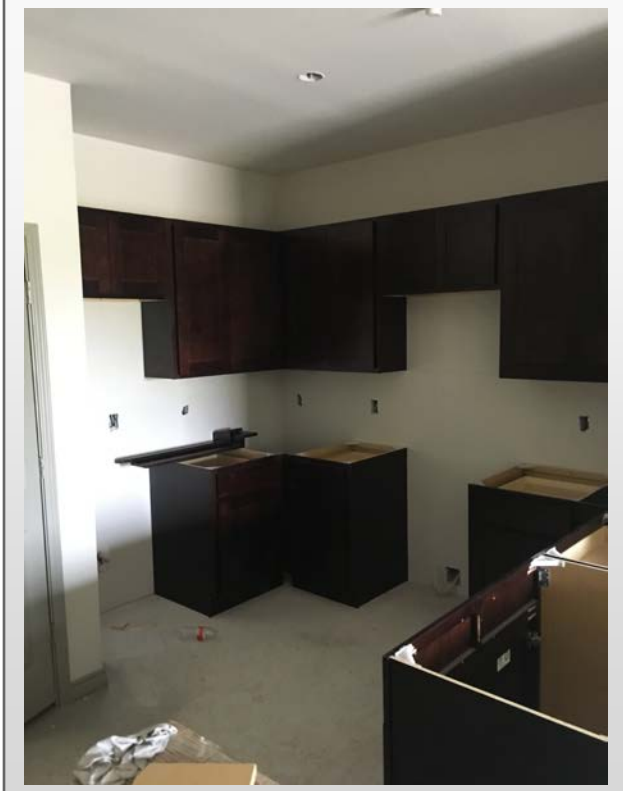
Building #1



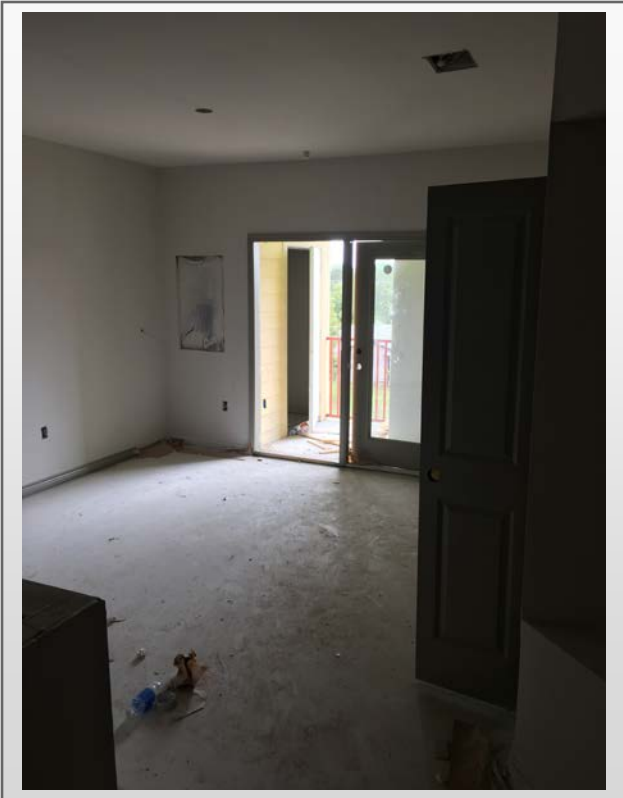
Building #1



Building #1 units 1103



Building #1 unit 1204



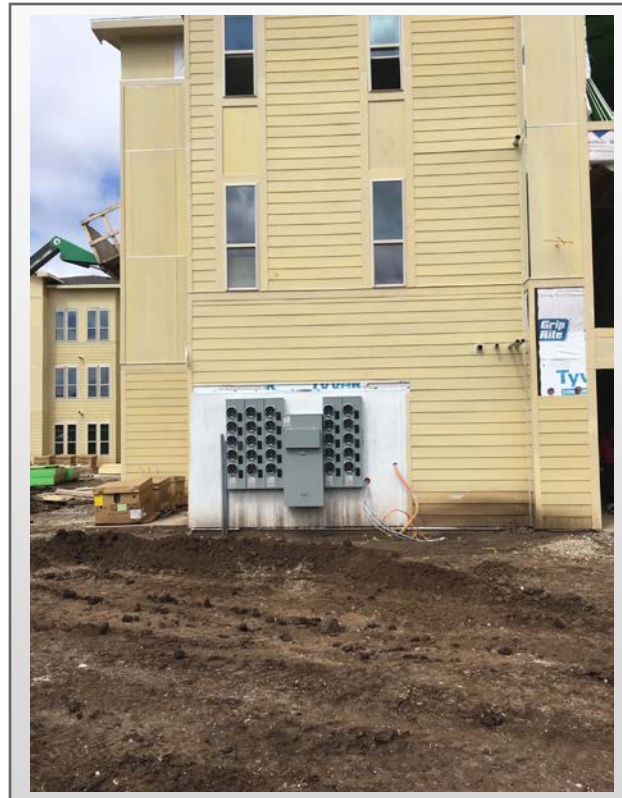
Building #1 unit 1310



Building #1 trim at unfinished edge



Building #2



Building #2



Building #2 unit 2108



Building #2 unit 2211



Building #2 unit 2302



Building #2 stair tower WRB mis-lapped



Building #3



Building #3



Building #1 trim at door leaves a gap



Building #1 tub wall extends too far

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action on a request for the extension of the placement in service deadline under 10 TAC §11.6(5) of the 2017 Qualified Allocation Plan (“QAP”) related to Credits Returns Resulting from Force Majeure Events

**RECOMMENDED ACTION**

**WHEREAS**, an award of Competitive (9%) Housing Tax Credits in the amount of \$893,609 to 15247 City Square Lofts (the “Development”) was approved by the Board on July 30, 2015;

**WHEREAS**, staff executed a Carryover Allocation Agreement with the Development Owner on December 17, 2015, that included a certification from the Development Owner that each building for which the allocation was made would be placed in service by December 31, 2017;

**WHEREAS**, on October 31, 2017, the Department received from the Development Owner a request to extend the placement in service deadline under the requirements of 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events;

**WHEREAS**, other than in situations covered by force majeure, the Department lacks authority to extend federal deadlines for placement in service; and

**WHEREAS**, it is questionable whether the precipitating events described in the request meet the requirements for force majeure events described in 10 TAC §11.6(5);

**NOW, therefore, it is hereby**

**RESOLVED**, the request for treatment of City Square Lofts under an application of the force majeure rule is determined by the board pursuant to its rules.

**BACKGROUND**

An award of \$893,609 in Competitive (9%) Housing Tax Credits to City Square Lofts (the “Development”) was approved by the Board on July 30, 2015. The Development proposed the New Construction of 126 Units for the General population in Garland. Staff executed a Carryover Allocation Agreement with the Development Owner on December 17, 2015, that included a certification from the Development Owner that, in order to satisfy the requirements of §42 of the Internal Revenue Code, each building for which the allocation was made would be placed in service by December 31, 2017.

TX Garland Apartments GP, LLC, the general partner entity, was composed of Green Extreme Homes Community Development Corporation (“GEH”), which held 95% Ownership, and Rise Residential Construction, LP (“Rise”), which held 5% Ownership. On June 30, 2017, the Department received a request from Rise to transfer the ownership of the Development to Rise and the request was approved by the Board at its meeting of September 7, 2017. For purposes of this Board item, staff reference to the Development Owner is a reference to Rise.



On October 31, 2017, the Department received from the Development Owner a request to extend the placement in service deadline from December 29, 2017, to July 31, 2018, under the requirements of 10 TAC §11.6(5) related to Credits Returns Resulting from Force Majeure Events. This rule allows a Development Owner to return issued credits within three years of award and have those credits re-allocated to the Development outside of the usual regional allocation system if all of the requirements of the subsection are met. Pursuant to 10 TAC §11.6(5), the Department's Governing Board may approve the execution of a current program year Carryover Allocation Agreement regarding the returned credits with the Development Owner that returned such credits only if:

(A) The credits were returned as a result of "Force Majeure" events that occurred after the start of construction and before issuance of Forms 8609. **Force Majeure events are the following sudden and unforeseen circumstances outside the control of the Development Owner:** acts of God such as fire, tornado, flooding, significant and unusual rainfall or subfreezing temperatures, or loss of access to necessary water or utilities as a direct result of significant weather events; explosion; vandalism; orders or acts of military authority; litigation; changes in law, rules, or regulations; national emergency or insurrection; riot; acts of terrorism; supplier failures; or materials or labor shortages. If a Force Majeure event is also a presidentially declared disaster, the Department may treat the matter under the applicable federal provisions. Force Majeure events must make construction activity impossible or materially impede its progress; (emphasis added)

Of the circumstances listed in the rule, the request indicates that force majeure might be triggered by significant and unusual rainfall, litigation, or materials or labor shortages. It should further be noted that in the case of a disaster designated by the President, an extension of up to one year can be granted by the Department; however, no such designated disaster has occurred covering this location.

#### **Significant and Unusual Rainfall**

In the request, the Development Owner states that "[f]rom the date of commencement of full construction on July 14, 2017 until [October 31, 2017], the project has been shut down due to rain for 16 days. It is well known that a considerable amount of rain occurred in the Dallas metropolitan area during this time period." On November 13, 2017, staff requested via email that the Development Owner "explain specifically how the project was affected by the rain, providing whatever documentation of such is available." The Development Owner provided no further information. Staff notes that two of the photographs included in the field observation reports indicate standing water on the site.

#### **Materials or Labor Shortages**

In the request, the Development Owner states that "[in] addition to the weather delays, it is also common knowledge that the Dallas metropolitan area along with most all of Texas has suffered from manpower shortages. In support of this proposition, it was noted in an edition of the *Dallas Business Journal* months ago that in 2016, 75% of all general contractors reported an inability to completely staff construction of their projects. Furthermore, it should be noted that during this time period, 50,000 apartment units were under construction in the Dallas/Ft. Worth area according to MPF Research/Axiometrics." On November 13, 2017, staff requested via email that the Development Owner "explain specifically how the project was affected by manpower shortages, providing whatever documentation of such is available." In response, the Development Owner provided five newspaper and magazine articles describing the shortage of construction workers in the Dallas/Fort Worth area.

#### **Litigation**

The rule describes a force majeure event as "sudden and unforeseen circumstances outside the control of the Development Owner." In this case, the litigation described in the request was between GEH and Rise,

the two members of the general partner entity at the time of Application. In the request for extension of the deadline for the Development to be placed in service, the Development Owner states:

“GEH is primarily owned and controlled by Jean Brown. Rise is owned and controlled by Melissa Fisher. As you know, conflicts and disputes arose between Ms. Brown and Ms. Fisher which completely stymied this project from proceeding. If you recall, there were threats of litigation and Ms. Brown on several occasions threatened to give back the tax credits to TDHCA. The initial tax credit investor Ms. Brown wanted to buy the tax credits ultimately withdrew for several reasons. It was then nearly impossible to convince a tax credit investor to proceed when the majority owner of the General Partner was threatening to give back the tax credits and not proceed with the transaction. Ms. Brown and GEH obtained counsel from Coats Rose and we represented Ms. Fisher and Rise. After months of negotiations and Rise's agreement to pay GEH hundreds of thousands of dollars of developer fees at closing was Rise on September 30, 2016 finally obtain a settlement and resolution with GEH. **Typically, these transactions close between January and May in the year following the year of the award of tax credits, but because of the situation with Ms. Brown this transaction in essence closed five months later than a typical transaction of this type.**” (emphasis added)

and

“As noted in paragraph 1, it was impossible to consummate the sale of the tax credits to a tax credit investor and to obtain an interim construction loan contemporaneously therewith due to the conflicts and disputes between GEH and Rise, and the uncertainty of the project due to Ms. Brown threatening to give back the tax credits. TXGA was able to consummate the sale of tax credits and obtain the construction loan on September 30, 2016. Ms. Fisher was extremely diligent in working with the tax credit investor and lender to consummate those transactions simultaneous with resolving the conflicts and disputes between GEH and Rise. **Consequently, TXGA did not have the funds to commence construction until September 30, 2016.** For a project the size of City Square Lofts, all the parties thought at that time that the project could be completed by the placement in service date of December 31, 2017 if all went well and no further delays occurred.” (emphasis added)

In response to staff's request for further information about the request dated November 13, 2017, the Development Owner stated that “[t]he number one reason [for the request] are the delays caused by the litigation and issues from the non-profit GP, as one person there at the time (sic).” It does not appear that the litigation was “outside the control of the Development Owner.” The Development received the award of credits on July 30, 2015. Based on the Development Owner's statement above, litigation among the members of the general partner entity lasted until at least September 30, 2016. The Development Owner states that, due to the litigation, “this transaction in essence closed five months later than a typical transaction of this type.”

The request also included a description of circumstances that do not fall under the requirements of 10 TAC §11.6(5), including:

- “Very shortly after closing with the investor and lender, TXGA commenced demolition of a portion of the existing buildings in October, 2016. ...The City of Garland (the ‘City’) had issued a demolition permit to allow such work, but not a building permit to allow ‘vertical’ construction. The reason is because the City required the abandonment of 7th Street between Avenue A and Avenue B to make this a unified site. ... The City's City Council approved the abandonment on February 21, 2017. TXGA was unable therefore to do any work the City constituted as going ‘vertical’ until after the abandonment was approved and full construction permits were issued.”

- “Immediately following the abandonment of 7th Street on February 21, 2017, TXGA initiated the plat approval process. It was unable to do so until after approval of such abandonment. The plat approval process took approximately 60 days.”
- “Following plat approval, TXGA then moved forward with obtaining approval of the site plans and engineering plans for City Square Lofts. Delays were encountered beyond what is typical in working with municipalities to approve the site and engineering plans for a project of this type. With this being a project located in the downtown area of the City and it having been a banking and office facility, the City made numerous revisions to the plans which required TXGA to resubmit their plans several times more than usual until they were finally approved. A full construction building permit was issued on July 14, 2017.”

Pursuant to 10 TAC 10.402(h) of the Asset Management Rules, all multifamily developments must submit a construction status report (“CSR”), due by the tenth day of the month following each reporting quarter's end (January, April, July, and October) and continue on a quarterly basis until the entire development is complete. Included in the CSRs reviewed for this Development are Field Observer Reports (“FOR”) from AECC, Inc. The reports from AECC, Inc. are included with this action item. The reports provide the following timeline for the percentage of Development completion:

- As of November 21, 2016 – “Based on observations made during our site visit, we would estimate the project to be approximately 12% complete...”
- As of December 20, 2016 – “Based on observations made during our site visit, we would estimate the project to be approximately 15% complete...”
- As of January 26, 2017 – “Based on observations made during our site visit, we would estimate the project to be approximately 20% complete...”
- As of February 23, 2017 – “Based on observations made during our site visit, we would estimate the project to be approximately 22% complete...”
- As of March 20, 2017 – “Based on observations made during our site visit, we would estimate the project to be approximately 23% complete...”
- As of April 24, 2017 – “Based on observations made during our site visit, we would estimate the project to be approximately 27% complete...”
- As of May 22, 2017 - “We would consider the overall project to be approximately 4 to 6 weeks behind schedule based on progress to date. ...Based on observations made during our site visit, we would estimate the project to be approximately 29% complete.”
- As of July 19, 2017 – “We would consider the overall project to be approximately 12 to 14 weeks behind schedule based on progress to date. ...Based on observations made during our site visit, we would estimate the project to be approximately 32% complete.”
- As of August 24, 2017 - We would consider the overall project to be approximately 16 weeks behind schedule based on progress to date. ...Based on observations made during our site visit, we would estimate the project to be approximately 42% complete inclusive of off-site stored materials requested to date.

According to this timeline, by July 14, 2017, when the Development Owner received building permits from the City of Garland, the project was already 12 to 14 weeks behind schedule. According to the Development Owner, “[t]he number one reason” for the construction delay was litigation among the members of the general partner entity.

Accordingly, the question presented to the board is whether the disagreement and resulting litigation as between GEH and Rise, components of the general partner entity, constitutes “sudden and unforeseen circumstances outside the control of the Development Owner” as described in 10 TAC §11.6(5). If the Board denies the request to consider this a force majeure event, the Development Owner will return \$893,609 in credits. Pursuant to 10 TAC §11.6(2), related to returned credits, the credits would first be

made available in the subregion from which they were originally awarded; in this case Region 3, Urban. The next Application on the waiting list from that subregion requested \$1,500,000, which is more than the amount of available credits. Pursuant to 10 TAC §11.6(4), related to the waiting list, for credit returned after September 30, awards from the waiting list will be made when the remaining balance is sufficient to award the next Application on the waiting list. When the returned credits are added to the credits remaining from the 2017 application cycle (\$205,075), the total credits available is \$1,098,684. The next Application on the waiting list requests \$1,500,000, which is more than the amount of available credits.

If the Board grants the requested treatment under application of the force majeure rule, the Development Owner will return \$893,609 in credits. The credits will be returned to the Development Owner with a 2017 Carryover Allocation Agreement and a new date for the Development to be placed in service will be documented.

Because staff and the Board lack authority to extend the placed in service deadline, the only way to accommodate the request would be via treatment under the force majeure provision of the Department's rules. Staff is unable to conclude whether the facts and circumstances presented fulfill the requirements of the force majeure provision, and places the matter before the board for its determination.

**From:** [Bill Fisher](#)  
**To:** [Sharon Gamble](#); [Melissa R Fisher](#)  
**Cc:** [John Shackelford](#)  
**Subject:** RE: City Square Apartment Homes, TDHCA #15247  
**Date:** Monday, November 13, 2017 12:49:28 PM  
**Attachments:** [Skilled labor manpower shortages DFW.pdf](#)  
[Manpower and material shortages DBJ October 2017.pdf](#)  
[Manpower shortages april 2017 DMN.pdf](#)  
[Manpower shortages June 2017 DMN.pdf](#)

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Sharon,

The number one reason are the delays caused by the litigation and issues from the non-profit GP, as one person there at the time. TDHCA staff was involved at the time in dealing with some of these. This included threats to return the credits or sabotage the City approvals, after RISE has invested over \$5MM in acquiring the site and paying for the development costs to date. No lender or investor would close while this was happening. Even the investor the non-profit brought to the table, Enterprise, would not close until the issues were fully resolved. Enterprise also declined the investment without RISE participation.

Attached are several of the many articles documenting manpower, material and skilled labor shortages in DFW. 75% of contractors reported an inability to fully man the job in this market.

RISE always acted in good faith. They invested over \$5MM in to pay costs, meet carryover and 10% test obligations needed to keep the development moving on the best timeline available. Construction timelines in DFW today for apartments are being bid at 20-24 months. So there was very little room for delays from the time the allocation was made to the closing of the debt and equity, in hindsight. I advised Asset Management in July of the need to an extension.

Your support for an extension in to 2018 for good cause would be appreciated. RISE has done more than 20 developments with TDHCA funding in 15 years. This is the first time they have encountered this situation. It was simply beyond their control and was not foreseeable at the time of application or award.

Thanks

Bill

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**From:** Sharon Gamble [mailto:sharon.gamble@tdhca.state.tx.us]  
**Sent:** Monday, November 13, 2017 11:48 AM  
**To:** Melissa R Fisher <mfisher@rise-residential.com>  
**Cc:** Bill Fisher <Bill.Fisher@sonomaadvisors.com>; John Shackelford <JShackelford@shackelfordlaw.net>  
**Subject:** RE: City Square Apartment Homes, TDHCA #15247  
**Importance:** High

Thank you, Melissa. I need more information about your request:

1. The request states: "From the date of commencement of full construction on July 14, 2017 until [October 31, 2017], the project has been shut down due to rain for 16 days. It is well known that a considerable amount of rain occurred in the Dallas metropolitan area during this time period."
  - Please explain specifically how the project was affected by the rain, providing whatever documentation of such is available. The Field Observation Reports in the Construction Status Reports do not provide any information about construction delays.
2. The request states: "In addition to the weather delays, it is also common knowledge that the Dallas metropolitan area along with most all of Texas has suffered from manpower shortages."
  - Please explain specifically how the project was affected by manpower shortages, providing whatever documentation of such is available. The Field Observation Reports in the Construction Status Reports do not provide any information about construction delays.

Please provide this information as soon as possible.

Regards,

Sharon D. Gamble MSW, PMP  
Competitive Housing Tax Credit Program Administrator

Texas Department of Housing and Community Affairs  
(512) 936-7834

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(a)).

About TDHCA

The Texas Department of Housing and Community Affairs administers a number of state and federal programs through for-profit, nonprofit, and local government partnerships to strengthen communities through affordable housing development, home ownership opportunities, weatherization, and community-based services for Texans in need. For more information, including current funding opportunities and information on local providers, please visit [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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**From:** Melissa R Fisher [<mailto:mfisher@rise-residential.com>]  
**Sent:** Thursday, November 09, 2017 4:47 PM  
**To:** Sharon Gamble  
**Cc:** Rosalio Banuelos; Bill Fisher (Sonoma Advisors)  
**Subject:** RE: City Square Apartment Homes, TDHCA #15247

Hi Sharon, Reports 5-6 are attached. Let me know if you need anything else.

Thanks,  
Melissa

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Melissa R. Fisher  
RISE RESIDENTIAL CONSTRUCTION, LP  
972.701.5558

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**From:** Sharon Gamble [<mailto:sharon.gamble@tdhca.state.tx.us>]  
**Sent:** Thursday, November 09, 2017 8:20 AM  
**To:** Melissa R Fisher <[mfisher@rise-residential.com](mailto:mfisher@rise-residential.com)>  
**Cc:** Rosalio Banuelos <[rosalio.banuelos@tdhca.state.tx.us](mailto:rosalio.banuelos@tdhca.state.tx.us)>; Bill Fisher (Sonoma Advisors) <[Bill.Fisher@sonomaadvisors.com](mailto:Bill.Fisher@sonomaadvisors.com)>  
**Subject:** Re: City Square Apartment Homes, TDHCA #15247

Good morning, Melissa:

Can you please upload Field Observer Reports 5 and 6? We have report 4.

Sent from my iPhone

On Nov 8, 2017, at 12:41 PM, Rosalio Banuelos <[rosalio.banuelos@mail.tdhca.state.tx.us](mailto:rosalio.banuelos@mail.tdhca.state.tx.us)> wrote:

Reports 5 and 6 have not been provided. The updated org chart was provided to process the ownership transfer approved by the board on 9/7/17.

**Rosalio Banuelos**  
Senior Asset Manager  
Texas Department of Housing and Community Affairs  
221 E. 11th Street | Austin, TX 78701  
Office: 512.475.3357  
Fax: 512.475.4420

---

**From:** Sharon Gamble  
**Sent:** Wednesday, November 08, 2017 12:03 PM  
**To:** Rosalio Banuelos  
**Subject:** RE: City Square Apartment Homes, TDHCA #15247

Did they ever respond to this email? I don't see reports 4 and 5 or an updated org chart.

Regards,

Sharon D. Gamble MSW, PMP  
Competitive Housing Tax Credit Program Administrator  
Texas Department of Housing and Community Affairs

(512) 936-7834

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(a)).

About TDHCA

The Texas Department of Housing and Community Affairs administers a number of state and federal programs through for-profit, nonprofit, and local government partnerships to strengthen communities through affordable housing development, home ownership opportunities, weatherization, and community-based services for Texans in need. For more information, including current funding opportunities and information on local providers, please visit [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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**From:** Rosalio Banuelos  
**Sent:** Monday, July 17, 2017 5:53 PM  
**To:** 'Melissa R Fisher'  
**Cc:** Bill Fisher (Sonoma Advisors)  
**Subject:** City Square Apartment Homes, TDHCA #15247

Melissa,

The latest construction inspection report for City Square Apartment Homes indicates that construction is approximately four to six weeks behind schedule. Do you anticipate any issues meeting the required placed in service date of December 31, 2017?

Also, the construction status report submitted previously included Field Observer Reports 1 to 4 from AECC, Inc., and the construction status report submitted last week has Field Observer Report number 7. Please submit a copy of reports 5 and 6.

Based on the Amended and Restated Agreement of Limited Partnership previously submitted, it appears that there were some changes to the developer and guarantors from what was identified at application. Please submit a copy of the current organization charts for the developer(s) and guarantors. Please be aware that an amendment to the application may be necessary.

Thank you,

**Rosalio Banuelos**  
Senior Asset Manager  
Texas Department of Housing and Community Affairs  
221 E. 11th Street | Austin, TX 78701  
Office: 512.475.3357  
Fax: 512.475.4420  
[rosalio.banuelos@tdhca.state.tx.us](mailto:rosalio.banuelos@tdhca.state.tx.us)

*Any person receiving guidance from TDHCA staff should be mindful that, as set forth in [10 TAC Section 11.1\(b\)](#) there are important limitations and caveats (Also see [10 TAC §10.2\(b\)](#)).*

*For more information about TDHCA, please visit [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us).*



A LIMITED LIABILITY PARTNERSHIP  
ATTORNEYS & COUNSELORS

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jshack@shackelfordlaw.net

October 31, 2017

**Via Email: [marni.holloway@tdhca.state.tx.us](mailto:marni.holloway@tdhca.state.tx.us)**

Marni Holloway  
Multifamily Finance Director  
Texas Department of Housing and Community Affairs  
221 East 11th Street  
Austin, Texas 78701-2410

RE: TX Garland Apartments, LP;  
Our File No. 51385.6

Dear Ms. Holloway:

This letter is to request an extension of the placement in service deadline for the project known as City Square Lofts located in Garland, Texas, based upon Force Majeure events. This request for an extension is pursuant to Section 11.6(5) of the 2015 Qualified Action Plan (“QAP”).

TX Garland Apartments, LP (“TXGA”) obtained an allocation of low income housing tax credits in July, 2015. Pursuant to the QAP, the placement in service date deadline is December 31, 2017.

TXGA meets the requirements of §11.6(5)(A) of the QAP to merit an extension for the following reasons:

1. The general partner of TXGA, TX Garland Apartments GP, LLC (“General Partner”), was, until following the September Board meeting, comprised of Green Extreme Homes Community Development Corporation (“GEH”) and Rise Residential Construction, LP (“Rise”). GEH is primarily owned and controlled by Jean Brown. Rise is owned and controlled by Melissa Fisher. As you know, conflicts and disputes arose between Ms. Brown and Ms. Fisher which completely stymied this project from proceeding. If you recall, there were threats of litigation and Ms. Brown on several occasions threatened to give back the tax credits to TDHCA. The initial tax credit investor Ms. Brown wanted to buy the tax credits ultimately withdrew for several reasons. It was then nearly impossible to convince a tax credit investor to proceed when the majority owner of the General Partner was threatening to give back the tax credits and not proceed with the transaction. Ms. Brown and GEH obtained counsel from Coats Rose and we represented Ms. Fisher and Rise. After months of negotiations and Rise’s agreement to pay GEH hundreds of thousands of dollars of developer fees at closing was Rise on September 30, 2016 finally obtain a settlement and resolution with GEH. Typically, these transactions close between January and May



in the year following the year of the award of tax credits, but because of the situation with Ms. Brown this transaction in essence closed five months later than a typical transaction of this type.

2. As noted in paragraph 1, it was impossible to consummate the sale of the tax credits to a tax credit investor and to obtain an interim construction loan contemporaneously therewith due to the conflicts and disputes between GEH and Rise, and the uncertainty of the project due to Ms. Brown threatening to give back the tax credits. TXGA was able to consummate the sale of tax credits and obtain the construction loan on September 30, 2016. Ms. Fisher was extremely diligent in working with the tax credit investor and lender to consummate those transactions simultaneous with resolving the conflicts and disputes between GEH and Rise. Consequently, TXGA did not have the funds to commence construction until September 30, 2016. For a project the size of City Square Lofts, all the parties thought at that time that the project could be completed by the placement in service date of December 31, 2017 if all went well and no further delays occurred.

3. Very shortly after closing with the investor and lender, TXGA commenced demolition of a portion of the existing buildings in October, 2016. Note: This project's site was formerly a Bank of America banking and office tower in downtown Garland. TXGA did not delay in commencing construction, but at that time TXGA could only commence demolition. The City of Garland (the "City") had issued a demolition permit to allow such work, but not a building permit to allow "vertical" construction. The reason is because the City required the abandonment of 7<sup>th</sup> Street between Avenue A and Avenue B to make this a unified site. Ms. Fisher, Bill Fisher and I worked as quickly as possible to obtain approval of the abandonment. The City's City Council approved the abandonment on February 21, 2017. TXGA was unable therefore to do any work the City constituted as going "vertical" until after the abandonment was approved and full construction permits were issued. From that point in February, 2017, TXGA has moved as expeditiously as possible to complete construction.

4. Immediately following the abandonment of 7<sup>th</sup> Street on February 21, 2017, TXGA initiated the plat approval process. It was unable to do so until after approval of such abandonment. The plat approval process took approximately 60 days. Following plat approval, TXGA then moved forward with obtaining approval of the site plans and engineering plans for City Square Lofts. Delays were encountered beyond what is typical in working with municipalities to approve the site and engineering plans for a project of this type. With this being a project located in the downtown area of the City and it having been a banking and office facility, the City made numerous revisions to the plans which required TXGA to resubmit their plans several times more than usual until they were finally approved. A full construction building permit was issued on July 14, 2017.

5. Weather delays have also been a factor. From the date of commencement of full construction on July 14, 2017 until today, the project has been shut down due to rain for 16 days. It is well known a considerable amount of rain occurred in the Dallas metropolitan area during this time period.

6. In addition to the weather delays, it is also common knowledge that the Dallas metropolitan area along with most all of Texas has suffered from manpower shortages. In support of this proposition, it was noted in an edition of the Dallas Business Journal months ago that in 2016, 75% of all general contractors reported an inability to completely staff construction of their projects. Furthermore, it should be noted that during this time period, 50,000 apartment units were under construction in the Dallas/Ft. Worth area according to MPF Research/Axiometrics.

To summarize the unforeseen circumstances outside the control of TXGA following the allocation of tax credits to this project in July, 2015: conflicts and disputes between GEH and Rise stymied the project from moving forward until September 30, 2016 when a resolution was agreed to and simultaneously TXGA consummated the sale of tax credits and obtained an interim construction loan; the abandonment of 7<sup>th</sup> Street required by the City was not approved by the City Council until February 21, 2017; the plat approval process and the City's numerous revisions to the site plans and engineering plans; weather delays; and manpower shortages. Again, each of these are unforeseen circumstances outside the control of the principals of TXGA. Furthermore, none of the events or acts were caused by the negligent or willful act or omission of TXGA, Rise, or the tax credit investor.

Section 11.6(5)(C) requires that the Development Owner (as defined therein) claiming Force Majeure must provide evidence for the type of event as described in subparagraph (A) of this paragraph, when the event occurred and that the loss was a direct result of the event. From what is described above, I think we have satisfied the requirement to provide evidence of the type of event. I know that you are aware of the significant conflict and disputes between Ms. Brown on one hand, and Ms. Fisher and Mr. Fisher on the other hand. In fact, you and I had a conversation about a telephone conference I thought was to occur between you, Ms. Brown and Steve Brown on August 30, 2016, which necessitated my sending a letter to Tim Irvine of even date therewith in which I requested that no such conversation occur without my clients' participation. In our conversation, I discovered that no such telephone conference was scheduled between you and others at TDHCA and Ms. Brown and Mr. Brown. On another occasion when Ms. Brown was threatening to give back the tax credits I sent Mr. Irvine a letter advising him that Ms. Brown at that time did not have the authority to speak or act on behalf of TXGA or General Partner because GEH had not at that time been admitted as a member of the General Partner. I also recall you and I having short discussions during breaks or afterwards at Board meetings about the status of this project and if an agreement between Ms. Brown and Ms. Fisher was imminent.

As for when these events occurred, these events occurred over a long time period as above noted. The disputes and conflicts between GEH and Rise once they commenced, they were not resolved until September 30, 2016 and, as stated before, until such agreement was reached, the project was stymied. Also, to obtain approval of the abandonment from the City, Ms. Fisher, Mr. Fisher and I had telephone conferences with the City Attorney for the City and the head of economic development for the City, and met with the Mayor of the City. Ms. Fisher and Mr. Fisher also met with other City Council members. Every effort was made to diligently obtain approval of the abandonment from the City following the settlement with GEH. As for when the events occurred regarding the City's approval of the plans and issuance of the full building permit,

weather delays and manpower shortages, those occurred, as well, during an extended period of time and the manpower shortages continue to this day.

Consequently all these events have caused the loss of time and therefore a loss of tax credits as a direct result of these events.

Section 11.6(5)(D) requires the Development Owner to prove that reasonable steps were taken to minimize or mitigate any delay or damages. I can speak first hand to the amount of effort and work that went into seeking a settlement which GEH, and that every attempt was made to reach a settlement as soon as possible. The same can be said for seeking approval of the abandonment of 7<sup>th</sup> Street required by the City. Ms. Fisher and I can confidently represent to you that there have been no delays in construction of this project due to negligence or willful misconduct either by affirmative acts or omissions. As experienced developers, Ms. Fisher and Mr. Fisher knew they were working against the clock in being able to satisfy the placement in service deadline of December 31, 2017 and they have done everything they can do to meet that deadline. Moreover, in the Dallas metroplex, a 20-month construction schedule for multifamily projects of this size are common and have become a standard time frame. An 18-month construction schedule has become too difficult to achieve due to the manpower shortages.

Section 11.6(5)(D) further requires TDHCA to have been timely notified of the likelihood of an event described in Section 11.6(5)(A). Mr. Fisher first notified TDHCA on July 17, 2017 in an email to Rosalio Banuelos. He then had a follow-up telephone conference with Mr. Banuelos later in the month of July about the project needing an extension. It was decided that the best time to formally make this request was after the Board approved the withdrawal of GEH from the ownership of General Partner, which the Board did at the September Board meeting.

All these events conspired to prevent TXGA from meeting the placement in service date requirements of the original allocation. The requested current year Carryover Agreement does allocate the same amount of credits as that which are being returned. Rise and I are confident that Brent Stewart and his staff in Real Estate Analysis Division will determine that this Project continues to be financially viable in accordance with TDHCA's underwriting rules.

It is my understanding Ms. Fisher will submit a signed written request for a new Carryover Agreement concurrently with the voluntary return of the low income housing tax credits.

It is important to note that Rise has completed 24 developments utilizing TDHCA funding through either the sale of low income housing tax credits or HOME loans. Rise and Ms. Fisher are very experienced developers and have never had an issue like this before. The fact that after this many developments Ms. Fisher is for the first time requesting an extension of the placement in service date should signal to you that something was amiss beyond her control because it is out of character for Ms. Fisher to be in this position.

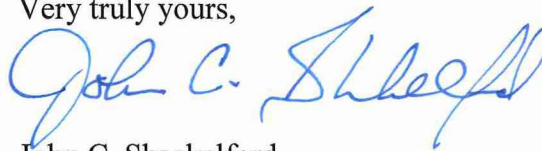
I also understand that Ms. Brown is seeking or will be seeking an extension as well for the Verandah Townhomes project. She is a principal with TX Coit Apartments, LP which also received a 2015 allocation of low income housing tax credits from TDHCA for the project known

Marni Holloway  
October 31, 2017  
Page 5

as Verandah Townhomes. Without discussing this matter with Ms. Brown or with counsel for TX Coit Apartments, LP, I would expect that the basis for their request for an extension of the placement in service deadline is similar to this request. I am hopeful TDHCA will grant Rise an extension of the placement in service date to September 30, 2018 and grants TX Coit Apartments, LP an extension for its project, the Verandah Townhomes.

I am hopeful this letter is sufficient to satisfy the requirements of Section 11.6(5), but I respectfully request the opportunity to supplement this letter as necessary or as requested by you. Also, Ms. Fisher, Mr. Fisher and I are available to discuss the matters contained in this letter.

Very truly yours,




John C. Shackelford

JCS/klm

cc: Tim Irvine, Esq.  
Melissa Fisher  
Bill Fisher  
Michelle Snedden, Esq.

L:\51385\6\Holloway (TDHCA) ltr.docx

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## Delivery Peak Pushed Out as Apt. Builds Slow

| By [Paul Bubny](#)

**Published:** December 5, 2017



Apartment completions in California's Orange County now take over 11 months longer than they did four years ago.

SANTA BARBARA, CA—This was supposed to be the peak year of this cycle for apartment deliveries. However, the multifamily construction pipeline is taking longer than anticipated to clear out, due mainly to a shortage of qualified labor, says Yardi Matrix. The firm's forecast now calls for 2018 to represent the peak for deliveries of newly built apartments.

“Some analysts posit other reasons—for example, construction materials and structures are more complex today and therefore take longer to complete, or that local government approvals are taking longer than past years—but the labor shortage is almost certainly the primary driver,” according to a Yardi Matrix report. “Multiple surveys done by trade groups associated with the construction industry have been beating the drums about the lack of skilled labor for a few years.”

Construction industry employment has yet to fully recover from the downturn. It peaked at 7.7 million in 2007, dropped as low as 5.5 million in the wake of the Great Recession and now stands at 6.9 million. Nearly a decade after the housing bubble burst, “Fewer younger people are entering the industry as a profession, and employer surveys reveal that development firms are increasingly finding it difficult to hire a full complement of construction workers,” the report states.

At the same time, household formation has steadily increased, and Census Bureau data show that about nine million new renter households were created in the decade leading up to '16. “That has led multifamily construction to soar,” according to the Yardi Matrix report.

As of this past September, more than 550,000 apartments were in various stages of construction in the 125 markets tracked by Yardi Matrix. “Given the average length of historical start-to-finish construction times, that should have produced about 360,000 units delivered in 2017,” the report states. “But only about 150,000 units were completed by mid-year and 220,000 through three quarters,” or not far ahead of the pace set with the full-year total of 281,000 deliveries in '16.

Yardi analyzed data from construction of more than 1.5 million apartment units over the past decade, and found that based on a rolling four-quarter average, the length of time to complete properties of 50 units or more has increased by about five-and-a-half months since its low point in the third quarter of 2013. The data show that markets with the biggest increases in average construction time have “some combination of tight labor markets, lack of affordable housing for blue-collar construction workers or large increases in supply that has created competition for workers.”

Since Q3 of '13, Yardi found, the increase in completion times has been greatest in California metro areas. With an average increase of 11.2 months over a four-year period, Orange County had the most significant jump, followed by Eastern Los Angeles (10.6 months) and San Jose (9.5 months). Longer construction times also were seen in metro areas with huge development pipelines, including Charlotte (up 9.3 months), Miami (9.0 months), West Houston (8.6 months), Nashville (8.0 months), Phoenix (7.9 months) and Raleigh (7.5 months).

There's an upside to the slowdown in completions, though. “Reduced deliveries could slow down the decline in occupancy rates as supply overshoots demand, and serve to either prevent overall rents from declining, or slow the rate of deceleration,” according to Yardi Matrix. Nationally, year-over-year rent growth slowed to 2.5% through November, although the rate of decline has stopped.

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From the Dallas Business Journal:

<https://www.bizjournals.com/dallas/news/2017/10/03/labor-shortages-high-cost-of-building-materials.html>

## Labor shortages, high cost of building materials delay 56,000 apartments

Oct 3, 2017, 6:30am CDT

Labor shortages in the construction industry, coupled with the high cost of building materials, has delayed more than 56,000 apartments in the United States — including thousands of apartments in North Texas.

The sheer volume of apartments sliding from a 2017 completion to next year has to do with the number of apartments under construction in the United States, said Jay Denton, vice president of Axiometrics, which was recently acquired by Richardson-based RealPage Inc. (Nasdaq: RP).

"If we use last year's numbers as a guide, the supply has increased with more units under construction, but it's taking longer for each unit to be delivered," Denton told the *Dallas Business Journal*.

"It's the same percentage of units pushed into next year, and those units are still on their way to being delivered in January or later on in 2018," he added.

Dallas is the top U.S. market impacted by these market factors, with 3,534 apartments delayed into 2018. New York and Houston follow on Dallas' heels at 3,371 units and 3,036 units, respectively.

In all, Axiometrics estimates that 56,186 units will be delayed into next year. That number is quite a bit higher than last year's estimate of 50,685 apartments delayed into the following calendar year.

Research analysts at Axiometrics found 15 percent of the units scheduled for 2016 were actually delivered in 2017, and took that percentage to apply to this year's delivery schedules to get an estimated time of delivery.

The exact percentage won't be known until January and could be higher or lower based on actual delivery dates.

**Candace Carlisle**  
Senior Reporter  
*Dallas Business Journal*



TBJ FILE PHOTO


Construction labor shortages and the high cost of building materials has delayed more than 56,000 apartments, including thousands of apartments in Dallas.

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The North Texas homebuilding industry is hanging out the "help wanted" sign.

Dallas-Fort Worth [leads the country in homebuilding.](#)

And builders and contractors are desperate for thousands more workers.

"Dallas is undersupplied by 10,000 to 20,000 construction workers," Scott Davis, with housing analyst Meyers Research, told a meeting of local builders. "We should have about 99,000 people employed in the building industry."

Instead, it's close to 80,000 construction sector workers in North Texas, Davis estimates.



Builders say that many of the workers left the industry during the Great Recession, never to return.

The shortage of construction labor has increased the price of houses, delayed building times and created uncertainty for builders.

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### [D-FW home starts jump to highest level in seven years](#)

"We are definitely seeing an effect on the market," said Michael Turner, CEO of Classic Urban Homes and president of the Dallas Builders Association. "Prices on everything are going up 5 percent, 10 percent, 15 percent year over year."

Wages for construction workers are soaring with the shortages.

Meyers Research estimates that in the last few years, average wages paid to brick masons have increased by more than a third and have gone up by more than 20 percent for paving, roofing and plastering and stucco workers.

The Dallas Builders Association has been working with local school districts to try to motivate more students to look at construction trades for a career.



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"We hope to bring more relevancy back to construction trade issues in the high schools," Turner said. He said in recent decades, many of the schools have focused their education track on "college or bust."

"I think there are great careers in the construction trades," Turner said. "We need to let these kids know there are alternative paths to making a great living."

The labor shortfall is one of the biggest contributors to [the spike in North Texas new home prices](#), which have increased by 46 percent since 2012. A new house in the D-FW area now costs about \$100,000 more than a midpriced preowned home.



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The toll of the worker shortages hits builders both in time and money.

"It's taking a lot longer to build the house," said Justin Webb with Altura Homes. "About three or four years ago, entry-level homebuilders could produce a [basic] house for about \$45 per square foot."

"Today, to produce the same house is about \$75," Webb said. "It's been a dramatic increase, and I think it's not over."

Builders tell stories of competing contractors stealing workers from their construction sites.

Frank Murphy, with neighborhood developer Wynne/Jackson, said on one of his firm's projects in Collin County, a construction crew didn't show up for work one day.

"We found out a competing builder offered them more," Murphy said. "We had to hire them back at 10 to 15 percent more than he was paying."

[New York, Texas top the nation in commercial property development](#)

Davis, with Meyers Research, said that the building sector labor shortages are likely to get worse.

He said that the average age of construction workers is over 40. And in many skilled trades, the average age is in the 50s.

"We are not replacing these older, experienced workers with younger workers in these critical trades," Davis said.

Many sought-after millennial employees are turning their nose up at the housing industry, he said. Only about 35 percent of the local building workforce is made up of millennials, Meyers Research estimates.

"A lot of the key trades in the construction industry the millennials are not finding attractive," Davis said. "We generally need to look at attracting more of them so we can help meet some of our employment needs."

## DALLAS MEDIAN NEW HOME PRICE UP 48%



High labor costs have contributed to the run up in new home prices in North Texas. (Meyers Research)

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Ask a homebuilder to name the industry's biggest concerns, and the lack of labor is near the top of their list.

Unfortunately for the housing industry, the shortage of workers is not something that's easy to fix.

Studies suggest it may be impossible to lure enough young Americans into the construction trades to meet ongoing demand. And tougher immigration policies mean there will be fewer foreign workers on construction job sites.



BUSINESS

One reason for Dallas' soaring home p



In North Texas, the labor pinch is even worse. Dallas-Fort Worth leads the country in residential building, with more than 50,000 apartments and about 30,000 single-family homes under construction.

Builders could do even more if not for the unprecedented labor shortages.

"In our estimation, it is 18,000 to 20,000" workers needed in the area, said Phil Crone, head of the Dallas Builders Association.

Good luck finding them. North Texas is almost at full employment, and there aren't enough skilled workers to fill jobs in many sectors.

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The shortfall in the homebuilding industry [goes back more than a decade](#).

During the Great Recession, dozens of local builders shut down and laid off workers. When the housing market came back, the labor didn't.

Finding labor has become a full-time job for some subcontractors, who must be on their toes to keep competitors from [stealing their workers](#).

The shortage of labor and land has held back home construction all across the U.S.

"We have not recovered in terms of production of new homes in this country," said Doug Yearley, CEO of top-10 builder Toll Brothers. "Going back to the 1970s, this country produced 1.5 million new homes every year.

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REAL ESTATE

**Why are Dallas builders pushing Trum**



"We went from producing 1.5 million houses a year to 500,000" during the recession, Yearley said. "It hasn't come close to approaching the 1.5 million starts a year."

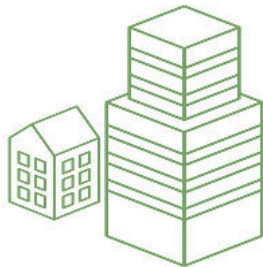
A recent industry study found that a majority of young Americans would not take construction jobs even if they paid six figures or more. They basically said they didn't want to work that hard.

The National Association of Home Builders estimates that the industry in the U.S. is short almost 1 million workers.

And with the average age of many skilled laborers — plumbers, electricians, masons and the like — in their late 50s, housing will see even more people leave the business in the years ahead.

By some measures, 20 percent of the current residential building workers plan to retire in the next decade, taking away another 900,000 jobs.

Those are jobs that will be increasingly hard to fill in hot real estate markets like North Texas.



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BRIEF

# Skilled-labor shortage a strain on Dallas-Fort Worth construction boom

By Sean Barry • Jan. 17, 2017

## Dive Brief:

- A major shortage of skilled labor is extending project timelines, by months in some cases, and is putting pressure on home prices in the Dallas and Fort Worth, TX, markets, according to The Dallas Morning News.
- Ted Wilson, a Dallas-area housing analyst, told the Morning News that housing starts there today are down 40% from a decade ago in part due to the worker shortage.
- The tight labor conditions are adding costs, from longer work cycles to higher wages required to attract workers, which many Dallas builders are passing along to buyers in the form of an additional \$4,000 on the price of a home, a recent survey found.

## Dive Insight:

The U.S. construction industry continues to face a major shortage of skilled workers as building activity rebounds following the recession and exposes a gap in the labor pipeline.

New data from the Bureau of Labor Statistics show that construction employment gains were steady coming out of the recession but tapered off recently. That's not because work is slowing down. Multiple reports this year from the Associated General Contractors of America found that contractors are having difficulty filling hourly skilled jobs but that job openings are the highest in a decade.



Dodge Data & Analytics recently forecast a 5% increase in the value of construction starts this year, while an easing in the energy markets that was expected to funnel more workers into the construction industry has not materialized.


The labor crisis is not expected to abate in the near-term as Dodge Data & Analytics recently forecast a 5% increase in the value of construction starts this year, while an easing in the energy markets that was expected to funnel more workers into the construction industry has not materialized.

Talking to press at the 2017 Design and Construction Week in Orlando, FL, National Association of Home Builders Chief Economist Robert Dietz noted that the issue of labor, in particular, is set to be a critical factor in the health of the industry moving forward.

The issue is especially pronounced in the Dallas-Fort Worth market, which is seeing renewed construction growth amid a solid job market and slow but steady population gains in recent years. In October, Jacobs Engineering Group announced that it would be relocating its corporate headquarters from Pasadena, CA, to Dallas. Toyota announced a similar move in 2014, relocating from Torrance, CA, to nearby Plano, TX.

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### **Recommended Reading:**

 The Dallas Morning News

Wanted: Almost 1 million residential construction workers 

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# Hurricane Harvey: Worker shortage slows rebuilding after storms

**Paul Davidson, USA TODAY** Published 6:00 a.m. CT Nov. 14, 2017 | Updated 7:25 a.m. CT Nov. 14, 2017



(Photo: Getty Images)

Contractors told Mindy Gronauer that repairs on her four-bedroom Houston house – whose main floor was destroyed by flooding from Hurricane Harvey – should be completed in about four months.

"That's not going to happen," says the 64-year-old retiree. She figures it will take more like a year, noting that all 159 homes in her neighborhood sustained similar damage and worker crews are scarce.

Gronauer, while grateful to be staying with her daughter's family in the meantime, still finds the whole situation very unsettling.

"I used to have what I want and need," she says. "I miss everything." Most disconcerting, she says, is not knowing when she can return to her home. "It's the uncertainty ... I have to live with it."

A construction worker shortage is slowing rebuilding efforts in Texas and Florida, which got underway a few weeks ago after many houses dried out and many claims for insurance and government assistance were filed. Builders and their trade groups say it likely will be several years before all the repairs are done.

"There was a significant labor shortage in the construction sector before the hurricanes," says Jerry Howard, CEO of the National Association of Home Builders (NAHB). The storms, he adds, compounded the crunch. "This will leave people in a very tough position for a much longer time."

**More:** [Hurricane Harvey recovery: 'I'm going to be homeless for a year' \(/story/news/nation-now/2017/10/25/hurricane-harvey-recovery-im-going-homeless-year/797640001/\)](http://www.caller.com/story/news/nation-now/2017/10/25/hurricane-harvey-recovery-im-going-homeless-year/797640001/)

**More:** [U.S. economy grew briskly at 3% in third quarter despite Hurricanes Harvey and Irma \(/story/money/2017/10/27/economy-grew-brisk-3-q-3-despite-hurricanes/804949001/\)](http://www.caller.com/story/money/2017/10/27/economy-grew-brisk-3-q-3-despite-hurricanes/804949001/)

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Although rebuilding began in Texas and Florida last month, the Labor Department recently said the construction industry added just 11,000 jobs in October, below its average monthly pace of 14,700 so far this year. The limited hiring partly reflects worker shortages, says NAHB Chief Economist Robert Dietz.

Hurricane Harvey hit Texas in late August and Irma lashed Florida in early September. About 135,000 homes out of about 2.4 million in the Houston area were damaged or destroyed, according to the Greater Houston Builders Association and the Texas Association of Builders. In regions that were affected across the state of Texas, as many as 1 million houses out of 2.8 million suffered at least some damage.

Not all of them will be restored. The vast majority were not covered by flood insurance, and some people who can't afford the repairs will simply walk away, says Don Klein, incoming president of the Houston builders group.

In Florida, insurance or government assistance claims have been filed for some 800,000 structures, 75% of which are residential, says Greg Matovina, incoming president of the Florida Home Builders Association. While much of the damage in Texas was flood-related, wind was a chief culprit in many parts of Florida.

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The repairs come on top of a pickup in housing construction in two of the nation's largest states and hottest home-building markets. Permits for new single-family homes are up 7% so far this year in Texas, in line with the national average, and 12% in Florida, NAHB says.

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Workers are far less prevalent. During and after the housing crash, the number of U.S. residential construction jobs plunged by 1.5 million, and only about half have come back, NAHB says. Many workers left the industry for oil, trucking and manufacturing jobs, says Ken Simonson, chief economist of Associated General Contractors, a trade group. During the downturn, the construction labor force plunged by 25% to 8.9 million people. Despite the partial rebound, the labor force in 2016 was still 1.6 million workers short of the 2007 peak of 11.9 million, Labor figures show.

Part of the problem is that thousands of Baby Boomer construction workers are retiring each year. And few young people are taking their spots, which can pay upwards of \$20 an hour, opting instead for a college education and less physically demanding jobs.

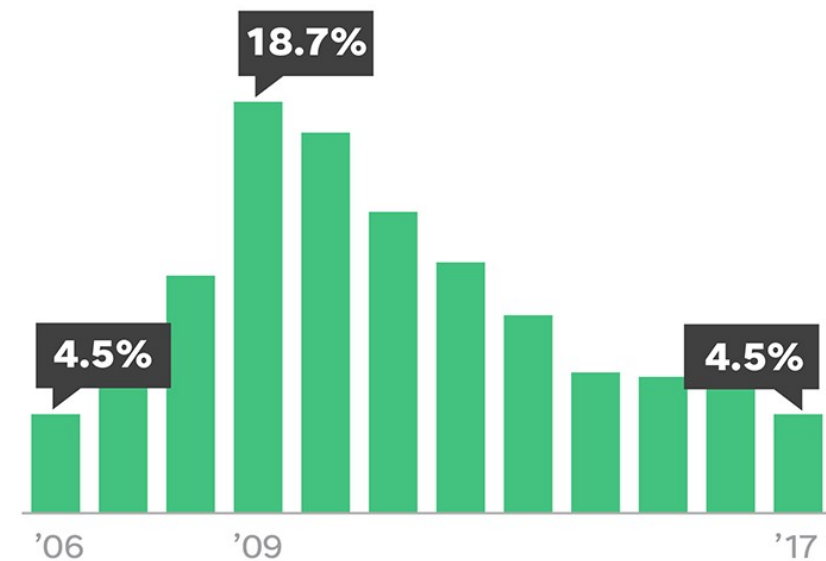
At the same time, the Trump Administration's crackdown on illegal immigrants is reducing the number of foreign workers available. Nearly 30% of construction trade workers were foreign-born in 2015, according to NAHB, but the share was higher in states like Texas and Florida.

"A large percentage of (foreign workers) have decided not to come or have gone back (to their countries) because they are afraid," says Matovina, of the Florida builders group.

In an NAHB/Wells Fargo survey in July, about 65% of home builders reported labor shortages, up from about 60% a year earlier. The additional squeeze following the hurricanes has pushed up construction wages by an average of more than 30% in Texas and about 25% in Florida, the states' builders groups say.

Contractors in both states must wait for subcontractors in sheet rock, insulation, cabinets and other specialties to arrive from other job sites. Once they do, projects often take longer than normal because crews are thin. Many workers are job-hopping for higher pay.

### Construction worker unemployment rate, October of each year, 2006-2017



SOURCE Bureau of Labor Statistics  
George Petras, USA TODAY

Dan Bawden, head of Legal Eagle Contractors in Houston, says average repair jobs he would typically complete in six to eight months could take more than a year because of the volume of jobs and the worker deficit. "It's going to go nuts," he says.

Joel Dantzer, head of the Dantzer Group, a remodeling company in Jacksonville, Fla., has a backlog of 50 projects instead of his normal 10 or so. He says it will take about two months just to start a job, up from a typical two to three weeks. Building officials in both Texas and Florida say working through their entire backlogs could take two to five years.

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**For \$29/yr.**

Some construction workers have trickled into Texas from other states, building officials say, drawn by the higher pay and steady work. But the numbers are limited because of existing worker shortages across the country. And Florida's Matovina says state law bars workers who aren't employees of a licensed Florida contractor.

Here's how some builders are coping with the worker shortages:

- **Factory style.** Jeff Hunt, head of Heritage Construction, in Houston, is setting up construction assembly lines — lining up eight or nine jobs in the same neighborhood so subcontracting crews can jump from one house to the next. That way, he hopes to avoid losing crews during downtime. “My objective is to feed the machine,” he says.
- **Be less picky.** Unable to hire a project manager, Hunt used social media to find a 50-something purchasing and logistics manager in Nevada who wants to return to Houston and is willing to be trained. “This isn't brain surgery,” Hunt says.
- **Widen pipeline.** The Houston builders group is working with local high schools and community colleges to turn out more students from their construction programs. But that takes time, says group CEO Casey Morgan. The Home Builders Institute, the industry's training arm, plans to offer compressed 12-week classes in the area next year.
- **Networking.** The Texas builders group is developing an app to connect contractors with workers in other states.
- **Former workers.** The Florida builders group is funding the hiring of recruiters at local chapters who will try to lure former construction workers back to the industry.

Gronauer, the Houston homeowner, isn't banking on a speedier construction timetable. “I'm just changing my attitude,” she says. “I just have to breathe.”

Read or Share this story: <https://usat.ly/2id7eRc>





November 21, 2016

Mr. Sergio Gonzalez  
Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Sergio:

Attached is Field Observer Report No. 001, dated November 21, 2016 and pertinent photographs of the work in progress.

We have also attached the Borrower's Draw No. 2 and the General Contractor's Application for Payment No. 02 for issuance of this progress payment for period ending November 15, 2016. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the recommended amount for payment for the Borrower's Draw No. 2 would be \$343,511. Of this amount, the amount due for the General Contractor's Application for Payment No. 02 would be \$339,011.18.** We leave approval of the remaining soft cost amounts to you as an underwriting decision.

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/tl

Attachments



## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	001
TIME ON-SITE:	9:00 A.M.	DATE OF SITE VISIT:	November 21, 2016
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	November 18, 2016
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	2 Business Days
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities. The entire site will be covered by the proposed development.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 2

We have been provided with a copy of the Borrower's Draw No. 2 dated November 17, 2016. The Total Project Budget amount is indicated to be \$20,188,768 with \$10,445,500 allocated for "HARD COSTS"; this amount matches the General Contractor's Contract Sum to date. **We request your verification and approval of the previously funded equity amounts indicated this month as this is the first draw request AECC has received to date.**

RE: **City Square Artist Lofts  
Garland, Texas**

The "CONTINGENCY" line item is indicated to have a balance remaining of \$0.00. **We typically recommend a Contingency budget of 3-5% of the hard cost sum for a project of this type and this is mentioned for your information.**

The Borrower is requesting funding toward the Hard Cost line item "HARD COSTS" this period in the amount of \$339,011.18. A copy of the Contractor's Application for Payment No. 02 has been provided to substantiate this amount.

Various Borrower soft cost requests have been indicated this period. Soft Cost amounts requested are specific to the project and these items are typically substantiated by invoices, check copies, etc. We leave approval of soft cost items to you as an underwriting decision.

Overall, the Borrower is requesting \$343,511. Please see section below for Hard Cost recommendations.

### **Contractor's Application for Payment No. 2**

Our office has been furnished a copy of the General Contractor's Application for Payment No. 2, for the period ending November 15, 2016. The Contractor has signed the Application for Payment. The Project Architect has not certified the request and we would recommend a certified copy be provided due to its significance. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 1 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500. Previously funded amounts are indicated to be \$979,755.33, with the current Balance to Finish indicated to be \$9,126,733.49. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 1% retainage of the total amount completed is currently indicated totaling \$11,926.69. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "PROFIT" Line Item is being requested this period at 10% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 10% as compared to 13% project completion (inclusive of stored lumber materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$339,011.18 this period. We are in agreement with the amount requested based on a "percentage of completion" method, with the following comments:

RE: **City Square Artist Lofts  
Garland, Texas**

1. **It does appear that funding has been previously requested for rough carpentry framing materials stored off-site. We mention this for your information and approval since this is the first Draw requested received/reviewed to date.**
2. **The Contractor previously requested \$250,000 in Contingency funding (60% drawn to date). We would recommend clarification in regards to this Contingency amount and a brief summary breakdown outlining the scope of work.**

## **II. STORED MATERIALS**

No materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized to the site, with perimeter security fencing observed in place. Existing building demolition was observed in progress on all Levels with hazardous material abatement in progress on Levels 5 and 6 at the time of our visit.

This was our first site visit to the project and we will comment on job progress in our Field Observer Report next month. Schedule updates should be periodically provided as the information comes available.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner. We will comment additionally when the necessary information has been received.**



RE: **City Square Artist Lofts  
Garland, Texas**

**Prior to the request for final retainage release or final payment**, AECC will request that a testing “summary” letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an “As-Built” Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The “As-Built” Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

### **Construction Schedule**

A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be generally on schedule and completion by December 19, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

1. Please see report items in “**BOLD**”.
2. **The Borrower’s “HARD COSTS” line item indicates the total completed to date as \$1,325,938. The General Contractor’s Application for Payment provided this period indicates the Total Earned to date as \$1,318,766.51. We would recommend clarification in regards to this amount discrepancy.**

RE: **City Square Artist Lofts  
Garland, Texas**

- 3. We recommend that we (brandons@aeccinc.com) be placed on the testing laboratory's distribution list as soon as possible.**

## VI. SUMMARY

This was our first site visit to the project and we will comment on job progress in our next Field Observer Report. Schedule updates will be discussed as the necessary information is provided. Based on observations made during our site visit, we would estimate the project to be approximately 12% complete (inclusive of previously requested off-site stored materials (lumber)).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.



SubContractor: Rise Residential Construction Garland, LP  
16812 Dallas Parkway  
Dallas, TX 75248

PROJECT: City Square Lofts  
Garland, Texas

APPLICATION NUMBER: 2  
APPLICATION DATE: 11/15/16  
PERIOD FROM: 10/12/16  
PERIOD TO: 11/15/16

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
		<b>DIVISION 1 - GENERAL CONDITIONS</b>								
1	02-01-1101	General Conditions	\$384,503.80	\$0.00	\$38,450.38		\$38,450.38	10.0%	\$346,053.42	\$0.00
2	02-01-1101	General Conditions	\$150,000.00	\$150,000.00	\$0.00		\$150,000.00	100.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$534,503.80</b>	<b>\$150,000.00</b>	<b>\$38,450.38</b>	<b>\$0.00</b>	<b>\$188,450.38</b>	<b>35.3%</b>	<b>\$346,053.42</b>	<b>\$0.00</b>
		<b>DIVISION 2 - SITE CONSTRUCTION</b>								
3	02-2018	Erosion Control	\$20,000.00	\$0.00	\$20,000.00		\$20,000.00	100.0%	\$0.00	\$1,000.00
4	02-2100	Site Demolition (Labor)	\$95,000.00	\$0.00	\$38,000.00		\$38,000.00	40.0%	\$57,000.00	\$1,900.00
5	02-2100	Site Demolition (Equip)	\$95,000.00	\$0.00	\$38,000.00		\$38,000.00	40.0%	\$57,000.00	\$1,900.00
6	02-2100	Haz Mat Remediation	\$135,000.00	\$0.00	\$54,000.00		\$54,000.00	40.0%	\$81,000.00	\$2,700.00
7	02-2100	Third Party Air Monitoring	\$30,000.00	\$0.00	\$12,000.00		\$12,000.00	40.0%	\$18,000.00	\$600.00
8	02-2100	Demo Disposal	\$145,000.00	\$0.00	\$58,000.00		\$58,000.00	40.0%	\$87,000.00	\$2,900.00
9	02-2100	Demo permitting	\$10,000.00	\$0.00	\$10,000.00		\$10,000.00	100.0%	\$0.00	\$500.00
10	02-2110	Site Preparation	\$450,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$450,000.00	\$0.00
11	02-2200	Earthwork - Clearing & Grading	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
12	02-2214	Miscellaneous Site Work	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
13	02-2400	Soil Treatment	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
14	02-2606	Concrete Drive Approach	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
15	02-2650	Sidewalks (Flatwork)	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
16	02-2660	Pavement Marking	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
17	02-2680	Construction Staking	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
18	02-2700	On-Site Water	\$12,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$12,500.00	\$0.00
19	02-2705	Sanitary Sewer	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
20	02-2713	On-Site Sanitary	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
21	02-2718	Dumpster Enclosure	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
22	02-2750	Irrigation	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
23	02-2800	Landscaping	\$105,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$105,000.00	\$0.00
24	02-2845	Playground	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
25	02-2975	Monument Sign Allowance (Materials)	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
26	02-2975	Monument Sign Allowance (Labor)	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,395,000.00</b>	<b>\$0.00</b>	<b>\$230,000.00</b>	<b>\$0.00</b>	<b>\$230,000.00</b>	<b>16.5%</b>	<b>\$1,165,000.00</b>	<b>\$11,500.00</b>
		<b>DIVISION 3 - CONCRETE</b>								
27	02-03-3000	Concrete Subgrade	\$13,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$13,400.00	\$0.00
28	02-03-3077	Forms	\$13,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$13,400.00	\$0.00
29		Steel	\$26,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,800.00	\$0.00
30		Concrete	\$80,801.00	\$0.00	\$0.00		\$0.00	0.0%	\$80,801.00	\$0.00
31	02-02-2650	Transformer Pads (Allowance)	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
32	02-03-3077	3/4" Gypcrete	\$92,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$92,400.00	\$0.00
33		Lightweight	\$23,100.00	\$0.00	\$0.00		\$0.00	0.0%	\$23,100.00	\$0.00
		<b>Subtotal</b>	<b>\$259,901.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$259,901.00</b>	<b>\$0.00</b>
		<b>DIVISION 4 - MASONRY</b>								
34	04-4100	Masonry	\$75,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$75,000.00	\$0.00
35	04-4101	Masonry Material	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
36	04-4102	CMU/Block Walls	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00

SubContractor: Rise Residential Construction Garland, LP  
16812 Dallas Parkway  
Dallas, TX 75248

PROJECT: City Square Lofts  
Garland, Texas

APPLICATION NUMBER: 2  
APPLICATION DATE: 11/15/16  
PERIOD FROM: 10/12/16  
PERIOD TO: 11/15/16

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
37	04-4104	Masonry Cleaning	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
38	04-4105	Masonry Accessories (scaffolding)	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
39	04-4110	Stucco	\$57,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$57,500.00	\$0.00
		<b>Subtotal</b>	<b>\$250,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$250,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 5 - METALS</b>								
40	05-5500	Metal Fabrications	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
41	05-5505	Stairs	\$27,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$27,000.00	\$0.00
42	05-5505	Rails	\$18,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,000.00	\$0.00
		<b>Subtotal</b>	<b>\$65,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$65,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 6 - WOOD &amp; PLASTICS</b>								
43	06-6100	Rough Carpentry Mat'l	\$432,500.00	<del>\$432,500.00</del>	\$0.00		\$432,500.00	100.0%	\$0.00	\$0.00
44	06-6101	Rough Carpentry labor	\$465,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$465,000.00	\$0.00
45	06-6102	Floor & Roof Trusses	\$250,000.00	<del>\$94,946.93</del>	\$0.00		\$94,946.93	38.0%	\$155,053.07	\$0.00
46	06-6150	Interior Trim Material	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
47	06-6155	Misc. Framing Material	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
48	06-6155	Screws, Straps, Bracing etc.	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
49	06-6155	Faming Material (Ceilings)	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
50	06-6155	Metal Studs	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
51	06-6200	Finish Carpentry Material	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
52	06-6201	Finish Carpentry labor	\$26,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,328,500.00</b>	<b>\$527,446.93</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$527,446.93</b>	<b>39.7%</b>	<b>\$801,053.07</b>	<b>\$0.00</b>
		<b>DIVISION 7 - THERMAL &amp; MOISTURE</b>								
53	07-7210	Insulation	\$103,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$103,500.00	\$0.00
54	07-7212	Flashing	\$9,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$9,500.00	\$0.00
55	07-7500	Roofing (Mtl & Lbr)	\$208,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$208,000.00	\$0.00
56	07-7540	Fireproofing/Collars	\$18,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,500.00	\$0.00
57	07-7550	Flat Roofing (assess/repair/patch)	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
58	07-7600	Sheetmetal Fabrications	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
59	07-7655	Access Door	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
60	07-7700	Roof Drainage	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
61	07-7702	Termite Control	\$2,580.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,580.00	\$0.00
		<b>Subtotal</b>	<b>\$374,580.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$374,580.00</b>	<b>\$0.00</b>
		<b>DIVISION 8 - DOORS &amp; WINDOWS</b>								
62	08-8110	Door Hardware	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
63	08-8110	Closures	\$4,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$4,000.00	\$0.00
64	08-8110	Panic Hardware	\$5,600.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,600.00	\$0.00
65	08-8110	Hinges, Fire Stops, Peeps	\$1,350.00	\$0.00	\$0.00		\$0.00	0.0%	\$1,350.00	\$0.00
66	08-8111	Exterior Doors	\$89,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$89,000.00	\$0.00
67	08-8200	Interior Doors	\$49,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$49,800.00	\$0.00
68	08-8505	Vinyl Windows	\$52,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$52,800.00	\$0.00
69	08-8700	Ventilated Shelving Material	\$26,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,000.00	\$0.00

SubContractor: Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

PROJECT: City Square Lofts  
 Garland, Texas

APPLICATION NUMBER: 2  
 APPLICATION DATE: 11/15/16  
 PERIOD FROM: 10/12/16  
 PERIOD TO: 11/15/16

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
70	08-8710	Finish Hardware	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
71	08-8710	Glass Curtain Wall Ext.	\$228,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$228,000.00	\$0.00
72	08-8710	Demo Curtain Wall	\$120,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$120,000.00	\$0.00
73	08-8810	Glass & Glazing (mirrors)	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
		<b>Subtotal</b>	<b>\$659,050.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$659,050.00</b>	<b>\$0.00</b>
		<b>DIVISION 9 - FINISHES</b>								
74	09-9100	Tape, Bed & Texture	\$225,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$225,000.00	\$0.00
75	09-9250	Drywall (Material and Labor)	\$300,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$300,000.00	\$0.00
76	09-9300	Ceramic Tile tube surrounds	\$46,050.00	\$0.00	\$0.00		\$0.00	0.0%	\$46,050.00	\$0.00
77	09-9650	Resilient Flooring (materials)	\$140,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$140,000.00	\$0.00
78	09-9650	Resilient Flooring (labor)	\$47,100.00	\$0.00	\$0.00		\$0.00	0.0%	\$47,100.00	\$0.00
79	09-9685	Columns at Club Porch	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
80	09-9900	Paint	\$176,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$176,000.00	\$0.00
		<b>Subtotal</b>	<b>\$941,650.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$941,650.00</b>	<b>\$0.00</b>
		<b>DIVISION 10 - SPECIALTIES</b>								
81	10-1016	Toilet Partitions	\$1,850.00	\$0.00	\$0.00		\$0.00	0.0%	\$1,850.00	\$0.00
82	10-1020	Fireplaces	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
83	10-1036	Club Finish	\$125,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$125,000.00	\$0.00
84	10-1052	Postal Equip	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
85	10-1900	Miscellaneous Hardware	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
		<b>Subtotal</b>	<b>\$139,350.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$139,350.00</b>	<b>\$0.00</b>
		<b>DIVISION 11 - EQUIPMENT</b>								
86	11-1145	Kitchen Appliances	\$216,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$216,000.00	\$0.00
		<b>Subtotal</b>	<b>\$216,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$216,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 12 - FURNISHINGS</b>								
87	12-1237	Residential Cabinetry (materials)	\$183,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$183,000.00	\$0.00
88	12-1237	Residential Cabinetry (labor)	\$45,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$45,000.00	\$0.00
89	12-1251	Window Coverings (mini blinds)	\$30,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$30,000.00	\$0.00
		<b>Subtotal</b>	<b>\$258,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$258,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 13 - SPECIAL CONSTRUCTION</b>								
90	13-1350	Swimming Pools	\$150,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$150,000.00	\$0.00
91	13-1382	Mail Kiosks	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
92	13-1386	Carports w/ lighting (materials)	\$27,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$27,500.00	\$0.00
93	13-1386	Carports w/ lighting (labor)	\$70,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$70,000.00	\$0.00
94	13-1393	Gazebos	\$4,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$4,500.00	\$0.00
95	17000	Upgrades: Granite, Cladding +Washer Dryeer	\$196,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$196,000.00	\$0.00
		<b>Subtotal</b>	<b>\$473,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$473,000.00</b>	<b>\$0.00</b>

SubContractor: Rise Residential Construction Garland, LP  
16812 Dallas Parkway  
Dallas, TX 75248

PROJECT: City Square Lofts  
Garland, Texas

APPLICATION NUMBER: 2  
APPLICATION DATE: 11/15/16  
PERIOD FROM: 10/12/16  
PERIOD TO: 11/15/16

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
		<b>DIVISION 14 - CONVEYING SYSTEMS</b>								
96	14-1420	Elevator Cab Rehab	\$14,662.00	\$0.00	\$0.00		\$0.00	0.0%	\$14,662.00	\$0.00
97	14-1420	Elevator Equip. Replace	\$200,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$200,000.00	\$0.00
98	14-1420	Elevator Labor	\$85,338.00	\$0.00	\$8,533.80		\$8,533.80	10.0%	\$76,804.20	\$426.69
		<b>Subtotal</b>	<b>\$300,000.00</b>	<b>\$0.00</b>	<b>\$8,533.80</b>	<b>\$0.00</b>	<b>\$8,533.80</b>	<b>2.8%</b>	<b>\$291,466.20</b>	<b>\$426.69</b>
		<b>DIVISION 15 - MECHANICAL</b>								
99	15-1501	Plumbing Rough Materials	\$26,000.00	\$14,408.40	\$0.00		\$14,408.40	55.4%	\$11,591.60	\$0.00
100	15-1501	Plumbing Rough Labor	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
101	15-1501	Plumbing Finish Materials	\$18,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,000.00	\$0.00
102	15-1501	Plumbing Finish Labor	\$28,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$28,000.00	\$0.00
103	15-1501	Plumbing Fixtures	\$125,000.00	\$19,200.00	\$0.00		\$19,200.00	15.4%	\$105,800.00	\$0.00
104	15-1501	Concrete Boring	\$21,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$21,000.00	\$0.00
105	15-1501	New Rough	\$88,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$88,000.00	\$0.00
106	15-1501	New Top out	\$88,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$88,000.00	\$0.00
107	15-1501	Fixture Package	\$140,606.00	\$0.00	\$0.00		\$0.00	0.0%	\$140,606.00	\$0.00
108	15-1501	Stops	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
109	15-1501	New Trim	\$44,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$44,000.00	\$0.00
110	15-1502	Fire Service Lines	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
111	15-1510	HVAC (+ fan/dryer vents)	\$470,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$470,000.00	\$0.00
112	15-1550	Fire Protection	\$290,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$290,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,403,606.00</b>	<b>\$33,608.40</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$33,608.40</b>	<b>2.4%</b>	<b>\$1,369,997.60</b>	<b>\$0.00</b>
		<b>DIVISION 16 - ELECTRICAL</b>								
113	16-1601	Electrical Materials	\$295,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$295,000.00	\$0.00
114	16-1601	Electrical Labor	\$242,145.00	\$0.00	\$0.00		\$0.00	0.0%	\$242,145.00	\$0.00
115	16-1601	Fixture Package - lighting	\$100,800.00	\$18,700.00	\$0.00		\$18,700.00	18.6%	\$82,100.00	\$0.00
116	16-1602	Site Lighting	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
117	16-1602	Mastermetering	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
118	16-1615	Fire Alarm	\$35,125.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,125.00	\$0.00
		<b>Subtotal</b>	<b>\$688,070.00</b>	<b>\$18,700.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$18,700.00</b>	<b>2.7%</b>	<b>\$669,370.00</b>	<b>\$0.00</b>
119	02-18-1801	Overhead	\$554,652.65	\$0.00	\$55,465.27		\$55,465.27	10.0%	\$499,187.38	\$0.00
120	02-18-1800	Profit	\$184,884.22	\$0.00	\$18,488.42		\$18,488.42	10.0%	\$166,395.80	\$0.00
121		Contingency	\$419,752.33	\$250,000.00	\$0.00		\$250,000.00	59.6%	\$169,752.33	\$0.00
		<b>Subtotal</b>	<b>\$1,159,289.20</b>	<b>\$250,000.00</b>	<b>\$73,953.69</b>	<b>\$0.00</b>	<b>\$323,953.69</b>	<b>27.9%</b>	<b>\$835,335.51</b>	<b>\$0.00</b>
		<b>Total</b>	<b>\$10,445,500.00</b>	<b>\$979,755.33</b>	<b>\$350,937.87</b>	<b>\$0.00</b>	<b>\$1,330,693.20</b>	<b>12.7%</b>	<b>\$9,114,806.80</b>	<b>\$11,926.69</b>

PLEASE VERIFY

**RISE RESIDENTIAL CONSTRUCTION  
CONDITIONAL WAIVER - SUBCONTRACTOR LIST**

**PROJECT:** City Square Lofts  
Garland, Texas

**APPLICATION NUMBER:** 2  
**APPLICATION DATE:** 11/15/16  
**PERIOD FROM:** 10/12/16  
**PERIOD TO:** 11/15/16

		<b>Total Drawn</b>	<b>Contractor / Vendor</b>	<b>Total Due</b>	<b>Retainage</b>	<b>Conditional Waivers Attached</b>
Division #1	General Conditions	\$38,450.38	Rise Residential Construction - Garland	\$38,450.38	\$0.00	\$38,450.38
Division #2	Site Construction	\$191,306.38	MAS D Construction	\$191,306.38	\$0.00	\$191,306.38
Division #3	Concrete		Cemplex Group Texas	\$0.00	\$0.00	\$0.00
Division #4	Masonry		Precision Stucco & Stone	\$0.00	\$0.00	\$0.00
Division #6	Woods & Plastics		Advance Framing - Material	\$0.00	\$0.00	\$0.00
Division #6	Woods & Plastics		Advance Framing - Labor	\$0.00	\$0.00	\$0.00
Division #7	Thermal & Moisture		RBN Roofs	\$0.00	\$0.00	\$0.00
Division #7	Thermal & Moisture		Alpha Insulation	\$0.00	\$0.00	\$0.00
Division #8	Doors & Windows		Builders First Source	\$0.00	\$0.00	\$0.00
Division #9	Finishes		TCC Multi-Family Interiors	\$0.00	\$0.00	\$0.00
Division #9	Finishes		Trevino Interiors, LLC	\$0.00	\$0.00	\$0.00
Division #9	Finishes		RPG Construction Services	\$0.00	\$0.00	\$0.00
Division #12	Furnishings		Republic National Industries	\$0.00	\$0.00	\$0.00
Division #13	Special Construction		MG Pools, LLC	\$0.00	\$0.00	\$0.00
Division #15	Mechanical		Freedom Air	\$0.00	\$0.00	\$0.00
Division #15	Mechanical		GC Supply	\$0.00	\$0.00	\$0.00
Division #15	Mechanical		Ranger Fire	\$0.00	\$0.00	\$0.00
Division #15	Mechanical		IPMS Plumbing	\$0.00	\$0.00	\$0.00
Division #16	Electrical		Smart Security	\$0.00	\$0.00	\$0.00
Division #16	Electrical		Smart Security	\$0.00	\$0.00	\$0.00
Division #16	Electrical		GC Supply	\$0.00	\$0.00	\$0.00
	Profit & Overhead	\$73,953.69	Rise Residential Construction - Garland	\$73,953.69	\$0.00	\$73,953.69
		<b>\$303,710.45</b>		<b>\$303,710.45</b>	<b>\$0.00</b>	<b>\$303,710.45</b>





We visited the site on November 21 2016. Contractor was mobilized on-site within the existing building.



Site perimeter security fencing was observed in place.



Existing Building Levels 2, 3, and 4 demolition was in progress.



Existing Building Levels 5 and 6 abatement was observed in progress.



December 20, 2016

Mr. Sergio Gonzalez  
Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Sergio:

Attached is Field Observer Report No. 002, dated December 20, 2016 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 03 for issuance of this progress payment for period ending December 15, 2016. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the recommended amount due for the General Contractor's Application for Payment No. 03 would be \$271,692.44.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/tl

Attachments



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## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	002
TIME ON-SITE:	9:00 A.M.	DATE OF SITE VISIT:	December 20, 2016
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	December 20, 2016
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 03

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

RE: **City Square Artist Lofts  
Garland, Texas**

### **Contractor's Application for Payment No. 3**

Our office has been furnished a copy of the General Contractor's Application for Payment No. 3, for the period ending December 15, 2016. The Contractor has signed the Application for Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 2 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$1,318,766.51, with the current Balance to Finish indicated to be \$8,855,041.05. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 1.4% retainage of the total amount completed is currently indicated totaling \$22,676.69. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 16% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 16% as compared to 15% project completion (inclusive of stored lumber materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$271,692.44 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

## **II. STORED MATERIALS**

No materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

RE: **City Square Artist Lofts  
Garland, Texas**

#### **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing office building demolition was observed in progress on all Levels with hazardous material abatement in progress on Levels 1 and 2 at the time of our visit. Existing bank building demolition was well under way and observed in progress.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

#### **V. TESTING AND DOCUMENTATION**

##### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

##### **Documentation**

No new documentation was received this period.

##### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

##### **Construction Schedule**

A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be generally on schedule and completion by

**RE: City Square Artist Lofts  
Garland, Texas**

December 19, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

- 1. We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 2 amount requested has been paid to date.**
- 2. We recommend that we (brandons@aeccinc.com) be placed on the testing laboratory’s distribution list as soon as possible.**

## **VI. SUMMARY**

Job progress has been good since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 15% complete (inclusive of previously requested off-site stored lumber materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

**AIA FORM G702**

**CONTRACTOR'S APPLICATION AND CERTIFICATE FOR PAYMENT**

**SubContractor:** Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

**PROJECT:** City Square Lofts  
 Garland, Texas

**APPLICATION NUMBER:** 3  
**APPLICATION DATE:** 12/15/16  
**PERIOD FROM:** 11/16/16  
**PERIOD TO:** 12/15/16

**VIA ARCHITECT:** BGO Architects  
 4202 Beltway Drive  
 Addison, Texas 75001  
 214-520-8878

**CONTRACTOR'S APPLICATION FOR PAYMENT**

CHANGE ORDER SUMMARY		
Change Orders approved in previous months by Owner	ADDITIONS	DEDUCTIONS
TOTAL	\$0.00	\$0.00
Approved This Month		
Number	Date Approved	
TOTALS	\$0.00	\$0.00
Net change by Change Orders	\$0.00	

1. ORIGINAL CONTRACT SUM	\$10,445,500.00
2. Net change by Change Orders	\$ -
3. CONTRACT SUM TO DATE	\$ 10,445,500.00
4. TOTAL COMPLETED & STORED TO DATE	\$ 1,613,135.64 <span style="color:red">-15%</span>
5. RETAINAGE: (Column L on G703)	\$ 22,676.69 <span style="color:red">-1.4%</span>
6. TOTAL EARNED LESS RETAINAGE (LINE 4 LESS LINE 5 TOTAL)	\$ 1,590,458.95
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ 1,318,766.51
8. CURRENT PAYMENT DUE	\$ 271,692.44
9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)	\$ 8,855,041.05

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

**Subcontractor**  
 Rise Residential Construction Garland, LP

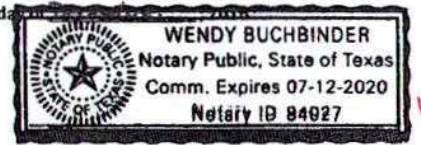
By: [Signature] Date: 12-19-2016

State of Texas County of: Dallas

Subscribed and sworn to before me this 19 day of December, 2016  
 Notary Public:

Wendy Buchbinder

My Commission expires: 7/12/20



**ARCHITECTS CERTIFICATE FOR PAYMENT**

In accordance with the Contract Documents, based upon on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architects knowledge, information and belief the work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED: \$ 271,692.44

ARCHITECT: BGO Architects

By: [Signature] Date: 12/20/16

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

SubContractor: Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

PROJECT: City Square Lofts  
 Garland, Texas

APPLICATION NUMBER: 3  
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LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
<b>DIVISION 1 - GENERAL CONDITIONS</b>										
1	02-01-1101	General Conditions	\$384,503.80	\$38,450.38	\$23,070.23		\$61,520.61	16.0%	\$322,983.19	\$0.00
2	02-01-1101	General Conditions	\$150,000.00	\$150,000.00	\$0.00		\$150,000.00	100.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$534,503.80</b>	<b>\$188,450.38</b>	<b>\$23,070.23</b>	<b>\$0.00</b>	<b>\$211,520.61</b>	<b>39.6%</b>	<b>\$322,983.19</b>	<b>\$0.00</b>
<b>DIVISION 2 - SITE CONSTRUCTION</b>										
3	02-2018	Erosion Control	\$20,000.00	\$20,000.00	\$0.00		\$20,000.00	100.0%	\$0.00	\$1,000.00
4	02-2100	Site Demolition (Labor)	\$95,000.00	\$38,000.00	\$23,750.00		\$61,750.00	65.0%	\$33,250.00	\$3,087.50
5	02-2100	Site Demolition (Equip))	\$95,000.00	\$38,000.00	\$23,750.00		\$61,750.00	65.0%	\$33,250.00	\$3,087.50
6	02-2100	Haz Mat Remediation	\$135,000.00	\$54,000.00	\$33,750.00		\$87,750.00	65.0%	\$47,250.00	\$4,387.50
7	02-2100	Third Party Air Monitoring	\$30,000.00	\$12,000.00	\$7,500.00		\$19,500.00	65.0%	\$10,500.00	\$975.00
8	02-2100	Demo Disposal	\$145,000.00	\$58,000.00	\$36,250.00		\$94,250.00	65.0%	\$50,750.00	\$4,712.50
9	02-2100	Demo permitting	\$10,000.00	\$10,000.00	\$0.00		\$10,000.00	100.0%	\$0.00	\$500.00
10	02-2110	Site Preparation	\$450,000.00	\$0.00	\$90,000.00		\$90,000.00	20.0%	\$360,000.00	\$4,500.00
11	02-2200	Earthwork - Clearing & Grading	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
12	02-2214	Miscellaneous Site Work	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
13	02-2400	Soil Treatment	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
14	02-2606	Concrete Drive Approach	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
15	02-2650	Sidewalks (Flatwork)	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
16	02-2660	Pavement Marking	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
17	02-2680	Construction Staking	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
18	02-2700	On-Site Water	\$12,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$12,500.00	\$0.00
19	02-2705	Sanitary Sewer	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
20	02-2713	On-Site Sanitary	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
21	02-2718	Dumpster Enclosure	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
22	02-2750	Irrigation	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
23	02-2800	Landscaping	\$105,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$105,000.00	\$0.00
24	02-2845	Playground	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
25	02-2975	Monument Sign Allowance (Materials)	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
26	02-2975	Monument Sign Allowance (Labor)	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,395,000.00</b>	<b>\$230,000.00</b>	<b>\$215,000.00</b>	<b>\$0.00</b>	<b>\$445,000.00</b>	<b>31.9%</b>	<b>\$950,000.00</b>	<b>\$22,250.00</b>
<b>DIVISION 3 - CONCRETE</b>										
27	02-03-3000	Concrete Subgrade	\$13,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$13,400.00	\$0.00
28	02-03-3077	Forms	\$13,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$13,400.00	\$0.00
29		Steel	\$26,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,800.00	\$0.00
30		Concrete	\$80,801.00	\$0.00	\$0.00		\$0.00	0.0%	\$80,801.00	\$0.00
31	02-02-2650	Transformer Pads (Allowance)	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
32	02-03-3077	3/4" Gypcrete	\$92,400.00	\$0.00	\$0.00		\$0.00	0.0%	\$92,400.00	\$0.00
33		Lightweight	\$23,100.00	\$0.00	\$0.00		\$0.00	0.0%	\$23,100.00	\$0.00
		<b>Subtotal</b>	<b>\$259,901.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$259,901.00</b>	<b>\$0.00</b>
<b>DIVISION 4 - MASONRY</b>										
34	04-4100	Masonry	\$75,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$75,000.00	\$0.00
35	04-4101	Masonry Material	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
36	04-4102	CMU/Block Walls	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
37	04-4104	Masonry Cleaning	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00



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LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
38	04-4105	Masonry Accessories (scaffolding)	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
39	04-4110	Stucco	\$57,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$57,500.00	\$0.00
		<b>Subtotal</b>	<b>\$250,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$250,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 5 - METALS</b>								
40	05-5500	Metal Fabrications	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
41	05-5505	Stairs	\$27,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$27,000.00	\$0.00
42	05-5505	Rails	\$18,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,000.00	\$0.00
		<b>Subtotal</b>	<b>\$65,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$65,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 6 - WOOD &amp; PLASTICS</b>								
43	06-6100	Rough Carpentry Mat'l	\$432,500.00	\$432,500.00	\$0.00		\$432,500.00	100.0%	\$0.00	\$0.00
44	06-6101	Rough Carpentry labor	\$465,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$465,000.00	\$0.00
45	06-6102	Floor & Roof Trusses	\$250,000.00	\$94,946.93	\$0.00		\$94,946.93	38.0%	\$155,053.07	\$0.00
46	06-6150	Interior Trim Material	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
47	06-6155	Misc. Framing Material	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
48	06-6155	Screws, Straps, Bracing etc.	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
49	06-6155	Faming Material (Ceilings)	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
50	06-6155	Metal Studs	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
51	06-6200	Finish Carpentry Material	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
52	06-6201	Finish Carpentry labor	\$26,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,328,500.00</b>	<b>\$527,446.93</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$527,446.93</b>	<b>39.7%</b>	<b>\$801,053.07</b>	<b>\$0.00</b>
		<b>DIVISION 7 - THERMAL &amp; MOISTURE</b>								
53	07-7210	Insulation	\$103,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$103,500.00	\$0.00
54	07-7212	Flashing	\$9,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$9,500.00	\$0.00
55	07-7500	Roofing (Mtl & Lbr)	\$208,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$208,000.00	\$0.00
56	07-7540	Fireproofing/Collars	\$18,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,500.00	\$0.00
57	07-7550	Flat Roofing (assess/repair/patch)	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
58	07-7600	Sheetmetal Fabrications	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
59	07-7655	Access Door	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
60	07-7700	Roof Drainage	\$5,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,000.00	\$0.00
61	07-7702	Termite Control	\$2,580.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,580.00	\$0.00
		<b>Subtotal</b>	<b>\$374,580.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$374,580.00</b>	<b>\$0.00</b>
		<b>DIVISION 8 - DOORS &amp; WINDOWS</b>								
62	08-8110	Door Hardware	\$65,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$65,000.00	\$0.00
63	08-8110	Closures	\$4,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$4,000.00	\$0.00
64	08-8110	Panic Hardware	\$5,600.00	\$0.00	\$0.00		\$0.00	0.0%	\$5,600.00	\$0.00
65	08-8110	Hinges, Fire Stops, Peeps	\$1,350.00	\$0.00	\$0.00		\$0.00	0.0%	\$1,350.00	\$0.00
66	08-8111	Exterior Doors	\$89,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$89,000.00	\$0.00
67	08-8200	Interior Doors	\$49,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$49,800.00	\$0.00
68	08-8505	Vinyl Windows	\$52,800.00	\$0.00	\$0.00		\$0.00	0.0%	\$52,800.00	\$0.00
69	08-8700	Ventilated Shelving Material	\$26,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$26,000.00	\$0.00
70	08-8710	Finish Hardware	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
71	08-8710	Glass Curtain Wall Ext.	\$228,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$228,000.00	\$0.00
72	08-8710	Demo Curtain Wall	\$120,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$120,000.00	\$0.00

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73	08-8810	Glass & Glazing (mirrors)	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
		<b>Subtotal</b>	<b>\$659,050.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$659,050.00</b>	<b>\$0.00</b>
		<b>DIVISION 9 - FINISHES</b>								
74	09-9100	Tape, Bed & Texture	\$225,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$225,000.00	\$0.00
75	09-9250	Drywall (Material and Labor)	\$300,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$300,000.00	\$0.00
76	09-9300	Ceramic Tile tube surrounds	\$46,050.00	\$0.00	\$0.00		\$0.00	0.0%	\$46,050.00	\$0.00
77	09-9650	Resilient Flooring (materials)	\$140,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$140,000.00	\$0.00
78	09-9650	Resilient Flooring (labor)	\$47,100.00	\$0.00	\$0.00		\$0.00	0.0%	\$47,100.00	\$0.00
79	09-9685	Columns at Club Porch	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
80	09-9900	Paint	\$176,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$176,000.00	\$0.00
		<b>Subtotal</b>	<b>\$941,650.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$941,650.00</b>	<b>\$0.00</b>
		<b>DIVISION 10 - SPECIALTIES</b>								
81	10-1016	Toilet Partitions	\$1,850.00	\$0.00	\$0.00		\$0.00	0.0%	\$1,850.00	\$0.00
82	10-1020	Fireplaces	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
83	10-1036	Club Finish	\$125,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$125,000.00	\$0.00
84	10-1052	Postal Equip	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
85	10-1900	Miscellaneous Hardware	\$2,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$2,500.00	\$0.00
		<b>Subtotal</b>	<b>\$139,350.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$139,350.00</b>	<b>\$0.00</b>
		<b>DIVISION 11 - EQUIPMENT</b>								
86	11-1145	Kitchen Appliances	\$216,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$216,000.00	\$0.00
		<b>Subtotal</b>	<b>\$216,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$216,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 12 - FURNISHINGS</b>								
87	12-1237	Residential Cabinetry (materials)	\$183,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$183,000.00	\$0.00
88	12-1237	Residential Cabinetry (labor)	\$45,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$45,000.00	\$0.00
89	12-1251	Window Coverings (mini blinds)	\$30,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$30,000.00	\$0.00
		<b>Subtotal</b>	<b>\$258,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$258,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 13 - SPECIAL CONSTRUCTION</b>								
90	13-1350	Swimming Pools	\$150,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$150,000.00	\$0.00
91	13-1382	Mail Kiosks	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
92	13-1386	Carports w/ lighting (materials)	\$27,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$27,500.00	\$0.00
93	13-1386	Carports w/ lighting (labor)	\$70,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$70,000.00	\$0.00
94	13-1393	Gazebos	\$4,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$4,500.00	\$0.00
95	17000	Upgrades: Granite, Cladding +Washer Dryer	\$196,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$196,000.00	\$0.00
		<b>Subtotal</b>	<b>\$473,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$473,000.00</b>	<b>\$0.00</b>
		<b>DIVISION 14 - CONVEYING SYSTEMS</b>								
96	14-1420	Elevator Cab Rehab	\$14,662.00	\$0.00	\$0.00		\$0.00	0.0%	\$14,662.00	\$0.00
97	14-1420	Elevator Equip. Replace	\$200,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$200,000.00	\$0.00
98	14-1420	Elevator Labor	\$85,338.00	\$8,533.80	\$0.00		\$8,533.80	10.0%	\$76,804.20	\$426.69

**SubContractor:** Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

**PROJECT:** City Square Lofts  
 Garland, Texas

**APPLICATION NUMBER:** 3  
**APPLICATION DATE:** 12/15/16  
**PERIOD FROM:** 11/16/16  
**PERIOD TO:** 12/15/16

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
		<b>Subtotal</b>	<b>\$300,000.00</b>	<b>\$8,533.80</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$8,533.80</b>	<b>2.8%</b>	<b>\$291,466.20</b>	<b>\$426.69</b>
		<b>DIVISION 15 - MECHANICAL</b>								
99	15-1501	Plumbing Rough Materials	\$26,000.00	\$14,408.40	\$0.00		\$14,408.40	55.4%	\$11,591.60	\$0.00
100	15-1501	Plumbing Rough Labor	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
101	15-1501	Plumbing Finish Materials	\$18,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,000.00	\$0.00
102	15-1501	Plumbing Finish Labor	\$28,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$28,000.00	\$0.00
103	15-1501	Plumbing Fixtures	\$125,000.00	\$19,200.00	\$0.00		\$19,200.00	15.4%	\$105,800.00	\$0.00
104	15-1501	Concrete Boring	\$21,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$21,000.00	\$0.00
105	15-1501	New Rough	\$88,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$88,000.00	\$0.00
106	15-1501	New Top out	\$88,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$88,000.00	\$0.00
107	15-1501	Fixture Package	\$140,606.00	\$0.00	\$0.00		\$0.00	0.0%	\$140,606.00	\$0.00
108	15-1501	Stops	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
109	15-1501	New Trim	\$44,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$44,000.00	\$0.00
110	15-1502	Fire Service Lines	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
111	15-1510	HVAC (+ fan/dryer vents)	\$470,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$470,000.00	\$0.00
112	15-1550	Fire Protection	\$290,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$290,000.00	\$0.00
		<b>Subtotal</b>	<b>\$1,403,606.00</b>	<b>\$33,608.40</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$33,608.40</b>	<b>2.4%</b>	<b>\$1,369,997.60</b>	<b>\$0.00</b>
		<b>DIVISION 16 - ELECTRICAL</b>								
113	16-1601	Electrical Materials	\$295,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$295,000.00	\$0.00
114	16-1601	Electrical Labor	\$242,145.00	\$0.00	\$0.00		\$0.00	0.0%	\$242,145.00	\$0.00
115	16-1601	Fixture Package - lighting	\$100,800.00	\$18,700.00	\$0.00		\$18,700.00	18.6%	\$82,100.00	\$0.00
116	16-1602	Site Lighting	\$15,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$15,000.00	\$0.00
117	16-1602	Mastermetering	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
118	16-1615	Fire Alarm	\$35,125.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,125.00	\$0.00
		<b>Subtotal</b>	<b>\$688,070.00</b>	<b>\$18,700.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$18,700.00</b>	<b>2.7%</b>	<b>\$669,370.00</b>	<b>\$0.00</b>
119	02-18-1801	Overhead	\$554,652.65	\$55,465.27	\$33,279.15		\$88,744.42	16.0%	\$465,908.23	\$0.00
120	02-18-1800	Profit	\$184,884.22	\$18,488.42	\$11,093.06		\$29,581.48	16.0%	\$155,302.74	\$0.00
121		Contingency	\$419,752.33	\$250,000.00	\$0.00		\$250,000.00	59.6%	\$169,752.33	\$0.00
		<b>Subtotal</b>	<b>\$1,159,289.20</b>	<b>\$323,953.69</b>	<b>\$44,372.21</b>	<b>\$0.00</b>	<b>\$368,325.90</b>	<b>31.8%</b>	<b>\$790,963.30</b>	<b>\$0.00</b>
		<b>Total</b>	<b>\$10,445,500.00</b>	<b>\$1,330,693.20</b>	<b>\$282,442.44</b>	<b>\$0.00</b>	<b>\$1,613,135.64</b>	<b>15.4%</b>	<b>\$8,832,364.36</b>	<b>\$22,676.69</b>



We visited the site on December 20, 2016. Contractor was mobilized on-site.



Existing Bank Building demolition was well under way.



Existing Bank Building demolition was well under way.



Existing Bank Building demolition was well under way.



Existing Building Levels 1 and 2 abatement was observed in progress.



AECC, INC.

January 27, 2017

Mr. Sergio Gonzalez  
Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Sergio:

Attached is Field Observer Report No. 003, dated January 26, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 04 for issuance of this progress payment for period ending January 15, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the recommended amount due for the General Contractor's Application for Payment No. 04 would be \$484,966.23.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/tl

Attachments



## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	003
TIME ON-SITE:	9:00 A.M.	DATE OF SITE VISIT:	January 26, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	January 25, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 04

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

RE: **City Square Artist Lofts  
Garland, Texas**

#### **Contractor's Application for Payment No. 4**

Our office has been furnished a copy of the General Contractor's Application for Payment No. 4, for the period ending January 15, 2017. The Contractor has signed the Application for Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 3 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$1,590,548.95, with the current Balance to Finish indicated to be \$8,370,074.82. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 2.2% retainage of the total amount completed is currently indicated totaling \$45,807.68. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 20% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 42% as compared to 20% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$484,966.23 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

## **II. STORED MATERIALS**

Reinforcing steel materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

RE: **City Square Artist Lofts  
Garland, Texas**

#### **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was nearing completion with Level 1 remaining, Levels 2 through 6 were complete. Hazardous material abatement was observed complete on all Levels. Site concrete demolition was observed in progress at the time of our visit.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

#### **V. TESTING AND DOCUMENTATION**

##### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

##### **Documentation**

No new documentation was received this period.

##### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

##### **Construction Schedule**

A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017.



**RE: City Square Artist Lofts  
Garland, Texas**

We would consider the overall project to be generally on schedule and completion by December 19, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

- 1. We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 2 amount requested has been paid to date.**
- 2. We recommend that we (brandons@aeccinc.com) be placed on the testing laboratory’s distribution list as soon as possible.**

## **VI. SUMMARY**

Job progress has been good since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 20% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

**APPLICATION AND CERTIFICATE FOR PAYMENT**

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments  
705 W. Avenue B  
Garland, TX 75040

Application No: 4  
Invoice No: 4  
Period To: 1/15/2017

From: RRC Garland (BoFA GC) ✓  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 1/15/2017  
Contract Date: 10/24/2016

**CONTRACTOR'S APPLICATION FOR PAYMENT**

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00 ✓	0.00 ✓
Approved this month	0.00 ✓	0.00 ✓
<b>TOTALS</b>	<b>0.00 ✓</b>	<b>0.00 ✓</b>
Net change by change orders	0.00 ✓	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00 ✓
- 2. Net change by Change Orders..... \$ 0.00 ✓
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00 ✓
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 2,121,232.86 - 20% ✓
- 5. RETAINAGE..... \$ 45,807.68 - 2.2% ✓
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 2,075,425.18 ✓  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 1,590,458.95 ✓  
(Line 6 from prior Certificate)

**8. CURRENT PAYMENT DUE..... \$ 484,966.23 ✓**

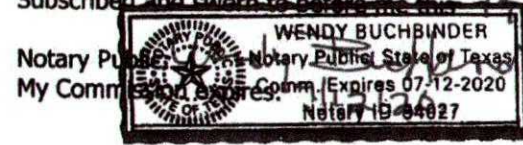
9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 8,370,074.82 ✓  
(Line 3 less Line 6)

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: RRC Garland (BoFA GC)

By: [Signature] Date: 1/19/17 ✓

State of: Texas County of: Dallas  
Subscribed and sworn to before me this 19 day of Jan, 2017



**AECC, INC.**

**ARCHITECT'S CERTIFICATE FOR PAYMENT**

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$  
(Attach explanation if amount certified differs from the amount applied for.)

ARCHITECT: BGO Architects

By: [Signature] Date: 01/25/17 ✓

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Application Number: 4  
 Application Date: 1/15/2017  
 Period To: 1/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		E WORK COMPLETED THIS PERIOD	F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			WORK COMPLETED							
			FROM PREV. APPLICATION (D+E)							
		<i>*REALLOCATIONS</i>								
	<u>General Conditions</u>									
1	01.210000: Mobilization Allowance	150,000.00	150,000.00	0.00	0.00	150,000.00	100	0.00	0.00	
2	01.310000: Construction Manager	122,284.00	19,565.44	4,891.36	0.00	24,456.80	20	97,827.20	0.00	
3	01.310010: Project Management	24,000.00	3,840.00	960.00	0.00	4,800.00	20	19,200.00	0.00	
4	01.310030: Superintendent	100,000.00	16,000.00	4,000.00	0.00	20,000.00	20	80,000.00	0.00	
5	01.310037: Progress and Final Cleaning	12,000.00	1,920.00	480.00	0.00	2,400.00	20	9,600.00	0.00	
6	01.310050: Travel Expense	11,628.80	1,860.61	465.15	0.00	2,325.76	20	9,303.04	0.00	
7	01.323310: Progress Photos	1,011.20	161.77	40.47	0.00	202.24	20	808.96	0.00	
8	01.331310: Insurance - Builders Risk	27,706.88	4,433.10	1,108.28	0.00	5,541.38	20	22,165.50	0.00	
9	01.352310: Safety and First Aid	1,516.80	242.69	60.67	0.00	303.36	20	1,213.44	0.00	
10	01.352320: Termite & Pest Control	2,580.00	0.00	516.00	0.00	516.00	20	2,064.00	0.00	
11	01.355300: Security	2,100.00	336.00	84.00	0.00	420.00	20	1,680.00	0.00	
12	01.432610: Quality Testing	2,022.40	323.58	80.90	0.00	404.48	20	1,617.92	0.00	
13	01.510010: Temporary Electric	27,896.00	4,463.36	1,115.84	0.00	5,579.20	20	22,316.80	0.00	
14	01.510030: Temporary Water	1,516.80	242.69	60.67	0.00	303.36	20	1,213.44	0.00	
15	01.510040: Telephone	2,528.00	404.48	101.12	0.00	505.60	20	2,022.40	0.00	
16	01.521310: Field Offices	6,572.80	1,051.65	262.91	0.00	1,314.56	20	5,258.24	0.00	
17	01.521315: Temporary Toilets	1,011.20	161.79	40.45	0.00	202.24	20	808.96	0.00	
18	01.521320: Office Supplies	4,046.80	647.49	161.87	0.00	809.36	20	3,237.44	0.00	
19	01.562610: Temporary Fence	3,400.00	544.00	136.00	0.00	680.00	20	2,720.00	0.00	
20	01.581310: Project Signs and Identificati	1,000.00	160.00	40.00	0.00	200.00	20	800.00	0.00	
21	01.660020: Equipment Rental	1,516.80	242.69	60.67	0.00	303.36	20	1,213.44	0.00	
22	01.712314: Engineering	1,415.12	226.42	56.60	0.00	283.02	20	1,132.10	0.00	
23	01.731930: Small Tools	4,005.60	640.90	160.22	0.00	801.12	20	3,204.48	0.00	
24	01.741900: General Debris and Dumpsters	10,617.60	1,698.82	424.70	0.00	2,123.52	20	8,494.08	0.00	

Application Number: 4  
 Application Date: 1/15/2017  
 Period To: 1/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
<u>General Conditions</u>									
25	01.771610: Punch List and Closeout	1,516.80	242.69	60.67	0.00	303.36	20	1,213.44	0.00
26	01.783910: Blueprints	505.60	80.90	20.22	0.00	101.12	20	404.48	0.00
27	01.784231: Progress & Final Clean	12,684.60	2,029.54	507.38	0.00	2,536.92	20	10,147.68	0.00
		<u>* 537,083.80</u>	<u>211,520.61</u>	<u>15,896.15</u>	<u>0.00</u>	<u>227,416.76</u>	<u>42</u>	<u>309,667.04</u>	<u>0.00</u>
<u>Existing Conditions</u>									
28	02.000020: Demolition General Conditions	<u>* 693,000.00</u>	227,750.00	257,350.00	0.00	485,100.00	70	207,900.00	24,255.00
29	02.850000: Remediation	<u>* 165,000.00</u>	107,250.00	57,750.00	0.00	165,000.00	100	0.00	8,250.00
		<u>858,000.00</u>	<u>335,000.00</u>	<u>315,100.00</u>	<u>0.00</u>	<u>650,100.00</u>	<u>76</u>	<u>207,900.00</u>	<u>32,505.00</u>
<u>Concrete</u>									
30	03.310024: CIP Concrete - Slab-On-Grade	236,801.00	0.00	23,680.10	0.00	23,680.10	10	213,120.90	1,184.01
31	03.540010: Concrete Underlayment	23,100.00	0.00	0.00	0.00	0.00	0	23,100.00	0.00
		<u>259,901.00</u>	<u>0.00</u>	<u>23,680.10</u>	<u>0.00</u>	<u>23,680.10</u>	<u>9</u>	<u>236,220.90</u>	<u>1,184.01</u>
<u>Masonry</u>									
32	04.000010: Masonry Budget	257,500.00	0.00	0.00	0.00	0.00	0	257,500.00	0.00
		<u>* 257,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>257,500.00</u>	<u>0.00</u>
<u>Metals</u>									
33	05.500000: Miscellaneous Metal Fabrications	<u>* 25,000.00</u>	0.00	0.00	0.00	0.00	0	25,000.00	0.00
34	05.511300: Steel Stairs	27,000.00	0.00	0.00	0.00	0.00	0	27,000.00	0.00
35	05.521302: Steel Handrails	18,000.00	0.00	0.00	0.00	0.00	0	18,000.00	0.00
		<u>* 70,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>70,000.00</u>	<u>0.00</u>
<u>Wood &amp; Plastics</u>									

Application Number: 4  
 Application Date: 1/15/2017  
 Period To: 1/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Wood &amp; Plastics</u>								
36	06.000010: Wood and Plastics Budget	1,022,500.00	0.00	0.00	PREVIOUS 432,500.00	432,500.00	42	590,000.00	0.00
37	06.175300: Wood Truss	250,000.00	0.00	0.00	PREVIOUS 94,946.93	94,946.93	38	155,053.07	0.00
38	06.460000: Finish Trim Carpentry Material	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
39	06.460004: Finish Trim Carpentry - Labor	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>1,328,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>527,446.93</u>	<u>527,446.93</u>	<u>40</u>	<u>801,053.07</u>	<u>0.00</u>
	<u>Thermal &amp; Moisture Protection</u>								
40	07.211610: Batt Insulation - Exterior Wal	103,500.00	0.00	0.00	0.00	0.00	0	103,500.00	0.00
41	07.311300: Asphalt Shingles	* 217,500.00	0.00	0.00	0.00	0.00	0	217,500.00	0.00
42	07.712300: Gutters and Downspouts	5,000.00	0.00	0.00	0.00	0.00	0	5,000.00	0.00
		* <u>326,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>326,000.00</u>	<u>0.00</u>
	<u>Doors &amp; Windows</u>								
43	08.140002: Interior Doors	49,800.00	0.00	0.00	0.00	0.00	0	49,800.00	0.00
44	08.161400: Exterior Doors	* 93,000.00	0.00	0.00	0.00	0.00	0	93,000.00	0.00
45	08.310000: Attic Doors	* 2,500.00	0.00	0.00	0.00	0.00	0	2,500.00	0.00
46	08.531300: Vinyl Windows	52,800.00	0.00	0.00	0.00	0.00	0	52,800.00	0.00
47	08.710000: Itemized Hardware	81,950.00	0.00	0.00	0.00	0.00	0	81,950.00	0.00
48	08.800000: Glass and Glazing	10,000.00	0.00	0.00	0.00	0.00	0	10,000.00	0.00
		* <u>290,050.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>290,050.00</u>	<u>0.00</u>
	<u>Finishes</u>								
49	09.000040: Gypsum Board Assembly	525,000.00	0.00	0.00	0.00	0.00	0	525,000.00	0.00
50	09.211626: Sealants & Firesafing	* 38,500.00	0.00	0.00	0.00	0.00	0	38,500.00	0.00
51	09.301300: Ceramic Tiling	46,050.00	0.00	0.00	0.00	0.00	0	46,050.00	0.00

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			D FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Finishes</u>								
52	09.651900: Vinyl Composition Tile	187,100.00 ✓	0.00	0.00	0.00	0.00	0	187,100.00	0.00
53	09.912300: Interior Painting	176,000.00 ✓ * 972,650.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	176,000.00 972,650.00	0.00 0.00
	<u>Specialties</u>								
54	10.140020: Monument Signs	20,000.00 ✓	0.00	0.00	0.00	0.00	0	20,000.00	0.00
55	10.211300: Toilet Partitions	1,850.00 ✓	0.00	0.00	0.00	0.00	0	1,850.00	0.00
56	10.550000: Postal Equipment	7,500.00 ✓	0.00	0.00	0.00	0.00	0	7,500.00	0.00
57	10.572313: Closet and Utility Shelving	* 26,000.00 * 55,350.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	26,000.00 55,350.00	0.00 0.00
	<u>Equipment</u>								
58	11.310000: Kitchen Appliances	216,000.00 ✓	0.00	0.00	0.00	0.00	0	216,000.00	0.00
59	11.320000: Washers & Dryers	* 196,000.00	0.00	0.00	0.00	0.00	0	196,000.00	0.00
60	11.681300: Playground Equipment	35,000.00 ✓ * 447,000.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	35,000.00 447,000.00	0.00 0.00
	<u>Furnishings</u>								
61	12.210000: Blinds	30,000.00 ✓	0.00	0.00	0.00	0.00	0	30,000.00	0.00
62	12.353013: Kitchen Cabinets	228,000.00 ✓ 258,000.00 ✓	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	228,000.00 258,000.00	0.00 0.00
	<u>Special Construction</u>								
63	13.000020: Carports	97,500.00 ✓	0.00	0.00	0.00	0.00	0	97,500.00	0.00
64	13.000050: Mail Kiosks	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
65	13.000090: Gazebos	4,500.00 ✓	0.00	0.00	0.00	0.00	0	4,500.00	0.00
66	13.000100: Clubhouse	* 135,000.00	0.00	0.00	0.00	0.00	0	135,000.00	0.00
67	13.110000: Swimming Pools	150,000.00 ✓ * 412,000.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	150,000.00 412,000.00	0.00 0.00

Application Number: 4  
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 Architect's Project No: 2016-CSA

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
68	<u>Special Construction</u> 14.240000: Hydraulic Elevators	300,000.00 ✓ 300,000.00 ✓	8,533.80 ✓ 8,533.80 ✓	0.00 0.00	0.00 0.00	8,533.80 8,533.80	3 3	291,466.20 291,466.20	426.69 426.69
69	<u>Plumbing</u> 22.000010: Plumbing Material & Labor	449,000.00	0.00	0.00	PREVIOUS 14,408.40	14,408.40	3	434,591.60	0.00
70	22.000020: Plumbing Fixtures	* 184,606.00	0.00	0.00	PREVIOUS 19,200.00	19,200.00	10	165,406.00	0.00
71	22.000030: On-Site Water	12,500.00 ✓	0.00	0.00	0.00	0.00	0	12,500.00	0.00
72	22.000080: Off-Site Sanitary	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
73	22.000090: On Site Sanitary	35,000.00 ✓ * 706,106.00	0.00 0.00	0.00 0.00	0.00 33,608.40	0.00 33,608.40	0 5	35,000.00 672,497.60	0.00 0.00
74	<u>HVAC</u> 23.000010: HVAC	470,000.00 ✓ 470,000.00 ✓	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0 0	470,000.00 470,000.00	0.00 0.00
75	<u>Electrical</u> 26.000010: Electrical Budget	537,145.00 ✓	0.00	53,714.50 ✓	0.00	53,714.50	10 ✓	483,430.50	2,685.73
76	26.000030: Fire Protection	* 300,000.00	0.00	0.00	0.00	0.00	0	300,000.00	0.00
77	26.000040: Light Fixtures	100,800.00 ✓	0.00	0.00	PREVIOUS 18,700.00	18,700.00	19	82,100.00	0.00
78	26.560040: Communications and Alarm Syste	35,125.00 ✓ * 973,070.00	0.00 0.00	0.00 53,714.50 ✓	0.00 18,700.00	0.00 72,414.50	0 7	35,125.00 900,655.50	0.00 2,685.73
79	<u>Earthwork</u> 31.000010: Site Preparation	457,500.00 ✓	90,000.00 ✓	70,125.00 ✓	0.00	160,125.00	35 ✓	297,375.00	8,006.25
80	31.000020: Miscellaneous Site Work	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
81	31.100000: Site Clearing & Grading	15,000.00 ✓	0.00	0.00	0.00	0.00	0	15,000.00	0.00
		497,500.00 ✓	90,000.00	70,125.00 ✓	0.00	160,125.00	32	337,375.00	8,006.25

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			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Exterior Improvements</u>								
82	32.131300: Concrete Paving	20,000.00 ✓	0.00	0.00	0.00	0.00	0	20,000.00	0.00
83	32.162300: Sidewalks	65,000.00 ✓	0.00	0.00	0.00	0.00	0	65,000.00	0.00
84	32.172300: Pavement Marking	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
85	32.172500: Site Work Surveys & Layouts	7,500.00 ✓	0.00	0.00	0.00	0.00	0	7,500.00	0.00
86	32.800000: Irrigation Systems	10,000.00 ✓	0.00	0.00	0.00	0.00	0	10,000.00	0.00
87	32.930000: Landscaping	105,000.00 ✓	0.00	0.00	0.00	0.00	0	105,000.00	0.00
		<u>232,500.00</u> ✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>232,500.00</u>	<u>0.00</u>
	<u>Utilities</u>								
88	33.000010: Utilities Budget	<del>15,000.00</del> ✓	0.00	0.00	0.00	0.00	0	15,000.00	0.00
89	33.250000: Erosion and Sediment Control	20,000.00 ✓	20,000.00	0.00	0.00	20,000.00	100	0.00	1,000.00
		<u>35,000.00</u>	<u>20,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>57</u>	<u>15,000.00</u>	<u>1,000.00</u>
	<u>Utilities</u>								
90	50.000010: Overhead	554,652.65 ✓	88,744.42 ✓	22,186.11 ✓	0.00	110,930.53	20 ✓	443,722.12	0.00
91	50.000020: Profit	184,884.22 ✓	29,581.48 ✓	7,395.36 ✓	0.00	36,976.84	20 ✓	147,907.38	0.00
92	50.000030: Contingency	419,752.33 ✓	250,000.00 ✓	0.00	0.00	250,000.00	60	169,752.33	0.00
		<u>1,159,289.20</u> ✓	<u>368,325.90</u> ✓	<u>29,581.47</u> ✓	<u>0.00</u>	<u>397,907.37</u>	<u>34</u>	<u>761,381.83</u>	<u>0.00</u>
	Totals	10,445,500.00 ✓	<u>1,033,380.31</u> ✓	<u>508,097.22</u>	579,755.33 ✓	2,121,232.86	20 ✓	8,324,267.14	45,807.68

PREVIOUSLY REQUESTED





We visited the site on January 26, 2017. Existing Bank Building demolition was nearing completion.



Level 1 demolition was nearing completion.



Levels 2 through 6 demolition and abatement were complete.



Levels 2 through 6 demolition and abatement were complete.



AECC, INC.

March 2, 2017

Mr. Sergio Gonzalez  
Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Sergio:

Attached is Field Observer Report No. 004, dated February 23, 2017 and pertinent photographs of the work in progress.

We have also attached the Borrower's Draw No. 5 and the General Contractor's Application for Payment No. 5, for issuance of progress payment for period ending February 15, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the recommended amount for payment for the Borrower's Draw No. 5 would be \$269,000. Of this amount, the amount due for the General Contractor's Application for Payment No. 5 would be \$89,650.** We leave approval of the remaining soft cost amounts to you as an underwriting decision.

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/km

Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Liz Becerra/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Ms. Lisa Lewis/Rise Residential  
Construction/Rise Residential



## FIELD OBSERVER REPORT

### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	004
TIME ON-SITE:	9:00 A.M.	DATE OF SITE VISIT:	February 23, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	March 1, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 5

We have been provided with a copy of the Borrower's Draw No. 5 dated March 1, 2017. The Total Project Budget amount is indicated to be \$20,188,768. The Development Budget has a "HARD COST" Balance to Finish of \$8,308,312, which is slightly greater than the General Contractor's Balance to Finish of \$8,280,424.89. **We request your verification and approval of the previously funded amounts indicated this month.**

The Hard Cost Contingency is noted in the amount of \$0 and this is mentioned for your information.

**RE: City Square Artist Lofts  
Garland, Texas**

The Borrower is requesting funding toward the Hard Cost line items this period in the amount of \$89,650. A Copy of the Contractor's Application for Payment No. 5 has been provided to substantiate this amount.

Various Borrower soft cost requests have been indicated this period. Soft Cost amounts requested are specific to the project and these items are typically substantiated by invoices, check copies, etc. We leave approval of soft cost items to you as an underwriting decision.

Overall, the Borrower is requesting \$269,000, with \$89,650 in verifiable Hard Cost construction funding.

**Contractor's Application for Payment No. 5**

Our office has been furnished a copy of the General Contractor's Application for Payment No. 5, for the period ending February 15, 2017. The Contractor has signed the Application for Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 4 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$2,075,425.18, with the current Balance to Finish indicated to be \$8,280,424.89. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 2.2% retainage of the total amount completed is currently indicated totaling \$49,340.18. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 22% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 44% as compared to 21% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$89,649.93 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

**RE: City Square Artist Lofts  
Garland, Texas**

## **II. STORED MATERIALS**

Reinforcing steel materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition was just beginning. Site existing parking area pavement demolition was complete.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment,** AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to

**RE: City Square Artist Lofts  
Garland, Texas**

the completion of the slab-on-grade. The “As-Built” Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

**Construction Schedule**

A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be generally on schedule and completion by December 19, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.

**Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

**Significant Issues of Concern**

1. The Development Budget has a “HARD COST” Balance to Finish of \$8,308,312, which is slightly greater than the General Contractor’s Balance to Finish of \$8,280,424.89. AECC typically recommends these numbers match for tracking purposes.
2. We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 4 amount requested has been paid to date.
3. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory’s distribution list as soon as possible.

**VI. SUMMARY**

Job progress has been good since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 22% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and

**RE: City Square Artist Lofts  
Garland, Texas**

information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

APPLICATION AND CERTIFICATE FOR PAYMENT

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments  
705 W. Avenue B  
Garland, TX 75040

Application No: 5  
Invoice No: 5  
Period To: 2/15/2017

From: RRC Garland (BofA GC)  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 2/15/2017  
Contract Date: 10/24/2016

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00	0.00
Approved this month	0.00	0.00
TOTALS	0.00	0.00
Net change by change orders	0.00	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00
- 2. Net change by Change Orders..... \$ 0.00
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 2,214,415.29
- 5. RETAINAGE..... \$ 49,340.18
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 2,165,075.11  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 2,075,425.18  
(Line 6 from prior Certificate)

- 8. CURRENT PAYMENT DUE..... \$ **89,649.93**
- 9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 8,280,424.89  
(Line 3 less Line 6)

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

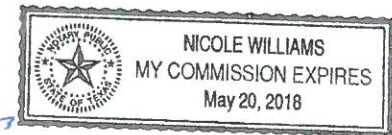
CONTRACTOR: RRC Garland (BofA GC)

By: [Signature] Date: 2/22/17

State of: Texas County of: Dallas  
Subscribed and sworn to before me this 22 day of Feb, 2017

Notary Public:  
My Commission expires:

Nicole Williams



ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 89,649.93  
(Attach explanation if amount certified differs from the amount applied for.)

ARCHITECT: BGO Architects

By: [Signature] Date: 02/24/17

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



Application Number: 5  
 Application Date: 2/15/2017  
 Period To: 2/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
1	01.210000: Mobilization Allowance	150,000.00	150,000.00	0.00	0.00	150,000.00	100	0.00	0.00
2	01.310000: Construction Manager	122,284.00	24,456.80	2,445.68	0.00	26,902.48	22	95,381.52	0.00
3	01.310010: Project Management	24,000.00	4,800.00	480.00	0.00	5,280.00	22	18,720.00	0.00
4	01.310030: Superintendent	100,000.00	20,000.00	2,000.00	0.00	22,000.00	22	78,000.00	0.00
5	01.310037: Progress and Final Cleaning	12,000.00	2,400.00	240.00	0.00	2,640.00	22	9,360.00	0.00
6	01.310050: Travel Expense	11,628.80	2,325.76	232.58	0.00	2,558.34	22	9,070.46	0.00
7	01.323310: Progress Photos	1,011.20	202.24	20.22	0.00	222.46	22	788.74	0.00
8	01.331310: Insurance - Builders Risk	27,706.88	5,541.38	554.13	0.00	6,095.51	22	21,611.37	0.00
9	01.352310: Safety and First Aid	1,516.80	303.36	30.34	0.00	333.70	22	1,183.10	0.00
10	01.352320: Termite & Pest Control	2,580.00	516.00	51.60	0.00	567.60	22	2,012.40	0.00
11	01.355300: Security	2,100.00	420.00	42.00	0.00	462.00	22	1,638.00	0.00
12	01.432610: Quality Testing	2,022.40	404.48	40.45	0.00	444.93	22	1,577.47	0.00
13	01.510010: Temporary Electric	27,896.00	5,579.20	557.92	0.00	6,137.12	22	21,758.88	0.00
14	01.510030: Temporary Water	1,516.80	303.36	30.34	0.00	333.70	22	1,183.10	0.00
15	01.510040: Telephone	2,528.00	505.60	50.56	0.00	556.16	22	1,971.84	0.00
16	01.521310: Field Offices	6,572.80	1,314.56	131.46	0.00	1,446.02	22	5,126.78	0.00
17	01.521315: Temporary Toilets	1,011.20	202.24	20.22	0.00	222.46	22	788.74	0.00
18	01.521320: Office Supplies	4,046.80	809.36	80.94	0.00	890.30	22	3,156.50	0.00
19	01.562610: Temporary Fence	3,400.00	680.00	68.00	0.00	748.00	22	2,652.00	0.00
20	01.581310: Project Signs and Identificati	1,000.00	200.00	20.00	0.00	220.00	22	780.00	0.00
21	01.660020: Equipment Rental	1,516.80	303.36	30.34	0.00	333.70	22	1,183.10	0.00
22	01.712314: Engineering	1,415.12	283.02	28.31	0.00	311.33	22	1,103.79	0.00
23	01.731930: Small Tools	4,005.60	801.12	80.11	0.00	881.23	22	3,124.37	0.00
24	01.741900: General Debris and Dumpsters	10,617.60	2,123.52	212.35	0.00	2,335.87	22	8,281.73	0.00



Application Number: 5  
 Application Date: 2/15/2017  
 Period To: 2/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D E WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Wood &amp; Plastics</u>								
36	06.000010: Wood and Plastics Budget	1,022,500.00	0.00	0.00	432,500.00	432,500.00	42	590,000.00	0.00
37	06.175300: Wood Truss	250,000.00	0.00	0.00	94,946.93	94,946.93	38	155,053.07	0.00
38	06.460000: Finish Trim Carpentry Material	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
39	06.460004: Finish Trim Carpentry - Labor	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>1,328,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>527,446.93</u>	<u>527,446.93</u>	<u>40</u>	<u>801,053.07</u>	<u>0.00</u>
	<u>Thermal &amp; Moisture Protection</u>								
40	07.211610: Batt Insulation - Exterior Wal	103,500.00	0.00	0.00	0.00	0.00	0	103,500.00	0.00
41	07.311300: Asphalt Shingles	217,500.00	0.00	0.00	0.00	0.00	0	217,500.00	0.00
42	07.712300: Gutters and Downspouts	5,000.00	0.00	0.00	0.00	0.00	0	5,000.00	0.00
		<u>326,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>326,000.00</u>	<u>0.00</u>
	<u>Doors &amp; Windows</u>								
43	08.140002: Interior Doors	49,800.00	0.00	0.00	0.00	0.00	0	49,800.00	0.00
44	08.161400: Exterior Doors	93,000.00	0.00	0.00	0.00	0.00	0	93,000.00	0.00
45	08.310000: Attic Doors	2,500.00	0.00	0.00	0.00	0.00	0	2,500.00	0.00
46	08.531300: Vinyl Windows	52,800.00	0.00	0.00	0.00	0.00	0	52,800.00	0.00
47	08.710000: Itemized Hardware	81,950.00	0.00	0.00	0.00	0.00	0	81,950.00	0.00
48	08.800000: Glass and Glazing	10,000.00	0.00	0.00	0.00	0.00	0	10,000.00	0.00
		<u>290,050.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>290,050.00</u>	<u>0.00</u>
	<u>Finishes</u>								
49	09.000040: Gypsum Board Assembly	525,000.00	0.00	0.00	0.00	0.00	0	525,000.00	0.00
50	09.211626: Sealants & Firesafing	38,500.00	0.00	0.00	0.00	0.00	0	38,500.00	0.00
51	09.301300: Ceramic Tiling	46,050.00	0.00	0.00	0.00	0.00	0	46,050.00	0.00

Application Number: 5  
 Application Date: 2/15/2017  
 Period To: 2/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D E		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			WORK COMPLETED						
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Finishes</u>								
52	09.651900: Vinyl Composition Tile	187,100.00	0.00	0.00	0.00	0.00	0	187,100.00	0.00
53	09.912300: Interior Painting	176,000.00	0.00	0.00	0.00	0.00	0	176,000.00	0.00
		<u>972,650.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>972,650.00</u>	<u>0.00</u>
	<u>Specialties</u>								
54	10.140020: Monument Signs	20,000.00	0.00	0.00	0.00	0.00	0	20,000.00	0.00
55	10.211300: Toilet Partitions	1,850.00	0.00	0.00	0.00	0.00	0	1,850.00	0.00
56	10.550000: Postal Equipment	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
57	10.572313: Closet and Utility Shelving	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>55,350.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>55,350.00</u>	<u>0.00</u>
	<u>Equipment</u>								
58	11.310000: Kitchen Appliances	216,000.00	0.00	0.00	0.00	0.00	0	216,000.00	0.00
59	11.320000: Washers & Dryers	196,000.00	0.00	0.00	0.00	0.00	0	196,000.00	0.00
60	11.681300: Playground Equipment	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00
		<u>447,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>447,000.00</u>	<u>0.00</u>
	<u>Furnishings</u>								
61	12.210000: Blinds	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
62	12.353013: Kitchen Cabinets	228,000.00	0.00	0.00	0.00	0.00	0	228,000.00	0.00
		<u>258,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>258,000.00</u>	<u>0.00</u>
	<u>Special Construction</u>								
63	13.000020: Carports	97,500.00	0.00	0.00	0.00	0.00	0	97,500.00	0.00
64	13.000050: Mail Kiosks	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
65	13.000090: Gazebos	4,500.00	0.00	0.00	0.00	0.00	0	4,500.00	0.00
66	13.000100: Clubhouse	135,000.00	0.00	0.00	0.00	0.00	0	135,000.00	0.00
67	13.110000: Swimming Pools	150,000.00	0.00	0.00	0.00	0.00	0	150,000.00	0.00
		<u>412,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>412,000.00</u>	<u>0.00</u>

Application Number: 5  
 Application Date: 2/15/2017  
 Period To: 2/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			E WORK COMPLETED						
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
68	<u>Special Construction</u> 14.240000: Hydraulic Elevators	300,000.00 <u>300,000.00</u>	8,533.80 <u>8,533.80</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	8,533.80 <u>8,533.80</u>	3 <u>3</u>	291,466.20 <u>291,466.20</u>	426.69 <u>426.69</u>
69	<u>Plumbing</u> 22.000010: Plumbing Material & Labor	449,000.00	0.00	0.00	14,408.40	14,408.40	3	434,591.60	0.00
70	22.000020: Plumbing Fixtures	184,606.00	0.00	0.00	19,200.00	19,200.00	10	165,406.00	0.00
71	22.000030: On-Site Water	12,500.00	0.00	0.00	0.00	0.00	0	12,500.00	0.00
72	22.000080: Off-Site Sanitary	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
73	22.000090: On Site Sanitary	35,000.00 <u>706,106.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0 <u>0</u>	35,000.00 <u>672,497.60</u>	0.00 <u>0.00</u>
74	<u>HVAC</u> 23.000010: HVAC	470,000.00 <u>470,000.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0 <u>0</u>	470,000.00 <u>470,000.00</u>	0.00 <u>0.00</u>
75	<u>Electrical</u> 26.000010: Electrical Budget	537,145.00	53,714.50	0.00	0.00	53,714.50	10	483,430.50	2,685.73
76	26.000030: Fire Protection	300,000.00	0.00	0.00	0.00	0.00	0	300,000.00	0.00
77	26.000040: Light Fixtures	100,800.00	0.00	0.00	18,700.00	18,700.00	19	82,100.00	0.00
78	26.560040: Communications and Alarm System	35,125.00 <u>973,070.00</u>	0.00 <u>53,714.50</u>	0.00 <u>0.00</u>	0.00 <u>18,700.00</u>	0.00 <u>72,414.50</u>	0 <u>7</u>	35,125.00 <u>900,655.50</u>	0.00 <u>2,685.73</u>
79	<u>Earthwork</u> 31.000010: Site Preparation	457,500.00	160,125.00	0.00	0.00	160,125.00	35	297,375.00	8,006.25
80	31.000020: Miscellaneous Site Work	25,000.00	0.00	22,500.00	0.00	22,500.00	90	2,500.00	1,125.00
81	31.100000: Site Clearing & Grading	15,000.00 <u>497,500.00</u>	0.00 <u>160,125.00</u>	13,500.00 <u>36,000.00</u>	0.00 <u>0.00</u>	13,500.00 <u>196,125.00</u>	90 <u>39</u>	1,500.00 <u>301,375.00</u>	675.00 <u>9,806.25</u>

Application Number: 5  
 Application Date: 2/15/2017  
 Period To: 2/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D E WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Exterior Improvements</u>								
82	32.131300: Concrete Paving	20,000.00	0.00	0.00	0.00	0.00	0	20,000.00	0.00
83	32.162300: Sidewalks	65,000.00	0.00	0.00	0.00	0.00	0	65,000.00	0.00
84	32.172300: Pavement Marking	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
85	32.172500: Site Work Surveys & Layouts	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
86	32.800000: Irrigation Systems	10,000.00	0.00	0.00	0.00	0.00	0	10,000.00	0.00
87	32.930000: Landscaping	105,000.00	0.00	0.00	0.00	0.00	0	105,000.00	0.00
		<u>232,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>232,500.00</u>	<u>0.00</u>
	<u>Utilities</u>								
88	33.000010: Utilities Budget	15,000.00	0.00	0.00	0.00	0.00	0	15,000.00	0.00
89	33.250000: Erosion and Sediment Control	20,000.00	20,000.00	0.00	0.00	20,000.00	100	0.00	1,000.00
		<u>35,000.00</u>	<u>20,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>57</u>	<u>15,000.00</u>	<u>1,000.00</u>
	<u>Utilities</u>								
90	50.000010: Overhead	554,652.65	110,930.53	11,093.05	0.00	122,023.58	22	432,629.07	0.00
91	50.000020: Profit	184,884.22	36,976.84	3,697.69	0.00	40,674.53	22	144,209.69	0.00
92	50.000030: Contingency	419,752.33	250,000.00	0.00	0.00	250,000.00	60	169,752.33	0.00
		<u>1,159,289.20</u>	<u>397,907.37</u>	<u>14,790.74</u>	<u>0.00</u>	<u>412,698.11</u>	<u>36</u>	<u>746,591.09</u>	<u>0.00</u>
93	01.660010: Trucking & Material Storage	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	Totals	10,445,500.00	1,541,477.53	93,182.43	579,755.33	2,214,415.29	21	8,231,084.71	49,340.18



We visited the site on February 23, 2017. Existing Bank Building demolition was complete.



Level 1 demolition was complete.



Existing drive-thru bank demolition was in progress.



Office building site parking paving demolition was complete.



AECC, INC.

March 22, 2017

Mr. Lee Reed  
Executive Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Lee:

Attached is Field Observer Report No. 005, dated March 20, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 6, for issuance of progress payment for period ending March 15, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the amount due for the General Contractor's Application for Payment No. 6 would be \$203,103.63.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/km

Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Liz Becerra/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Richard Williamson/42 Equity Partners, LLC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Ms. Lisa Lewis/Rise Residential  
Construction/Rise Residential





## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	005
TIME ON-SITE:	9:30 A.M.	DATE OF SITE VISIT:	March 20, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	March 20, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	2 Business Days
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 6

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

### Contractor's Application for Payment No. 6

Our office has been furnished a copy of the General Contractor's Application for Payment No. 6, for the period ending March 15, 2017. The Contractor has signed the Application

**RE: City Square Artist Lofts  
Garland, Texas**

for Payment. **The Project Architect has not certified this request and we would recommend this be provided due to its significance.** The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 5 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$2,165,075.11, with the current Balance to Finish indicated to be \$8,077,321.26. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 2.4% retainage of the total amount completed is currently indicated totaling \$58,843.93. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 24% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 45% as compared to 23% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$203,130.63 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

## **II. STORED MATERIALS**

Reinforcing steel materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition continued to be in progress and was well under

**RE: City Square Artist Lofts  
Garland, Texas**

way. Site existing parking area pavement demolition was substantially complete. Building A pad preparation was well under way.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

### **Construction Schedule**

**A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be generally on schedule and completion by December 29, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.**

**RE: City Square Artist Lofts  
Garland, Texas**

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

1. The Project Architect has not certified this request and would recommend this be provided due to its significance.
2. We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 5 amount requested has been paid to date.
3. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory’s distribution list as soon as possible.

## **VI. SUMMARY**

Job progress has been good since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 23% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

APPLICATION AND CERTIFICATE FOR PAYMENT

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments ✓  
705 W. Avenue B  
Garland, TX 75040

Application No: 6  
Invoice No: 6  
Period To: 3/15/2017

From: RRC Garland (BofA GC)  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 3/14/2017  
Contract Date: 10/24/2016

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00 ✓	0.00 ✓
Approved this month	0.00 ✓	0.00 ✓
TOTALS	0.00 ✓	0.00 ✓
Net change by change orders	0.00 ✓	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00 ✓
- 2. Net change by Change Orders..... \$ 0.00 ✓
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00 ✓
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 2,427,022.67 - 23% ✓
- 5. RETAINAGE..... \$ 58,843.93 - 2.4% ✓
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 2,368,178.74 ✓  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 2,165,075.11 ✓  
(Line 6 from prior Certificate)

**AECC, INC.**

- 8. CURRENT PAYMENT DUE..... \$ **203,103.63** ✓
- 9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 8,077,321.26 ✓  
(Line 3 less Line 6)

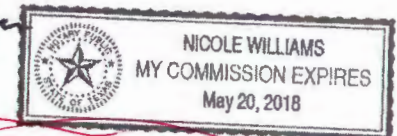
The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: RRC Garland (BofA GC) ✓

By: [Signature] Date: 3-16-2017

State of: Texas County of: Dallas  
Subscribed and sworn to before me this 16 day of March, 2017

Notary Public: [Signature]  
My Commission expires: 5/2018



ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$  
(Attach explanation if amount certified differs from the amount applied for.)

ARCHITECT: BGO Architects

By \_\_\_\_\_ Date \_\_\_\_\_

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
1	01.210000: Mobilization Allowance	150,000.00	150,000.00	0.00	0.00	150,000.00	100	0.00	0.00
2	01.310000: Construction Manager	122,284.00	26,902.48	2,445.68	0.00	29,348.16	24	92,935.84	0.00
3	01.310010: Project Management	24,000.00	5,280.00	480.00	0.00	5,760.00	24	18,240.00	0.00
4	01.310030: Superintendent	100,000.00	22,000.00	2,000.00	0.00	24,000.00	24	76,000.00	0.00
5	01.310037: Progress and Final Cleaning	12,000.00	2,640.00	240.00	0.00	2,880.00	24	9,120.00	0.00
6	01.310050: Travel Expense	11,628.80	2,558.34	232.57	0.00	2,790.91	24	8,837.89	0.00
7	01.323310: Progress Photos	1,011.20	222.46	20.23	0.00	242.69	24	768.51	0.00
8	01.331310: Insurance - Builders Risk	27,706.88	6,095.51	554.14	0.00	6,649.65	24	21,057.23	0.00
9	01.352310: Safety and First Aid	1,516.80	333.70	30.33	0.00	364.03	24	1,152.77	0.00
10	01.352320: Termite & Pest Control	2,580.00	567.60	51.60	0.00	619.20	24	1,960.80	0.00
11	01.355300: Security	2,100.00	462.00	42.00	0.00	504.00	24	1,596.00	0.00
12	01.432610: Quality Testing	2,022.40	444.93	40.45	0.00	485.38	24	1,537.02	0.00
13	01.510010: Temporary Electric	27,896.00	6,137.12	557.92	0.00	6,695.04	24	21,200.96	0.00
14	01.510030: Temporary Water	1,516.80	333.70	30.33	0.00	364.03	24	1,152.77	0.00
15	01.510040: Telephone	2,528.00	556.16	50.56	0.00	606.72	24	1,921.28	0.00
16	01.521310: Field Offices	6,572.80	1,446.02	131.45	0.00	1,577.47	24	4,995.33	0.00
17	01.521315: Temporary Toilets	1,011.20	222.46	20.23	0.00	242.69	24	768.51	0.00
18	01.521320: Office Supplies	4,046.80	890.30	80.93	0.00	971.23	24	3,075.57	0.00
19	01.562610: Temporary Fence	3,400.00	748.00	68.00	0.00	816.00	24	2,584.00	0.00
20	01.581310: Project Signs and Identificati	1,000.00	220.00	20.00	0.00	240.00	24	760.00	0.00
21	01.660020: Equipment Rental	1,516.80	333.70	30.33	0.00	364.03	24	1,152.77	0.00
22	01.712314: Engineering	1,415.12	311.33	28.30	0.00	339.63	24	1,075.49	0.00
23	01.731930: Small Tools	4,005.60	881.23	80.11	0.00	961.34	24	3,044.26	0.00
24	01.741900: General Debris and Dumpsters	10,617.60	2,335.87	212.35	0.00	2,548.22	24	8,069.38	0.00

CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
<u>General Conditions</u>									
25	01.771610: Punch List and Closeout	1,516.80	333.70	30.33	0.00	364.03	24	1,152.77	0.00
26	01.783910: Blueprints	505.60	111.23	10.11	0.00	121.34	24	384.26	0.00
27	01.784231: Progress & Final Clean	12,684.60	2,790.61	253.69	0.00	3,044.30	24	9,640.30	0.00
		<u>537,083.80</u>	<u>235,158.45</u>	<u>7,741.64</u>	<u>0.00</u>	<u>242,900.09</u>	<u>45</u>	<u>294,183.71</u>	<u>0.00</u>
<u>Existing Conditions</u>									
28	02.000020: Demolition General Conditions	693,000.00	519,750.00	103,950.00	0.00	623,700.00	90	69,300.00	31,185.00
29	02.850000: Remediation	165,000.00	165,000.00	0.00	0.00	165,000.00	100	0.00	8,250.00
		<u>858,000.00</u>	<u>684,750.00</u>	<u>103,950.00</u>	<u>0.00</u>	<u>788,700.00</u>	<u>92</u>	<u>69,300.00</u>	<u>39,435.00</u>
<u>Concrete</u>									
30	03.310024: CIP Concrete - Slab-On-Grade	236,801.00	23,680.10	0.00	0.00	23,680.10	10	213,120.90	1,184.01
31	03.540010: Concrete Underlayment	23,100.00	0.00	0.00	0.00	0.00	0	23,100.00	0.00
		<u>259,901.00</u>	<u>23,680.10</u>	<u>0.00</u>	<u>0.00</u>	<u>23,680.10</u>	<u>9</u>	<u>236,220.90</u>	<u>1,184.01</u>
<u>Masonry</u>									
32	04.000010: Masonry Budget	257,500.00	0.00	0.00	0.00	0.00	0	257,500.00	0.00
		<u>257,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>257,500.00</u>	<u>0.00</u>
<u>Metals</u>									
33	05.500000: Miscellaneous Metal Fabrications	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
34	05.511300: Steel Stairs	27,000.00	0.00	0.00	0.00	0.00	0	27,000.00	0.00
35	05.521302: Steel Handrails	18,000.00	0.00	0.00	0.00	0.00	0	18,000.00	0.00
		<u>70,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>70,000.00</u>	<u>0.00</u>
<u>Wood &amp; Plastics</u>									

CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	J RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Wood &amp; Plastics</u>								
36	06.000010: Wood and Plastics Budget	1,022,500.00	0.00	0.00	432,500.00	432,500.00	42	590,000.00	0.00
37	06.175300: Wood Truss	250,000.00	0.00	0.00	94,946.93	94,946.93	38	155,053.07	0.00
38	06.460000: Finish Trim Carpentry Material	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
39	06.460004: Finish Trim Carpentry - Labor	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>1,328,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>527,446.93</u>	<u>527,446.93</u>	<u>40</u>	<u>801,053.07</u>	<u>0.00</u>
	<u>Thermal &amp; Moisture Protection</u>								
40	07.211610: Batt Insulation - Exterior Wal	103,500.00	0.00	0.00	0.00	0.00	0	103,500.00	0.00
41	07.311300: Asphalt Shingles	217,500.00	0.00	0.00	0.00	0.00	0	217,500.00	0.00
42	07.712300: Gutters and Downspouts	5,000.00	0.00	0.00	0.00	0.00	0	5,000.00	0.00
		<u>326,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>326,000.00</u>	<u>0.00</u>
	<u>Doors &amp; Windows</u>								
43	08.140002: Interior Doors	49,800.00	0.00	0.00	0.00	0.00	0	49,800.00	0.00
44	08.161400: Exterior Doors	93,000.00	0.00	0.00	0.00	0.00	0	93,000.00	0.00
45	08.310000: Attic Doors	2,500.00	0.00	0.00	0.00	0.00	0	2,500.00	0.00
46	08.531300: Vinyl Windows	52,800.00	0.00	0.00	0.00	0.00	0	52,800.00	0.00
47	08.710000: Itemized Hardware	81,950.00	0.00	0.00	0.00	0.00	0	81,950.00	0.00
48	08.800000: Glass and Glazing	10,000.00	0.00	0.00	0.00	0.00	0	10,000.00	0.00
		<u>290,050.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>290,050.00</u>	<u>0.00</u>
	<u>Finishes</u>								
49	09.000040: Gypsum Board Assembly	525,000.00	0.00	0.00	0.00	0.00	0	525,000.00	0.00
50	09.211626: Sealants & Firesafing	38,500.00	0.00	0.00	0.00	0.00	0	38,500.00	0.00
51	09.301300: Ceramic Tiling	46,050.00	0.00	0.00	0.00	0.00	0	46,050.00	0.00



CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Finishes</u>								
52	09.651900: Vinyl Composition Tile	187,100.00	0.00	0.00	0.00	0.00	0	187,100.00	0.00
53	09.912300: Interior Painting	176,000.00	0.00	0.00	0.00	0.00	0	176,000.00	0.00
		<u>972,650.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>972,650.00</u>	<u>0.00</u>
	<u>Specialties</u>								
54	10.140020: Monument Signs	20,000.00	0.00	0.00	0.00	0.00	0	20,000.00	0.00
55	10.211300: Toilet Partitions	1,850.00	0.00	0.00	0.00	0.00	0	1,850.00	0.00
56	10.550000: Postal Equipment	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
57	10.572313: Closet and Utility Shelving	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>55,350.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>55,350.00</u>	<u>0.00</u>
	<u>Equipment</u>								
58	11.310000: Kitchen Appliances	216,000.00	0.00	0.00	0.00	0.00	0	216,000.00	0.00
59	11.320000: Washers & Dryers	196,000.00	0.00	0.00	0.00	0.00	0	196,000.00	0.00
60	11.681300: Playground Equipment	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00
		<u>447,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>447,000.00</u>	<u>0.00</u>
	<u>Furnishings</u>								
61	12.210000: Blinds	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
62	12.353013: Kitchen Cabinets	228,000.00	0.00	0.00	0.00	0.00	0	228,000.00	0.00
		<u>258,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>258,000.00</u>	<u>0.00</u>
	<u>Special Construction</u>								
63	13.000020: Carports	97,500.00	0.00	0.00	0.00	0.00	0	97,500.00	0.00
64	13.000050: Mail Kiosks	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
65	13.000090: Gazebos	4,500.00	0.00	0.00	0.00	0.00	0	4,500.00	0.00
66	13.000100: Clubhouse	135,000.00	0.00	0.00	0.00	0.00	0	135,000.00	0.00
67	13.110000: Swimming Pools	150,000.00	0.00	0.00	0.00	0.00	0	150,000.00	0.00
		<u>412,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>412,000.00</u>	<u>0.00</u>

CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	J RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
68	<u>Special Construction</u> 14.240000: Hydraulic Elevators	300,000.00 <u>300,000.00</u>	8,533.80 <u>8,533.80</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	8,533.80 <u>8,533.80</u>	3 <u>3</u>	291,466.20 <u>291,466.20</u>	426.69 <u>426.69</u>
69	<u>Plumbing</u> 22.000010: Plumbing Material & Labor	449,000.00	0.00	0.00	14,408.40	14,408.40	3	434,591.60	0.00
70	22.000020: Plumbing Fixtures	184,606.00	0.00	0.00	19,200.00	19,200.00	10	165,406.00	0.00
71	22.000030: On-Site Water	12,500.00	0.00	0.00	0.00	0.00	0	12,500.00	0.00
72	22.000080: Off-Site Sanitary	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
73	22.000090: On Site Sanitary	35,000.00 <u>706,106.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>33,608.40</u>	0.00 <u>33,608.40</u>	0 <u>5</u>	35,000.00 <u>672,497.60</u>	0.00 <u>0.00</u>
74	<u>HVAC</u> 23.000010: HVAC	470,000.00 <u>470,000.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0.00 <u>0.00</u>	0 <u>0</u>	470,000.00 <u>470,000.00</u>	0.00 <u>0.00</u>
75	<u>Electrical</u> 26.000010: Electrical Budget	537,145.00	53,714.50	0.00	0.00	53,714.50	10	483,430.50	2,685.73
76	26.000030: Fire Protection	300,000.00	0.00	0.00	0.00	0.00	0	300,000.00	0.00
77	26.000040: Light Fixtures	100,800.00	0.00	0.00	18,700.00	18,700.00	19	82,100.00	0.00
78	26.560040: Communications and Alarm Syste	35,125.00 <u>973,070.00</u>	0.00 <u>53,714.50</u>	0.00 <u>0.00</u>	0.00 <u>18,700.00</u>	0.00 <u>72,414.50</u>	0 <u>7</u>	35,125.00 <u>900,655.50</u>	0.00 <u>2,685.73</u>
79	<u>Earthwork</u> 31.000010: Site Preparation	457,500.00	160,125.00	68,625.00	0.00	228,750.00	50	228,750.00	11,437.50
80	31.000020: Miscellaneous Site Work	25,000.00	22,500.00	2,500.00	0.00	25,000.00	100	0.00	1,250.00
81	31.100000: Site Clearing & Grading	15,000.00 <u>497,500.00</u>	13,500.00 <u>196,125.00</u>	0.00 <u>71,125.00</u>	0.00 <u>0.00</u>	13,500.00 <u>267,250.00</u>	90 <u>54</u>	1,500.00 <u>230,250.00</u>	675.00 <u>13,362.50</u>

CONTINUATION SHEET

Application Number: 6  
 Application Date: 3/14/2017  
 Period To: 3/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Exterior Improvements</u>								
82	32.131300: Concrete Paving	20,000.00	0.00	2,000.00	0.00	2,000.00	10	18,000.00	100.00
83	32.162300: Sidewalks	65,000.00	0.00	13,000.00	0.00	13,000.00	20	52,000.00	650.00
84	32.172300: Pavement Marking	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
85	32.172500: Site Work Surveys & Layouts	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
86	32.800000: Irrigation Systems	10,000.00	0.00	0.00	0.00	0.00	0	10,000.00	0.00
87	32.930000: Landscaping	105,000.00	0.00	0.00	0.00	0.00	0	105,000.00	0.00
		<u>232,500.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>6</u>	<u>217,500.00</u>	<u>750.00</u>
	<u>Utilities</u>								
88	33.000010: Utilities Budget	15,000.00	0.00	0.00	0.00	0.00	0	15,000.00	0.00
89	33.250000: Erosion and Sediment Control	20,000.00	20,000.00	0.00	0.00	20,000.00	100	0.00	1,000.00
		<u>35,000.00</u>	<u>20,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>57</u>	<u>15,000.00</u>	<u>1,000.00</u>
	<u>Utilities</u>								
90	50.000010: Overhead	554,652.65	122,023.58	11,093.06	0.00	133,116.64	24	421,536.01	0.00
91	50.000020: Profit	184,884.22	40,674.53	3,697.68	0.00	44,372.21	24	140,512.01	0.00
92	50.000030: Contingency	419,752.33	250,000.00	0.00	0.00	250,000.00	60	169,752.33	0.00
		<u>1,159,289.20</u>	<u>412,698.11</u>	<u>14,790.74</u>	<u>0.00</u>	<u>427,488.85</u>	<u>37</u>	<u>731,800.35</u>	<u>0.00</u>
93	01.660010: Trucking & Material Storage	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	<b>Totals</b>	<u>10,445,500.00</u>	<u>1,634,659.96</u>	<u>212,607.38</u>	<u>579,755.33</u>	<u>2,427,022.67</u>	<u>23</u>	<u>8,018,477.33</u>	<u>58,843.93</u>



We visited the site on March 20, 2017. Existing site concrete paving demolition was substantially complete.



Existing site concrete paving demolition was substantially complete.



Existing site concrete paving demolition was substantially complete.



Perimeter sidewalk construction was in progress.



Building A pad preparation was well under way.



AECC, INC.

April 26, 2017

Mr. Lee Reed  
Executive Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Lee:

Attached is Field Observer Report No. 006, dated April 24, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 7, for issuance of progress payment for period ending April 15, 2017. **With your approval and acceptance of previously paid amounts, elevator equipment deposit (\$126,466.20), and the comments in the attached report, the amount due for the General Contractor's Application for Payment No. 7 would be \$393,626.55.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/km

Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Richard Williamson/42 Equity Partners, LLC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Ms. Lisa Lewis/Rise Residential  
Construction/Rise Residential



## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	006
TIME ON-SITE:	9:30 A.M.	DATE OF SITE VISIT:	April 24, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	April 25, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 7

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

### Contractor's Application for Payment No. 7

Our office has been furnished a copy of the General Contractor's Application for Payment No. 7, for the period ending April 15, 2017. The Contractor has signed the Application

**RE: City Square Artist Lofts  
Garland, Texas**

for Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 6 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$2,368,178.74, with the current Balance to Finish indicated to be \$7,683,694.71. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 2.7% retainage of the total amount completed is currently indicated totaling \$77,782.24. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 27% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 47% as compared to 27% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$393,626.55 this period. We are in agreement with the amount requested based on a "percentage of completion" method, with the following comments:

- The Contractor is requesting material deposit funding toward the "HYDRAULIC ELEVATOR" Hard Cost Line Item in the amount of \$126,466.20 for elevator equipment. **Invoicing has not been submitted to substantiate the quantities and price of the stored materials requested.** This deposit of for project specific materials and is typically for this type of development. We mention this in case you have a preference and your approval of funding for material deposits is requested.

## **II. STORED MATERIALS**

Reinforcing steel materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for off-site stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

**RE: City Square Artist Lofts  
Garland, Texas**

#### **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition continued to be in progress and was nearing completion. Site existing parking area pavement demolition was substantially complete. Building A pad preparation was nearing completion.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

#### **V. TESTING AND DOCUMENTATION**

##### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

##### **Documentation**

No new documentation was received this period.

##### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

##### **Construction Schedule**

**A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be generally on schedule and completion by**



**RE: City Square Artist Lofts  
Garland, Texas**

December 29, 2017 currently appears to be achievable based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.

**Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

**Significant Issues of Concern**

1. We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 6 amount requested has been paid to date.
2. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory’s distribution list as soon as possible.
3. We would recommend a copy of the building permit be provided once available.

**VI. SUMMARY**

Job progress has been adequate since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 27% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

**APPLICATION AND CERTIFICATE FOR PAYMENT**

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments  
705 W. Avenue B  
Garland, TX 75040

Application No: 7  
Invoice No: 7  
Period To: 4/15/2017

From: RRC Garland (BofA GC)  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 4/15/2017  
Contract Date: 10/24/2016

**CONTRACTOR'S APPLICATION FOR PAYMENT**

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00	0.00
Approved this month	0.00	0.00
<b>TOTALS</b>	0.00	0.00
Net change by change orders	0.00	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00
- 2. Net change by Change Orders..... \$ 0.00
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 2,839,587.53
- 5. RETAINAGE..... \$ 77,782.24
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 2,761,805.29  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 2,368,178.74  
(Line 6 from prior Certificate)

**8. CURRENT PAYMENT DUE..... AECC, INC. \$ 393,626.55**

9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 7,683,694.71  
(Line 3 less Line 6)

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: RRC Garland (BofA GC)

By: [Signature] Date: 4-12-2017

State of: Texas County of: Dallas  
Subscribed and sworn to before me this 12 day of April, 2017

Notary Public: WENDY BUCHBINDER  
My Commission Expires 07-12-2020  
Notary ID 84027

**ARCHITECT'S CERTIFICATE FOR PAYMENT**

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 393,626.55  
(Attach explanation if amount certified differs from the amount applied for.)

ARCHITECT: BGO Architects

By: [Signature] Date: 04/19/17

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Application Number: 7  
 Application Date: 4/15/2017  
 Period To: 4/15/2017  
 Architect's Project No: 2016-CSA

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
1	01.210000: Mobilization Allowance	150,000.00	150,000.00	0.00	0.00	150,000.00	100	0.00	0.00
2	01.310000: Construction Manager	122,284.00	29,348.16	3,668.52	0.00	33,016.68	27	89,267.32	0.00
3	01.310010: Project Management	24,000.00	5,760.00	720.00	0.00	6,480.00	27	17,520.00	0.00
4	01.310030: Superintendent	100,000.00	24,000.00	3,000.00	0.00	27,000.00	27	73,000.00	0.00
5	01.310037: Progress and Final Cleaning	12,000.00	2,880.00	360.00	0.00	3,240.00	27	8,760.00	0.00
6	01.310050: Travel Expense	11,628.80	2,790.91	348.87	0.00	3,139.78	27	8,489.02	0.00
7	01.323310: Progress Photos	1,011.20	242.69	30.33	0.00	273.02	27	738.18	0.00
8	01.331310: Insurance - Builders Risk	27,706.88	6,649.65	831.21	0.00	7,480.86	27	20,226.02	0.00
9	01.352310: Safety and First Aid	1,516.80	364.03	45.51	0.00	409.54	27	1,107.26	0.00
10	01.352320: Termite & Pest Control	2,580.00	619.20	77.40	0.00	696.60	27	1,883.40	0.00
11	01.355300: Security	2,100.00	504.00	63.00	0.00	567.00	27	1,533.00	0.00
12	01.432610: Quality Testing	2,022.40	485.38	60.67	0.00	546.05	27	1,476.35	0.00
13	01.510010: Temporary Electric	27,896.00	6,695.04	836.88	0.00	7,531.92	27	20,364.08	0.00
14	01.510030: Temporary Water	1,516.80	364.03	45.51	0.00	409.54	27	1,107.26	0.00
15	01.510040: Telephone	2,528.00	606.72	75.84	0.00	682.56	27	1,845.44	0.00
16	01.521310: Field Offices	6,572.80	1,577.47	197.19	0.00	1,774.66	27	4,798.14	0.00
17	01.521315: Temporary Toilets	1,011.20	242.69	30.33	0.00	273.02	27	738.18	0.00
18	01.521320: Office Supplies	4,046.80	971.23	121.41	0.00	1,092.64	27	2,954.16	0.00
19	01.562610: Temporary Fence	3,400.00	816.00	102.00	0.00	918.00	27	2,482.00	0.00
20	01.581310: Project Signs and Identificati	1,000.00	240.00	30.00	0.00	270.00	27	730.00	0.00
21	01.660010: Trucking & Material Storage	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
22	01.660020: Equipment Rental	1,516.80	364.03	45.51	0.00	409.54	27	1,107.26	0.00
23	01.712314: Engineering	1,415.12	339.63	42.45	0.00	382.08	27	1,033.04	0.00
24	01.731930: Small Tools	4,005.60	961.34	120.17	0.00	1,081.51	27	2,924.09	0.00

CONTINUATION SHEET

Application Number: 7  
 Application Date: 4/15/2017  
 Period To: 4/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
25	01.741900: General Debris and Dumpsters	10,617.60	2,548.22	318.53	0.00	2,866.75	27	7,750.85	0.00
26	01.771610: Punch List and Closeout	1,516.80	364.03	45.51	0.00	409.54	27	1,107.26	0.00
27	01.783910: Blueprints	505.60	121.34	15.17	0.00	136.51	27	369.09	0.00
28	01.784231: Progress & Final Clean	12,684.60	3,044.30	380.54	0.00	3,424.84	27	9,259.76	0.00
		<u>537,083.80</u>	<u>242,900.09</u>	<u>11,612.55</u>	<u>0.00</u>	<u>254,512.64</u>	<u>47</u>	<u>282,571.16</u>	<u>0.00</u>
	<u>Existing Conditions</u>								
29	02.000020: Demolition General Conditions	693,000.00	623,700.00	69,300.00	0.00	693,000.00	100	0.00	34,650.00
30	02.000029: Demo Gen Conditions Reallocate	234,625.00	0.00	0.00	0.00	0.00	0	234,625.00	0.00
31	02.850000: Remediation	165,000.00	165,000.00	0.00	0.00	165,000.00	100	0.00	8,250.00
		<u>1,092,625.00</u>	<u>788,700.00</u>	<u>69,300.00</u>	<u>0.00</u>	<u>858,000.00</u>	<u>79</u>	<u>234,625.00</u>	<u>42,900.00</u>
	<u>Concrete</u>								
32	03.310024: CIP Concrete - Slab-On-Grade	236,801.00	23,680.10	0.00	0.00	23,680.10	10	213,120.90	1,184.01
33	03.540010: Concrete Underlayment	23,100.00	0.00	0.00	0.00	0.00	0	23,100.00	0.00
		<u>259,901.00</u>	<u>23,680.10</u>	<u>0.00</u>	<u>0.00</u>	<u>23,680.10</u>	<u>9</u>	<u>236,220.90</u>	<u>1,184.01</u>
	<u>Masonry</u>								
34	04.000010: Masonry Budget	257,500.00	0.00	0.00	0.00	0.00	0	257,500.00	0.00
		<u>257,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>257,500.00</u>	<u>0.00</u>
	<u>Metals</u>								
35	05.500000: Miscellaneous Metal Fabrications	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
36	05.511300: Steel Stairs	27,000.00	0.00	0.00	0.00	0.00	0	27,000.00	0.00



Application Number: 7  
 Application Date: 4/15/2017  
 Period To: 4/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D E WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Finishes</u>								
51	09.000040: Gypsum Board Assembly	525,000.00	0.00	0.00	0.00	0.00	0	525,000.00	0.00
52	09.211626: Sealants & Firesafing	38,500.00	0.00	0.00	0.00	0.00	0	38,500.00	0.00
53	09.301300: Ceramic Tiling	46,050.00	0.00	0.00	0.00	0.00	0	46,050.00	0.00
54	09.651900: Vinyl Composition Tile	187,100.00	0.00	0.00	0.00	0.00	0	187,100.00	0.00
55	09.912300: Interior Painting	176,000.00	0.00	0.00	0.00	0.00	0	176,000.00	0.00
		<u>972,650.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>972,650.00</u>	<u>0.00</u>
	<u>Specialties</u>								
56	10.140020: Monument Signs	20,000.00	0.00	0.00	0.00	0.00	0	20,000.00	0.00
57	10.211300: Toilet Partitions	1,850.00	0.00	0.00	0.00	0.00	0	1,850.00	0.00
58	10.550000: Postal Equipment	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
59	10.572313: Closet and Utility Shelving	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>55,350.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>55,350.00</u>	<u>0.00</u>
	<u>Equipment</u>								
60	11.310000: Kitchen Appliances	216,000.00	0.00	0.00	0.00	0.00	0	216,000.00	0.00
61	11.320000: Washers & Dryers	196,000.00	0.00	0.00	0.00	0.00	0	196,000.00	0.00
62	11.681300: Playground Equipment	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00
63	11.681399: Playground Equip Reallocate	-35,000.00	0.00	0.00	0.00	0.00	0	-35,000.00	0.00
		<u>412,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>412,000.00</u>	<u>0.00</u>
	<u>Furnishings</u>								
64	12.210000: Blinds	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
65	12.353013: Kitchen Cabinets	228,000.00	0.00	0.00	0.00	0.00	0	228,000.00	0.00
		<u>258,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>258,000.00</u>	<u>0.00</u>

Application Number: 7  
 Application Date: 4/15/2017  
 Period To: 4/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		E	F	G	% G/C	H	I
			WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	BALANCE TO FINISH (C-G)		RETAINAGE	
			FROM PREV. APPLICATION (D+E)	THIS PERIOD						
	<u>Special Construction</u>									
66	13.000020: Carports	97,500.00	0.00	0.00	0.00	0.00	0	97,500.00	0.00	
67	13.000050: Mail Kiosks	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00	
68	13.000059: Mail Kiosks Reallocate	-25,000.00	0.00	0.00	0.00	0.00	0	-25,000.00	0.00	
69	13.000090: Gazebos	4,500.00	0.00	0.00	0.00	0.00	0	4,500.00	0.00	
70	13.000099: Gazebos Reallocate	-4,500.00	0.00	0.00	0.00	0.00	0	-4,500.00	0.00	
71	13.000100: Clubhouse	135,000.00	0.00	0.00	0.00	0.00	0	135,000.00	0.00	
72	13.000199: Clubhouse Reallocate	-135,000.00	0.00	0.00	0.00	0.00	0	-135,000.00	0.00	
73	13.110000: Swimming Pools	150,000.00	0.00	0.00	0.00	0.00	0	150,000.00	0.00	
		<u>247,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>247,500.00</u>	<u>0.00</u>	
	<u>Special Construction</u>									
74	14.240000: Hydraulic Elevators	300,000.00	8,533.80	126,466.20	0.00	135,000.00	45	165,000.00	6,750.00	
		<u>300,000.00</u>	<u>8,533.80</u>	<u>126,466.20</u>	<u>0.00</u>	<u>135,000.00</u>	<u>45</u>	<u>165,000.00</u>	<u>6,750.00</u>	
	<u>Plumbing</u>									
75	22.000010: Plumbing Material & Labor	449,000.00	0.00	0.00	14,408.40	14,408.40	3	434,591.60	0.00	
76	22.000020: Plumbing Fixtures	184,606.00	0.00	0.00	19,200.00	19,200.00	10	165,406.00	0.00	
77	22.000030: On-Site Water	12,500.00	0.00	0.00	0.00	0.00	0	12,500.00	0.00	
78	22.000080: Off-Site Sanitary	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00	
79	22.000090: On Site Sanitary	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00	
		<u>706,106.00</u>	<u>0.00</u>	<u>0.00</u>	<u>33,608.40</u>	<u>33,608.40</u>	<u>5</u>	<u>672,497.60</u>	<u>0.00</u>	
	<u>HVAC</u>									
80	23.000010: HVAC	470,000.00	0.00	0.00	0.00	0.00	0	470,000.00	0.00	
		<u>470,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>470,000.00</u>	<u>0.00</u>	
	<u>Electrical</u>									
81	26.000010: Electrical Budget	537,145.00	53,714.50	0.00	0.00	53,714.50	10	483,430.50	2,685.73	
82	26.000030: Fire Protection	300,000.00	0.00	0.00	0.00	0.00	0	300,000.00	0.00	





Application Number: 7  
 Application Date: 4/15/2017  
 Period To: 4/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D E WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Utilities</u>								
97	50.000010: Overhead	554,652.65	133,116.64	16,639.58	0.00	149,756.22	27	404,896.43	0.00
98	50.000020: Profit	184,884.22	44,372.21	5,546.53	0.00	49,918.74	27	134,965.48	0.00
99	50.000030: Contingency	419,752.33	250,000.00	0.00	0.00	250,000.00	60	169,752.33	0.00
		<u>1,159,289.20</u>	<u>427,488.85</u>	<u>22,186.11</u>	<u>0.00</u>	<u>449,674.96</u>	<u>39</u>	<u>709,614.24</u>	<u>0.00</u>
	Totals	10,445,500.00	1,847,267.34	412,564.86	579,755.33	2,839,587.53	27	7,605,912.47	77,782.24



We visited the site on April 24, 2017. Existing drive-thru bank building demolition continued to be in progress and was nearing completion.



Existing drive-thru bank building demolition continued to be in progress and was nearing completion.



Building A pad preparation was nearing completion.



Building A pad preparation was nearing completion.



AECC, INC.

May 25, 2017

Mr. Lee Reed  
Executive Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Lee:

Attached is Field Observer Report No. 007, dated May 22, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 8, for issuance of progress payment for period ending May 15, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the amount due for the General Contractor's Application for Payment No. 8 would be \$145,245.48.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/tl  
Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Richard Williamson/42 Equity Partners, LLC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Ms. Lisa Lewis/Rise Residential  
Construction/Rise Residential



## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	007
TIME ON-SITE:	1:30 P.M.	DATE OF SITE VISIT:	May 22, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	May 24, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw No. 8

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

### Contractor's Application for Payment No. 8

Our office has been furnished a copy of the General Contractor's Application for Payment No. 8, for the period ending May 15, 2017. The Contractor has signed the Application for

**RE: City Square Artist Lofts  
Garland, Texas**

Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. We were also provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 7 amount requested has been paid to date.

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$2,761,805.29, with the current Balance to Finish indicated to be \$7,538,449.23. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 2.8% retainage of the total amount completed is currently indicated totaling \$83,647.87. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 30% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 50% as compared to 29% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$145,245.48 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

## **II. STORED MATERIALS**

No materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for off-site stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition continued to be in progress and was nearing

**RE: City Square Artist Lofts  
Garland, Texas**

completion. Site existing parking area pavement demolition was substantially complete. Building A pad preparation was substantially complete.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

### **Construction Schedule**

A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. **We would consider the overall project to be approximately 4 to 6 weeks behind schedule based on progress to date.** We should be provided with updated copies of the Construction Schedule as they become available.

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are

**RE: City Square Artist Lofts  
Garland, Texas**

subjective in nature and open to wide interpretation by local authorities and officials. We have not reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

**Significant Issues of Concern**

1. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory’s distribution list as soon as possible.
2. We would recommend a copy of the building permit be provided once available.

**VI. SUMMARY**

Job progress has been slow since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 29% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

APPLICATION AND CERTIFICATE FOR PAYMENT

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments  
705 W. Avenue B  
Garland, TX 75040

Application No: 8  
Invoice No: 8  
Period To: 5/15/2017

From: RRC Garland (BofA GC)  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 5/15/2017  
Contract Date: 10/24/2016

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00	0.00
Approved this month	0.00	0.00
TOTALS	0.00	0.00
Net change by change orders	0.00	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00
- 2. Net change by Change Orders..... \$ 0.00
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 2,990,698.64
- 5. RETAINAGE..... \$ 83,647.87
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 2,907,050.77  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 2,761,805.29  
(Line 6 from prior Certificate)

**8. CURRENT PAYMENT DUE..... \$ 145,245.48**

9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 7,538,449.23  
(Line 3 less Line 6)

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: RRC Garland (BofA GC)

By: [Signature] Date: 5-16-2017

State of: Texas County of: Dallas  
Subscribed and sworn to before me this 16 day of May, 2017  
Notary Public: Wendy Burchard  
My Commission expires: 07-12-2020  
Notary ID 84027

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 145,245.48  
(Attach explanation if amount certified differs from the amount applied for.)

ARCHITECT: BGO Architects

By: [Signature] Date: 05/19/17

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



## CONTINUATION SHEET

Application Number: 8  
 Application Date: 5/15/2017  
 Period To: 5/15/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		E	F	G	H BALANCE TO FINISH (C-G)	I RETAINAGE
			WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C		
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
1	01.210000: Mobilization Allowance	150,000.00	150,000.00	0.00	0.00	150,000.00	100	0.00	0.00
2	01.310000: Construction Manager	122,284.00	33,016.68	3,668.52	0.00	36,685.20	30	85,598.80	0.00
3	01.310010: Project Management	24,000.00	6,480.00	720.00	0.00	7,200.00	30	16,800.00	0.00
4	01.310030: Superintendent	100,000.00	27,000.00	3,000.00	0.00	30,000.00	30	70,000.00	0.00
5	01.310037: Progress and Final Cleaning	12,000.00	3,240.00	360.00	0.00	3,600.00	30	8,400.00	0.00
6	01.310050: Travel Expense	11,628.80	3,139.78	348.86	0.00	3,488.64	30	8,140.16	0.00
7	01.323310: Progress Photos	1,011.20	273.02	30.34	0.00	303.36	30	707.84	0.00
8	01.331310: Insurance - Builders Risk	27,706.88	7,480.86	831.20	0.00	8,312.06	30	19,394.82	0.00
9	01.352310: Safety and First Aid	1,516.80	409.54	45.50	0.00	455.04	30	1,061.76	0.00
10	01.352320: Termite & Pest Control	2,580.00	696.60	77.40	0.00	774.00	30	1,806.00	0.00
11	01.355300: Security	2,100.00	567.00	63.00	0.00	630.00	30	1,470.00	0.00
12	01.432610: Quality Testing	2,022.40	546.05	60.67	0.00	606.72	30	1,415.68	0.00
13	01.510010: Temporary Electric	27,896.00	7,531.92	836.88	0.00	8,368.80	30	19,527.20	0.00
14	01.510030: Temporary Water	1,516.80	409.54	45.50	0.00	455.04	30	1,061.76	0.00
15	01.510040: Telephone	2,528.00	682.56	75.84	0.00	758.40	30	1,769.60	0.00
16	01.521310: Field Offices	6,572.80	1,774.66	197.18	0.00	1,971.84	30	4,600.96	0.00
17	01.521315: Temporary Toilets	1,011.20	273.02	30.34	0.00	303.36	30	707.84	0.00
18	01.521320: Office Supplies	4,046.80	1,092.64	121.40	0.00	1,214.04	30	2,832.76	0.00
19	01.562610: Temporary Fence	3,400.00	918.00	102.00	0.00	1,020.00	30	2,380.00	0.00
20	01.581310: Project Signs and Identificati	1,000.00	270.00	30.00	0.00	300.00	30	700.00	0.00
21	01.660010: Trucking & Material Storage	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
22	01.660020: Equipment Rental	1,516.80	409.54	45.50	0.00	455.04	30	1,061.76	0.00
23	01.712314: Engineering	1,415.12	382.08	42.46	0.00	424.54	30	990.58	0.00
24	01.731930: Small Tools	4,005.60	1,081.51	120.17	0.00	1,201.68	30	2,803.92	0.00

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CONTINUATION SHEET

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
25	01.741900: General Debris and Dumpsters	10,617.60	2,866.75	318.53	0.00	3,185.28	30	7,432.32	0.00
26	01.771610: Punch List and Closeout	1,516.80	409.54	45.50	0.00	455.04	30	1,061.76	0.00
27	01.783910: Blueprints	505.60	136.51	15.17	0.00	151.68	30	353.92	0.00
28	01.784231: Progress & Final Clean	12,684.60	3,424.84	380.54	0.00	3,805.38	30	8,879.22	0.00
		<u>537,083.80</u>	<u>254,512.64</u>	<u>11,612.50</u>	<u>0.00</u>	<u>266,125.14</u>	<u>50</u>	<u>270,958.66</u>	<u>0.00</u>
	<u>Existing Conditions</u>								
29	02.000020: Demolition General Conditions	693,000.00	693,000.00	0.00	0.00	693,000.00	100	0.00	34,650.00
30	02.000029: Demo Gen Conditions Reallocate	234,625.00	0.00	117,312.50	0.00	117,312.50	50	117,312.50	5,865.63
31	02.850000: Remediation	165,000.00	165,000.00	0.00	0.00	165,000.00	100	0.00	8,250.00
		<u>1,092,625.00</u>	<u>858,000.00</u>	<u>117,312.50</u>	<u>0.00</u>	<u>975,312.50</u>	<u>89</u>	<u>117,312.50</u>	<u>48,765.63</u>
	<u>Concrete</u>								
32	03.310024: CIP Concrete - Slab-On-Grade	236,801.00	23,680.10	0.00	0.00	23,680.10	10	213,120.90	1,184.01
33	03.540010: Concrete Underlayment	23,100.00	0.00	0.00	0.00	0.00	0	23,100.00	0.00
		<u>259,901.00</u>	<u>23,680.10</u>	<u>0.00</u>	<u>0.00</u>	<u>23,680.10</u>	<u>9</u>	<u>236,220.90</u>	<u>1,184.01</u>
	<u>Masonry</u>								
34	04.000010: Masonry Budget	257,500.00	0.00	0.00	0.00	0.00	0	257,500.00	0.00
		<u>257,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>257,500.00</u>	<u>0.00</u>
	<u>Metals</u>								
35	05.500000: Miscellaneous Metal Fabrications	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
36	05.511300: Steel Stairs	27,000.00	0.00	0.00	0.00	0.00	0	27,000.00	0.00



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			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Finishes</u>								
51	09.000040: Gypsum Board Assembly	525,000.00	0.00	0.00	0.00	0.00	0	525,000.00	0.00
52	09.211626: Sealants & Firesafing	38,500.00	0.00	0.00	0.00	0.00	0	38,500.00	0.00
53	09.301300: Ceramic Tiling	46,050.00	0.00	0.00	0.00	0.00	0	46,050.00	0.00
54	09.651900: Vinyl Composition Tile	187,100.00	0.00	0.00	0.00	0.00	0	187,100.00	0.00
55	09.912300: Interior Painting	176,000.00	0.00	0.00	0.00	0.00	0	176,000.00	0.00
		<u>972,650.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>972,650.00</u>	<u>0.00</u>
	<u>Specialties</u>								
56	10.140020: Monument Signs	20,000.00	0.00	0.00	0.00	0.00	0	20,000.00	0.00
57	10.211300: Toilet Partitions	1,850.00	0.00	0.00	0.00	0.00	0	1,850.00	0.00
58	10.550000: Postal Equipment	7,500.00	0.00	0.00	0.00	0.00	0	7,500.00	0.00
59	10.572313: Closet and Utility Shelving	26,000.00	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>55,350.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>55,350.00</u>	<u>0.00</u>
	<u>Equipment</u>								
60	11.310000: Kitchen Appliances	216,000.00	0.00	0.00	0.00	0.00	0	216,000.00	0.00
61	11.320000: Washers & Dryers	196,000.00	0.00	0.00	0.00	0.00	0	196,000.00	0.00
62	11.681300: Playground Equipment	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00
63	11.681399: Playground Equip Reallocate	-35,000.00	0.00	0.00	0.00	0.00	0	-35,000.00	0.00
		<u>412,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>412,000.00</u>	<u>0.00</u>
	<u>Furnishings</u>								
64	12.210000: Blinds	30,000.00	0.00	0.00	0.00	0.00	0	30,000.00	0.00
65	12.353013: Kitchen Cabinets	228,000.00	0.00	0.00	0.00	0.00	0	228,000.00	0.00
		<u>258,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>258,000.00</u>	<u>0.00</u>

## CONTINUATION SHEET

Application Number: 8  
 Application Date: 5/15/2017  
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A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Special Construction</u>								
66	13.000020: Carports	97,500.00	0.00	0.00	0.00	0.00	0	97,500.00	0.00
67	13.000050: Mail Kiosks	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
68	13.000059: Mail Kiosks Reallocate	-25,000.00	0.00	0.00	0.00	0.00	0	-25,000.00	0.00
69	13.000090: Gazebos	4,500.00	0.00	0.00	0.00	0.00	0	4,500.00	0.00
70	13.000099: Gazebos Reallocate	-4,500.00	0.00	0.00	0.00	0.00	0	-4,500.00	0.00
71	13.000100: Clubhouse	135,000.00	0.00	0.00	0.00	0.00	0	135,000.00	0.00
72	13.000199: Clubhouse Reallocate	-135,000.00	0.00	0.00	0.00	0.00	0	-135,000.00	0.00
73	13.110000: Swimming Pools	150,000.00	0.00	0.00	0.00	0.00	0	150,000.00	0.00
		<u>247,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>247,500.00</u>	<u>0.00</u>
	<u>Special Construction</u>								
74	14.240000: Hydraulic Elevators	300,000.00	135,000.00	0.00	0.00	135,000.00	45	165,000.00	6,750.00
		<u>300,000.00</u>	<u>135,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>135,000.00</u>	<u>45</u>	<u>165,000.00</u>	<u>6,750.00</u>
	<u>Plumbing</u>								
75	22.000010: Plumbing Material & Labor	449,000.00	0.00	0.00	14,408.40	14,408.40	3	434,591.60	0.00
76	22.000020: Plumbing Fixtures	184,606.00	0.00	0.00	19,200.00	19,200.00	10	165,406.00	0.00
77	22.000030: On-Site Water	12,500.00	0.00	0.00	0.00	0.00	0	12,500.00	0.00
78	22.000080: Off-Site Sanitary	25,000.00	0.00	0.00	0.00	0.00	0	25,000.00	0.00
79	22.000090: On Site Sanitary	35,000.00	0.00	0.00	0.00	0.00	0	35,000.00	0.00
		<u>706,106.00</u>	<u>0.00</u>	<u>0.00</u>	<u>33,608.40</u>	<u>33,608.40</u>	<u>5</u>	<u>672,497.60</u>	<u>0.00</u>
	<u>HVAC</u>								
80	23.000010: HVAC	470,000.00	0.00	0.00	0.00	0.00	0	470,000.00	0.00
		<u>470,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>470,000.00</u>	<u>0.00</u>
	<u>Electrical</u>								
81	26.000010: Electrical Budget	537,145.00	53,714.50	0.00	0.00	53,714.50	10	483,430.50	2,685.73
82	26.000030: Fire Protection	300,000.00	0.00	0.00	0.00	0.00	0	300,000.00	0.00



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CONTINUATION SHEET

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			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Utilities</u>								
97	50.000010: Overhead	554,652.65	149,756.22	16,639.58	0.00	166,395.80	30	388,256.85	0.00
98	50.000020: Profit	184,884.22	49,918.74	5,546.53	0.00	55,465.27	30	129,418.95	0.00
99	50.000030: Contingency	419,752.33	250,000.00	0.00	0.00	250,000.00	60	169,752.33	0.00
		<u>1,159,289.20</u>	<u>449,674.96</u>	<u>22,186.11</u>	<u>0.00</u>	<u>471,861.07</u>	<u>41</u>	<u>687,428.13</u>	<u>0.00</u>
100	02.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
101	03.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
102	04.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
103	05.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
104	06.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
105	07.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
106	08.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
107	09.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
108	10.440000: Fire Protection	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	<u>Specialties</u>								
109	10.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
110	11.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
111	12.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
112	13.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
113	14.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
114	22.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
115	23.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
116	26.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
117	31.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
118	32.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
119	33.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
120	50.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
121	02.000030: Demolition	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	<u>Equipment</u>								
	Totals	10,445,500.00	2,259,832.20	151,111.11	579,755.33	2,990,698.64	29	7,454,801.36	83,647.87



We visited the site on May 22, 2017. Existing drive-thru bank building and site demolition continued to be in progress and was nearing completion.



Existing bank building demolition was substantially complete.



Building A pad preparation was substantially complete.





AECC, INC.

July 26, 2017

Mr. Lee Reed  
Executive Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Lee:

Attached is Field Observer Report No. 008, dated July 19, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 9, for issuance of progress payment for period ending July 10, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the amount due for the General Contractor's Application for Payment No. 9 would be \$344,239.68.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads 'Brandon Simpkins'.

Brandon Simpkins  
Project Manager

BS/km  
Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Richard Williamson/42 Equity Partners, LLC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Construction/Rise Residential



## FIELD OBSERVER REPORT

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### CITY SQUARE ARTIST LOFTS Garland, Texas

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PROJECT NO.:	15470	REPORT:	008
TIME ON-SITE:	9:30 A.M.	DATE OF SITE VISIT:	July 19, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	July 26, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	1 Business Day
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

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## PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

## I. APPLICATION FOR PAYMENT

### Borrower's Draw

We were not provided with a copy of the Borrower's Draw for work completed this month relating to Borrower's Equity, Contingency, Contract Amounts, or the hard cost construction. Our comments are based solely on the submitted Contractor's Application for Payment. You should be satisfied sufficient funds exist for the Hard Cost Contracts and obligations.

### Contractor's Application for Payment No. 9

Our office has been furnished a copy of the General Contractor's Application for Payment No. 9, for the period ending July 10, 2017. The Contractor has signed the Application for

**RE: City Square Artist Lofts  
Garland, Texas**

Payment. The Project Architect has also certified this request. The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous Pay Application No. 8 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$2,907,050.77, with the current Balance to Finish indicated to be \$7,194,209.55. We would consider that General Contractor funds remaining are currently sufficient to complete the project based on our understanding of the scope of work and the information provided to us.

A 3% retainage of the total amount completed is currently indicated totaling \$98,207.99. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, stored materials, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 36% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 54% as compared to 32% project completion (inclusive of stored materials). Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$344,239.68 this period. We are in agreement with the amount requested based on a "percentage of completion" method.

## **II. STORED MATERIALS**

No materials were observed stocked on-site at the time of our visit. Funding is not specifically being requested for off-site stored materials this period.

## **III. CHANGE ORDERS**

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## **IV. COMMENTS ON WORK IN PROGRESS**

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition continued to be in progress and was nearing completion. Site existing parking area pavement demolition was substantially

**RE: City Square Artist Lofts  
Garland, Texas**

complete, with Avenue A and B roadway improvements in progress. Building A pad preparation was substantially complete, with under slab utility rough-ins nearing completion.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment,** AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

### **Construction Schedule**

**A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be approximately 12 to 14 weeks behind schedule based on progress to date.** We should be provided with updated copies of the Construction Schedule as they become available.

**RE: City Square Artist Lofts  
Garland, Texas**

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

1. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory’s distribution list as soon as possible.

## **VI. SUMMARY**

Job progress has been slow since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 32% complete (inclusive of previously requested off-site stored materials).

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor’s failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

**APPLICATION AND CERTIFICATE FOR PAYMENT**

To(OWNER): TX Garland Apartments, L.P.  
16812 Dallas Parkway  
Dallas, TX 75248

Project: City Square Apartments  
705 W. Avenue B  
Garland, TX 75040

Application No: 9  
Invoice No: 9  
Period To: 7/10/2017

From: RRC Garland (BofA GC) ✓  
16812 Dallas Parkway  
Dallas, TX 75248

Via(Architect): BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001

Architect's  
Project No: 2016-CSA  
Invoice Date: 7/10/2017  
Contract Date: 10/24/2016

**CONTRACTOR'S APPLICATION FOR PAYMENT**

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Approved previous months	0.00	0.00
Approved this month	0.00	0.00
TOTALS	0.00	0.00
Net change by change orders	0.00	

- 1. ORIGINAL CONTRACT SUM \$ 10,445,500.00 ✓
- 2. Net change by Change Orders..... \$ 0.00 ✓
- 3. CONTRACT SUM TO DATE(Line 1 +/- 2)..... \$ 10,445,500.00 ✓
- 4. TOTAL COMPLETED & STORED TO DATE..... \$ 3,349,498.44 -32%
- 5. RETAINAGE..... \$ 98,207.99 -3%
- 6. TOTAL EARNED LESS RETAINAGE..... \$ 3,251,290.45 ✓  
(Line 4 less Line 5)
- 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT..... \$ 2,907,050.77 ✓  
(Line 6 from prior Certificate)

**B. CURRENT PAYMENT DUE..... A.E.C.C., INC. \$ 344,239.68 ✓**

9. BALANCE TO FINISH, PLUS RETAINAGE..... \$ 7,194,209.55 ✓  
(Line 3 less Line 6)

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

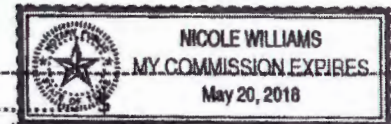
CONTRACTOR: RRC Garland (BofA GC) ✓

By: [Signature] Date: 7-17-17

**ARCHITECT'S CERTIFICATE FOR PAYMENT**

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

State of: TX County of: Dallas  
Subscribed and sworn to before me this 17th day of July, 2017  
Notary Public: Nicole Williams  
My Commission expires: 5/2018



AMOUNT CERTIFIED.....  
(Attach explanation if amount certified differs from the amount applied for.)

\$ 344,239.68

ARCHITECT: BGO Architects

By: [Signature] Date: 07/25/17 ✓

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CONTINUATION SHEET

Application Number: 9  
 Application Date: 7/10/2017  
 Period To: 7/10/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		E MATERIALS PRESENTLY STORED (Not in D or E)	F TOTAL COMPLETED AND STORED TO DATE (D+E+F)	G % G/C	H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
1	01.210000: Mobilization Allowance	150,000.00 ✓	150,000.00 ✓	0.00 ✓	0.00 ✓	150,000.00	100	0.00	0.00
2	01.310000: Construction Manager	122,284.00 ✓	36,685.20 ✓	7,337.04 ✓	0.00 ✓	44,022.24	36	78,261.76	0.00
3	01.310010: Project Management	24,000.00 ✓	7,200.00 ✓	1,440.00 ✓	0.00 ✓	8,640.00	36	15,360.00	0.00
4	01.310030: Superintendent	100,000.00 ✓	30,000.00 ✓	6,000.00 ✓	0.00 ✓	36,000.00	36	64,000.00	0.00
5	01.310037: Progress and Final Cleaning	12,000.00 ✓	3,600.00 ✓	720.00 ✓	0.00 ✓	4,320.00	36	7,680.00	0.00
6	01.310050: Travel Expense	11,628.80 ✓	3,488.64 ✓	697.73 ✓	0.00 ✓	4,186.37	36	7,442.43	0.00
7	01.323310: Progress Photos	1,011.20 ✓	303.36 ✓	60.67 ✓	0.00 ✓	364.03	36	647.17	0.00
8	01.331310: Insurance - Builders Risk	27,706.88 ✓	8,312.06 ✓	1,662.42 ✓	0.00 ✓	9,974.48	36	17,732.40	0.00
9	01.352310: Safety and First Aid	1,516.80 ✓	455.04 ✓	91.01 ✓	0.00 ✓	546.05	36	970.75	0.00
10	01.352320: Termite & Pest Control	2,580.00 ✓	774.00 ✓	154.80 ✓	0.00 ✓	928.80	36	1,651.20	0.00
11	01.355300: Security	2,100.00 ✓	630.00 ✓	126.00 ✓	0.00 ✓	756.00	36	1,344.00	0.00
12	01.432610: Quality Testing	2,022.40 ✓	606.72 ✓	121.34 ✓	0.00 ✓	728.06	36	1,294.34	0.00
13	01.510010: Temporary Electric	27,896.00 ✓	8,368.80 ✓	1,673.76 ✓	0.00 ✓	10,042.56	36	17,853.44	0.00
14	01.510030: Temporary Water	1,516.80 ✓	455.04 ✓	91.01 ✓	0.00 ✓	546.05	36	970.75	0.00
15	01.510040: Telephone	2,528.00 ✓	758.40 ✓	151.68 ✓	0.00 ✓	910.08	36	1,617.92	0.00
16	01.521310: Field Offices	6,572.80 ✓	1,971.84 ✓	394.37 ✓	0.00 ✓	2,366.21	36	4,206.59	0.00
17	01.521315: Temporary Toilets	1,011.20 ✓	303.36 ✓	60.67 ✓	0.00 ✓	364.03	36	647.17	0.00
18	01.521320: Office Supplies	4,046.80 ✓	1,214.04 ✓	242.81 ✓	0.00 ✓	1,456.85	36	2,589.95	0.00
19	01.562610: Temporary Fence	3,400.00 ✓	1,020.00 ✓	204.00 ✓	0.00 ✓	1,224.00	36	2,176.00	0.00
20	01.581310: Project Signs and Identificati	1,000.00 ✓	300.00 ✓	60.00 ✓	0.00 ✓	360.00	36	640.00	0.00
21	01.660010: Trucking & Material Storage	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
22	01.660020: Equipment Rental	1,516.80 ✓	455.04 ✓	91.01 ✓	0.00 ✓	546.05	36	970.75	0.00
23	01.712314: Engineering	1,415.12 ✓	424.54 ✓	84.90 ✓	0.00 ✓	509.44	36	905.68	0.00
24	01.731930: Small Tools	4,005.60 ✓	1,201.68 ✓	240.34 ✓	0.00 ✓	1,442.02	36	2,563.58	0.00

CONTINUATION SHEET

Application Number: 9  
 Application Date: 7/10/2017  
 Period To: 7/10/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	J RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>General Conditions</u>								
25	01.741900: General Debris and Dumpsters	10,617.60	3,185.28	637.06	0.00	3,822.34	36	6,795.26	0.00
26	01.771610: Punch List and Closeout	1,516.80	455.04	91.01	0.00	546.05	36	970.75	0.00
27	01.783910: Blueprints	505.60	151.68	30.34	0.00	182.02	36	323.58	0.00
28	01.784231: Progress & Final Clean	12,684.60	3,805.38	761.08	0.00	4,566.46	36	8,118.14	0.00
		<u>537,083.80</u>	<u>266,125.14</u>	<u>23,225.05</u>	<u>0.00</u>	<u>289,350.19</u>	<u>54</u>	<u>247,733.61</u>	<u>0.00</u>
	<u>Existing Conditions</u>								
29	02.000020: Demolition General Conditions	693,000.00	693,000.00	0.00	0.00	693,000.00	100	0.00	34,650.00
30	02.000029: Demo Gen Conditions Reallocate	234,625.00	117,312.50	117,312.50	0.00	234,625.00	100	0.00	11,731.25
31	02.850000: Remediation	165,000.00	165,000.00	0.00	0.00	165,000.00	100	0.00	8,250.00
		<u>1,092,625.00</u>	<u>975,312.50</u>	<u>117,312.50</u>	<u>0.00</u>	<u>1,092,625.00</u>	<u>100</u>	<u>0.00</u>	<u>54,631.25</u>
	<u>Concrete</u>								
32	03.310024: CIP Concrete - Slab-On-Grade	236,801.00	23,680.10	11,840.05	0.00	35,520.15	15	201,280.85	1,776.01
33	03.540010: Concrete Underlayment	23,100.00	0.00	0.00	0.00	0.00	0	23,100.00	0.00
		<u>259,901.00</u>	<u>23,680.10</u>	<u>11,840.05</u>	<u>0.00</u>	<u>35,520.15</u>	<u>14</u>	<u>224,380.85</u>	<u>1,776.01</u>
	<u>Masonry</u>								
34	04.000010: Masonry Budget	257,500.00	0.00	0.00	0.00	0.00	0	257,500.00	0.00
		<u>257,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>257,500.00</u>	<u>0.00</u>
	<u>Metals</u>								
35	05.500000: Miscellaneous Metal Fabrications	25,000.00	0.00	2,500.00	0.00	2,500.00	10	22,500.00	125.00
36	05.511300: Steel Stairs	27,000.00	0.00	0.00	0.00	0.00	0	27,000.00	0.00





CONTINUATION SHEET

Application Number: 9  
 Application Date: 7/10/2017  
 Period To: 7/10/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		E	F	G	% G/C	H	I
			WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	BALANCE TO FINISH (C-G)		RETAINAGE	
			FROM PREV. APPLICATION (D+E)	THIS PERIOD						
	<u>Finishes</u>									
51	09.000040: Gypsum Board Assembly	525,000.00	✓	0.00	0.00	0.00	0.00	0	525,000.00	0.00
52	09.211626: Sealants & Firesafing	38,500.00	✓	0.00	0.00	0.00	0.00	0	38,500.00	0.00
53	09.301300: Ceramic Tiling	46,050.00	✓	0.00	0.00	0.00	0.00	0	46,050.00	0.00
54	09.651900: Vinyl Composition Tile	187,100.00	✓	0.00	0.00	0.00	0.00	0	187,100.00	0.00
55	09.912300: Interior Painting	176,000.00	✓	0.00	0.00	0.00	0.00	0	176,000.00	0.00
		<u>972,650.00</u>	✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>972,650.00</u>	<u>0.00</u>
	<u>Specialties</u>									
56	10.140020: Monument Signs	20,000.00	✓	0.00	0.00	0.00	0.00	0	20,000.00	0.00
57	10.211300: Toilet Partitions	1,850.00	✓	0.00	0.00	0.00	0.00	0	1,850.00	0.00
58	10.550000: Postal Equipment	7,500.00	✓	0.00	0.00	0.00	0.00	0	7,500.00	0.00
59	10.572313: Closet and Utility Shelving	26,000.00	✓	0.00	0.00	0.00	0.00	0	26,000.00	0.00
		<u>55,350.00</u>	✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>55,350.00</u>	<u>0.00</u>
	<u>Equipment</u>									
60	11.310000: Kitchen Appliances	216,000.00	✓	0.00	0.00	0.00	0.00	0	216,000.00	0.00
61	11.320000: Washers & Dryers	196,000.00	✓	0.00	0.00	0.00	0.00	0	196,000.00	0.00
62	11.681300: Playground Equipment	35,000.00	✓	0.00	0.00	0.00	0.00	0	35,000.00	0.00
63	11.681399: Playground Equip Reallocate	-35,000.00	✓	0.00	0.00	0.00	0.00	0	-35,000.00	0.00
		<u>412,000.00</u>	✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>412,000.00</u>	<u>0.00</u>
	<u>Furnishings</u>									
64	12.210000: Blinds	30,000.00	✓	0.00	0.00	0.00	0.00	0	30,000.00	0.00
65	12.353013: Kitchen Cabinets	228,000.00	✓	0.00	0.00	0.00	0.00	0	228,000.00	0.00
		<u>258,000.00</u>	✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>258,000.00</u>	<u>0.00</u>

Application Number: 9  
 Application Date: 7/10/2017  
 Period To: 7/10/2017  
 Architect's Project No: 2016-CSA

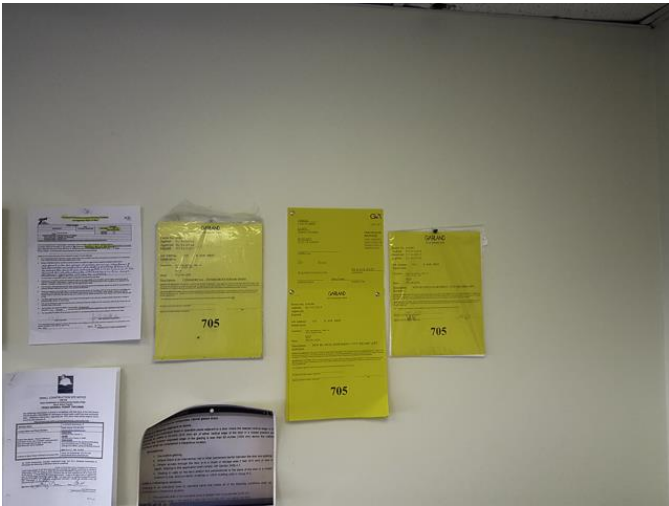
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (Not in D or E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% G/C	BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Special Construction</u>								
66	13.000020: Carports	97,500.00 ✓	0.00	0.00	0.00	0.00	0	97,500.00	0.00
67	13.000050: Mail Kiosks	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
68	13.000059: Mail Kiosks Reallocate	-25,000.00 ✓	0.00	0.00	0.00	0.00	0	-25,000.00	0.00
69	13.000090: Gazebos	4,500.00 ✓	0.00	0.00	0.00	0.00	0	4,500.00	0.00
70	13.000099: Gazebos Reallocate	-4,500.00 ✓	0.00	0.00	0.00	0.00	0	-4,500.00	0.00
71	13.000100: Clubhouse	135,000.00 ✓	0.00	0.00	0.00	0.00	0	135,000.00	0.00
72	13.000199: Clubhouse Reallocate	-135,000.00 ✓	0.00	0.00	0.00	0.00	0	-135,000.00	0.00
73	13.110000: Swimming Pools	150,000.00 ✓	0.00	0.00	0.00	0.00	0	150,000.00	0.00
		<u>247,500.00</u> ✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>247,500.00</u>	<u>0.00</u>
	<u>Special Construction</u>								
74	14.240000: Hydraulic Elevators	300,000.00 ✓	135,000.00 ✓	0.00	0.00	135,000.00	45	165,000.00	6,750.00
		<u>300,000.00</u> ✓	<u>135,000.00</u> ✓	<u>0.00</u>	<u>0.00</u>	<u>135,000.00</u>	<u>45</u>	<u>165,000.00</u>	<u>6,750.00</u>
	<u>Plumbing</u>								
75	22.000010: Plumbing Material & Labor	449,000.00 ✓	0.00	89,800.00 ✓	14,408.40	104,208.40	23 ✓	344,791.60	4,490.00
76	22.000020: Plumbing Fixtures	184,606.00 ✓	0.00	0.00	19,200.00	19,200.00	10	165,406.00	0.00
77	22.000030: On-Site Water	12,500.00 ✓	0.00	0.00	0.00	0.00	0	12,500.00	0.00
78	22.000080: Off-Site Sanitary	25,000.00 ✓	0.00	0.00	0.00	0.00	0	25,000.00	0.00
79	22.000090: On Site Sanitary	35,000.00 ✓	0.00	0.00	0.00	0.00	0	35,000.00	0.00
		<u>706,106.00</u> ✓	<u>0.00</u>	<u>89,800.00</u> ✓	<u>33,608.40</u>	<u>123,408.40</u>	<u>17</u>	<u>582,697.60</u>	<u>4,490.00</u>
	<u>HVAC</u>								
80	23.000010: HVAC	470,000.00 ✓	0.00	0.00	0.00	0.00	0	470,000.00	0.00
		<u>470,000.00</u> ✓	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>	<u>470,000.00</u>	<u>0.00</u>
	<u>Electrical</u>								
81	26.000010: Electrical Budget	537,145.00 ✓	53,714.50 ✓	0.00	0.00	53,714.50	10	483,430.50	2,685.73
82	26.000030: Fire Protection	300,000.00 ✓	0.00	0.00	0.00	0.00	0	300,000.00	0.00



CONTINUATION SHEET

Application Number: 9  
 Application Date: 7/10/2017  
 Period To: 7/10/2017  
 Architect's Project No: 2016-CSA

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (Not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H % G/C	I BALANCE TO FINISH (C-G)	RETAINAGE
			FROM PREV. APPLICATION (D+E)	THIS PERIOD					
	<u>Utilities</u>								
97	50.000010: Overhead	554,652.65 ✓	166,395.80	33,279.15 ✓	0.00	199,674.95	36	354,977.70	0.00
98	50.000020: Profit	184,884.22 ✓	55,465.27	11,093.05 ✓	0.00	66,558.32	36	118,325.90	0.00
99	50.000030: Contingency	419,752.33 ✓	250,000.00	0.00	0.00	250,000.00	60	169,752.33 ✓	0.00
		<u>1,159,289.20 ✓</u>	<u>471,861.07</u>	<u>44,372.20 ✓</u>	<u>0.00</u>	<u>516,233.27</u>	<u>45</u>	<u>643,055.93</u>	<u>0.00</u>
100	02.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
101	03.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
102	04.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
103	05.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
104	06.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
105	07.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
106	08.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
107	09.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
108	10.440000: Fire Protection	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	<u>Specialties</u>								
109	10.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
110	11.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
111	12.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
112	13.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
113	14.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
114	22.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
115	23.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
116	26.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
117	31.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
118	32.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
119	33.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
120	50.999999: Warranty Work	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
121	02.000030: Demolition Equipment	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00
	<b>Totals</b>	<b>10,445,500.00 ✓</b>	<b>2,410,943.31 ✓</b>	<b>358,799.80 ✓</b>	<b>579,755.33 ✓</b>	<b>3,349,498.44 ✓</b>	<b>32</b>	<b>7,096,001.56</b>	<b>98,207.99</b>



We visited the site on July 19, 2017. Construction Permits were posted on-site.



Avenue B roadway improvements were in progress



Avenue A roadway improvements were in progress.



Building A under slab utility rough-ins were nearing completion.



Building A under slab utility rough-ins were nearing completion.



AECC, INC.

September 26, 2017

Mr. Lee Reed  
Executive Vice President  
International Bank of Commerce  
1600 FM 802 Ruben Torres Blvd.  
Brownsville, Texas 78521

RE: City Square Artist Lofts  
Garland, Texas  
AECC, INC. Project No.: 15470

Dear Lee:

Attached is Field Observer Report No. 009, dated August 24, 2017 and pertinent photographs of the work in progress.

We have also attached the General Contractor's Application for Payment No. 11, for issuance of progress payment for period ending August 31, 2017. **With your approval and acceptance of previously paid amounts and the comments in the attached report, the recommended amount due for the General Contractor's Application for Payment No. 11 would be \$343,624.55.**

**Should you choose to approve funding for the "Off-Site" stored materials requested in the amount of \$643,903, the total amount due for the General Contractor's Application for Payment No. 11 would be \$987,527.55.**

Please contact our office if you should have any questions.

Sincerely,

AECC, INC.

A handwritten signature in black ink that reads "Brandon Simpkins".

Brandon Simpkins  
Project Manager

BS/km

Attachments

cc: Ms. Alma Navarro/IBC  
Mr. Cesar Valdez/IBC  
Ms. Gracie LaBalli/IBC  
Mr. Richard Williamson/42 Equity Partners, LLC  
Mr. Bill Fisher/TX Garland Apartments, LP  
Ms. Melissa Adami/Rise Residential  
Construction/Rise Residential



## FIELD OBSERVER REPORT

### CITY SQUARE ARTIST LOFTS Garland, Texas

PROJECT NO.:	15470	REPORT:	009
TIME ON-SITE:	2:30 P.M.	DATE OF SITE VISIT:	August 24, 2017
SITE CONDITIONS:	Clear, Dry	DATE DRAW RECEIVED:	September 11, 2017
OBSERVER:	Brandon Simpkins	PROCESSING PERIOD:	N/A
PURPOSE:	Draw Request	CLIENT:	International Bank of Commerce

### PROJECT DESCRIPTION

City Square Artist Lofts Apartments is proposed to be constructed on approximately 3.3 acres in the City of Garland, Texas. The site of the proposed project is located at southeast corner of Glenbrook Drive and Avenue A. New construction will primarily consist of one four-story garden style apartment building and an existing six-story tower structure converted to a leasing office/clubhouse on Level 1 with apartment units above. The site plan indicates new drives, parking spaces, carports, and a central courtyard area with pool. Main access to the site will be provided off Avenue A and Avenue B. The scope of work will include building construction, landscaping/irrigation, hardscape, paving, and site utilities.

### I. APPLICATION FOR PAYMENT

#### Contractor's Application for Payment No. 11

Our office has been furnished a copy of the General Contractor's Application for Payment No. 11, for the period ending August 31, 2017. The Contractor has signed the Application for Payment. **The Project Architect has not certified this request.** The Contractor has provided a Conditional Waiver of Lien to Date for the amount requested this period. **We were not provided with an Unconditional Lien Waiver indicating the previous reviewed Pay Application No. 9 amount requested has been paid to date.**

The Contract Sum to date is indicated \$10,445,500 and is unchanged this period. Previously funded amounts are indicated to be \$3,298,982.19, with the current Balance to Finish indicated to be \$6,159,080.26.



**RE: City Square Artist Lofts  
Garland, Texas**

A 3% retainage of the total amount completed is currently indicated totaling \$113,024.82. The Contract provided states, a 5% retainage will be held on all items except General Contractor's General Conditions, fees, permits, insurance, subcontractor bonds, cost for service providers, and any self-performed work. The current retainage provisions appear to be in-line with the Owner/Contractor Agreement.

The Contractor's "CONTINGENCY" line item has a balance to finish of \$169,752.33 or 60% drawn to date. The Contractor is not requesting Contingency funding this period.

The Contractor's "PROFIT" Line Item is being requested this period at 40% and the Contractor's "GENERAL CONDITIONS" Line Item is being requested this period at 57% as compared to **42% project completion (inclusive of stored materials)**. Our office recommends that these items remain generally in-line with the overall percentage of completion for the remainder of the project.

The Contractor is requesting \$987,527.55 this period, **we have reduced the requested amount to \$343,624.55 due to the request for funding toward "off-site" stored materials**. We are in agreement with the amount requested (less "off-site" stored materials) based on a "percentage of completion" method, with the following comments:

- **The Contractor is requesting \$643,903 net (less retainage) in "off-site" stored materials requests this period for framing, finish trim, and unit doors materials. Invoicing has been submitted to us to substantiate these costs (please see attached). Warehouse insurance documents have not been provided. Due to a number of risks associated with off-site stored materials, we have reduced the requested amount and leave funding of these materials to you as an underwriting decision.**

## II. STORED MATERIALS

Plumbing materials were observed stocked on-site at the time of our visit. Funding is specifically being requested for off-site stored rough carpentry framing, finish trim, and doors materials this period as mentioned above.

## III. CHANGE ORDERS

No Change Orders were indicated or provided this period. We will provide comments on any pending or future change orders as the information is received and reviewed.

## IV. COMMENTS ON WORK IN PROGRESS

The Contractor was mobilized on-site, with perimeter security fencing observed in place. Existing bank/office building demolition was observed to be substantially complete. Hazardous material abatement was observed complete on all levels. Existing drive-thru bank building demolition continued to be in progress and was nearing completion. Site existing parking area pavement demolition was substantially

**RE: City Square Artist Lofts  
Garland, Texas**

complete, with Avenue A and B roadway improvements nearing completion. Building A pad preparation was substantially complete, with under slab utility rough-ins complete as well. Building A slab-on-grade construction was in progress. Building B unit sanitary sewer plumbing rough-ins were nearing completion.

Please reference the photos attached to this report for more information regarding the completed work. Based on information provided to us and on our understanding of the scope of work, the project appears to be progressing in general compliance to the construction documents provided to our office.

## **V. TESTING AND DOCUMENTATION**

### **Testing**

**Testing results have not been provided to date and we have requested that our office be placed on the testing laboratory's direct distribution list in order for us to receive testing results in a timely manner.** We will comment additionally when the necessary information has been received.

**Prior to the request for final retainage release or final payment, AECC will request that a testing "summary" letter be provided outlining the scope of testing performed (in-place soil densities, reinforcing steel inspections, concrete compressive strengths, etc.) and indicating that all material testing and inspection results ultimately met or exceeded applicable project specifications and design requirements.**

### **Documentation**

No new documentation was received this period.

### **Surveys**

We would request that a Slab Survey and an "As-Built" Survey be provided to our office at the appropriate time. The Slab Survey should be provided as soon as possible due to the completion of the slab-on-grade. The "As-Built" Survey should be furnished upon project completion. The surveys should be conducted by a Registered Public Surveyor and should provide adequate details to verify the building slab dimensions and also include any encroachments that may exist on the project. We would request that this information be forwarded to our office in a timely manner.

### **Construction Schedule**

**A Construction Schedule has been provided and the schedule references a Notice to Proceed date of September 15, 2016 and an overall Closeout date of December 29, 2017. We would consider the overall project to be approximately 16 weeks behind schedule based on progress to date. We should be provided with updated copies of the Construction Schedule as they become available.**

**RE: City Square Artist Lofts  
Garland, Texas**

### **Compliance to Building Codes**

We are unable to verify strict conformance to applicable building codes. Codes are subjective in nature and open to wide interpretation by local authorities and officials. We have reviewed copies of the permits issued indicating approval of the proposed scope by local authorities. We will attempt to note various inspection “green tags” or approval documentation displayed on-site. We will request a copy of the Certificate of Occupancy at the close of construction indicating final approval of local authorities.

### **Significant Issues of Concern**

1. We would recommend an updated Construction Schedule be provided due to Building Permit project delay.
2. We recommend that we ([brandons@aeccinc.com](mailto:brandons@aeccinc.com)) be placed on the testing laboratory's distribution list as soon as possible.

## **VI. SUMMARY**

Job progress has been adequate since our last site visit. Based on observations made during our site visit, we would estimate the project to be approximately 42% complete inclusive of off-site stored materials requested to date.

Please understand that due to the nature of the work and frequency of our site visits, many areas of work are not readily exposed to view resulting in portions of the construction that cannot be observed. We have attempted to keep you informed utilizing typically accepted standards and methods. We base our report and concurrence for payment on observations made at the time of our site visit and information received from the Superintendent, Project Manager, Borrower, Design Professionals, and/or the Testing Laboratory.

AECC, INC. will not be responsible for and will not have control or charge of construction means, measures, methods, techniques, scheduling, procedures, or safety precautions, OSHA regulations and programs in connection with the Work, and will not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

This report is for the sole and exclusive use of International Bank of Commerce. This document may not be used, or relied upon by any third party, and we shall incur no liability, and disclaim any responsibility for the use or reliance upon this report by any third party. We suggest that any third party perform their own due diligence in examining the above property.

CONTRACTOR'S APPLICATION AND CERTIFICATE FOR PAYMENT

**SubContractor:** Rise Residential Construction Garland, LP  
16812 Dallas Parkway  
Dallas, TX 75248

**PROJECT:** City Square Lofts  
Garland, Texas

**APPLICATION NUMBER:**  
**APPLICATION DATE:**  
**PERIOD FROM:**  
**PERIOD TO:**

11  
08/31/17  
08/15/17  
08/31/17

**VIA ARCHITECT:** BGO Architects  
4202 Beltway Drive  
Addison, Texas 75001  
214-520-8878

CONTRACTOR'S APPLICATION FOR PAYMENT

CHANGE ORDER SUMMARY			
Change Orders approved in previous months by Owner		ADDITIONS	DEDUCTIONS
TOTAL		\$0.00	\$0.00
Approved This Month			
Number	Date Approved		
TOTALS		\$0.00	\$0.00
Net change by Change Orders		\$0.00	\$0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

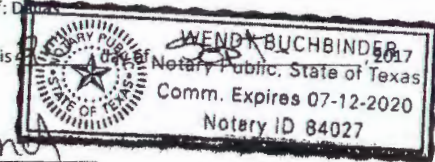
**Subcontractor**  
Rise Residential Construction Garland, LP

By: [Signature] Date: 9-20-17

1. ORIGINAL CONTRACT SUM	\$10,445,500.00	✓
2. Net change by Change Orders	\$	-
3. CONTRACT SUM TO DATE	\$ 10,445,500.00	✓
4. TOTAL COMPLETED & STORED TO DATE	\$ 4,399,444.55	-42%
5. RETAINAGE: (Column L on G703)	\$ 113,024.82	-3%
6. TOTAL EARNED LESS RETAINAGE (LINE 4 LESS LINE 5 TOTAL)	\$ 4,286,419.74	✓
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ 3,298,892.19	✓
8. CURRENT PAYMENT DUE	\$ <del>987,527.55</del>	OFF-SITE - \$ 643,903.00 AECC = \$ 343,624.55
9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)	\$ 6,159,080.26	✓

State of: Texas County of: Dallas  
Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_  
Notary Public:

[Signature]  
My Commission expires: 7/12/20



ARCHITECTS CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based upon on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architects knowledge, information and belief the work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED..... \$ 987,527.55  
ARCHITECT: BGO Architects

By: \_\_\_\_\_ Date: \_\_\_\_\_  
This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

**AECC, INC.**

SubContractor: Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

PROJECT: City Square Lofts  
 Garland, Texas

APPLICATION NUMBER: 11  
 APPLICATION DATE: 08/31/17  
 PERIOD FROM: 08/15/17  
 PERIOD TO: 08/31/17

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
<b>*REALLOCATIONS</b>										
<b>GENERAL CONDITIONS</b>										
1	01-210000	Mobilization Allowance	\$150,000.00	\$150,000.00	\$0.00		\$150,000.00	100.0%	\$0.00	\$0.00
2	01-310000	Construction Manager	\$122,284.00	\$44,022.24	\$4,891.36		\$48,913.60	40.0%		
3	01-310010	Project Management	\$24,000.00	\$8,640.00	\$960.00		\$9,600.00	40.0%		
4	01-310030	Superintendent	\$100,000.00	\$36,000.00	\$4,000.00		\$40,000.00	40.0%		
5	01-310037	Progress and Final Cleaning	\$12,000.00	\$4,320.00	\$480.00		\$4,800.00	40.0%		
6	01-310050	Travel Expense	\$11,628.80	\$4,186.37	\$465.15		\$4,651.52	40.0%		
7	01-323310	Progress Photos	\$1,011.20	\$364.03	\$40.45		\$404.48	40.0%		
8	01-331310	Insurance - Builders Risk	\$27,706.88	\$9,974.48	\$1,108.27		\$11,082.75	40.0%		
9	01-352310	Safety and First Aid	\$1,516.80	\$546.05	\$60.67		\$606.72	40.0%		
10	01-352320	Termite & Pest Control	\$2,580.00	\$928.80	\$103.20		\$1,032.00	40.0%		
11	01-355300	Security	\$2,100.00	\$756.00	\$84.00		\$840.00	40.0%		
12	01-432610	Quality Testing	\$2,022.40	\$728.06	\$80.90		\$808.96	40.0%		
13	01-510010	Temporary Electric	\$27,896.00	\$10,042.56	\$1,115.84		\$11,158.40	40.0%		
14	01-510030	Temporary Water	\$1,516.80	\$546.05	\$60.67		\$606.72	40.0%		
15	01-510040	Telephone	\$2,528.00	\$910.08	\$101.12		\$1,011.20	40.0%		
16	01-521310	Field Offices	\$6,572.80	\$2,366.21	\$262.91		\$2,629.12	40.0%		
17	01-521315	Temporary Toilets	\$1,011.20	\$364.03	\$40.45		\$404.48	40.0%		
18	01-521320	Office Supplies & Expense	\$4,046.80	\$1,456.85	\$161.87		\$1,618.72	40.0%		
19	01-562610	Temporary Fence	\$3,400.00	\$1,224.00	\$136.00		\$1,360.00	40.0%		
20	01-581310	Project Signs and Identificati	\$1,000.00	\$360.00	\$40.00		\$400.00	40.0%		
21	01-660010	Trucking & Material Storage	\$0.00	\$0.00	\$0.00		\$0.00	40.0%		
22	01-660020	Equipment Rental	\$1,516.80	\$546.05	\$60.67		\$606.72	40.0%		
23	01-712314	Engineering	\$1,415.12	\$509.44	\$56.61		\$566.05	40.0%		
24	01-731930	Small Tools	\$4,005.60	\$1,442.02	\$160.22		\$1,602.24	40.0%		
25	01-741900	General Debris and Dumpsters	\$10,617.60	\$3,822.34	\$424.70		\$4,247.04	40.0%		
26	01-771610	Punch List and Closeout	\$1,516.80	\$546.05	\$60.67		\$606.72	40.0%		
27	01-783910	Blueprints	\$505.60	\$182.02	\$20.22		\$202.24	40.0%		
28	01-784231	Progress & Final Clean	\$12,684.60	\$4,566.46	\$507.38		\$5,073.84	40.0%		
		<b>Subtotal</b>	<b>\$537,083.80</b>	<b>\$289,350.19</b>	<b>\$15,483.33</b>	<b>\$0.00</b>	<b>\$304,833.52</b>	<b>56.8%</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>EXISTING CONDITIONS</b>										
29	02-000020	Demo General Conditions	\$693,000.00	\$693,000.00	\$0.00		\$693,000.00	100.0%	\$0.00	\$34,650.00
30	02-000029	Demo Gen Conditions Reallocate	\$234,625.00	\$234,625.00	\$0.00		\$234,625.00	100.0%	\$0.00	\$11,731.25
31	02-000030	Demolition Equipment	\$0.00	\$0.00	\$0.00		\$0.00	100.0%	\$0.00	\$0.00
32	02-850000	Remediation	\$165,000.00	\$165,000.00	\$0.00		\$165,000.00	100.0%	\$0.00	\$8,250.00
33	02-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$1,092,625.00</b>	<b>\$1,092,625.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1,092,625.00</b>	<b>100.0%</b>	<b>\$0.00</b>	<b>\$54,631.25</b>
<b>CONCRETE</b>										
34	03-310024	CIP Concrete	\$236,801.00	\$85,627.24	\$68,293.41		\$153,920.65	65.0%	\$82,880.35	\$7,696.03
35	03-310024	CIP Concrete - reallocated	\$100,000.00	\$0.00	\$65,000.00		\$65,000.00	65.0%	\$35,000.00	\$3,250.00
36	03-540010	Concrete Underlayment	\$23,100.00	\$0.00	\$0.00		\$0.00	0.0%	\$23,100.00	\$0.00
37	03-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$359,901.00</b>	<b>\$85,627.24</b>	<b>\$133,293.41</b>	<b>\$0.00</b>	<b>\$218,920.65</b>	<b>60.8%</b>	<b>\$140,980.35</b>	<b>\$10,946.03</b>
<b>MASONRY</b>										

SubContractor: Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
 Dallas, TX 75248

PROJECT: City Square Lofts  
 Garland, Texas

APPLICATION NUMBER: 11  
 APPLICATION DATE: 08/31/17  
 PERIOD FROM: 08/15/17  
 PERIOD TO: 08/31/17

A	B	C	D	E	F	G	H	I		
LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
38	04-000010	Masonry Budget	\$257,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$257,500.00	\$0.00
39	04-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$257,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$257,500.00</b>	<b>\$0.00</b>
		<b>METALS</b>								
40	05-500000	Misc Fabrication	\$25,000.00	\$2,500.00	\$0.00		\$2,500.00	10.0%	\$22,500.00	\$125.00
41	05-511300	Steel Stairs	\$27,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$27,000.00	\$0.00
42	05-521302	Steel Handrails	\$18,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$18,000.00	\$0.00
43	05-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$70,000.00</b>	<b>\$2,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$2,500.00</b>	<b>3.6%</b>	<b>\$67,500.00</b>	<b>\$125.00</b>
		<b>WOOD &amp; PLASTICS</b>								
44	06-000010	Wood & Plastics Budget	\$1,022,500.00	\$432,500.00	\$0.00	\$375,903.00	\$808,403.00	79.1%	\$214,097.00	\$0.00
45	06-175300	Wood Truss	\$250,000.00	\$94,946.93	\$0.00	\$94,946.93	\$94,946.93	38.0%	\$155,053.07	\$0.00
46	06-460000	Finish Trim Carpentry Material	\$30,000.00	\$0.00	\$0.00	\$30,000.00	\$30,000.00	100.0%	\$0.00	\$0.00
47	06-460000	Finish Trim Carpentry Material reallocated	*\$10,000.00	\$0.00	\$0.00	\$10,000.00	\$10,000.00	100.0%	\$0.00	\$0.00
48	06-460004	Finish Trim Carpentry - Labor	\$26,000.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$26,000.00	\$0.00
49	06-999999	Warranty Work	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>*\$1,338,500.00</b>	<b>\$527,446.93</b>	<b>\$0.00</b>	<b>\$415,903.00</b>	<b>\$943,349.93</b>	<b>70.5%</b>	<b>\$395,150.07</b>	<b>\$0.00</b>
		<b>THERMAL &amp; MOISTURE</b>								
50	07-211610	Batt Insulation - Exterior Wal	\$103,500.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$103,500.00	\$0.00
51	07-311300	Asphalt Shingles	\$217,500.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$217,500.00	\$0.00
52	07-712300	Gutters and Downspouts	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$5,000.00	\$0.00
53	07-999999	Warranty Work	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$326,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$326,000.00</b>	<b>\$0.00</b>
		<b>DOORS &amp; WINDOWS</b>								
54	08-140002	Interior Doors	\$49,800.00	\$0.00	\$0.00	\$49,800.00	\$49,800.00	100.0%	\$0.00	\$0.00
55	08-140002	Interior Doors - reallocated	*\$45,200.00	\$0.00	\$0.00	\$45,200.00	\$45,200.00	100.0%	\$0.00	\$0.00
56	08-161400	Exterior Doors	\$93,000.00	\$0.00	\$0.00	\$93,000.00	\$93,000.00	100.0%	\$0.00	\$0.00
57	08-161400	Exterior Doors - reallocated	*\$40,000.00	\$0.00	\$0.00	\$40,000.00	\$40,000.00	100.0%	\$0.00	\$0.00
58	08-310000	Attic Doors	\$2,500.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$2,500.00	\$0.00
59	08-531300	Vinyl Windows	\$52,800.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$52,800.00	\$0.00
60	08-710000	Itemized Hardware	\$81,950.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$81,950.00	\$0.00
61	08-800000	Glass and Glazing	\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$10,000.00	\$0.00
62	08-999999	Warranty Work	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$375,250.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$228,000.00</b>	<b>\$228,000.00</b>	<b>60.8%</b>	<b>\$147,250.00</b>	<b>\$0.00</b>
		<b>FINISHES</b>								
63	09-000040	Gypsum Board Assumbly	\$525,000.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$525,000.00	\$0.00
64	09-211626	Sealants & Firesafing	\$38,500.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$38,500.00	\$0.00
65	09-301300	Ceramic Tiling	\$46,050.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$46,050.00	\$0.00
66	09-651900	Vinyl Composition Tile	\$187,100.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$187,100.00	\$0.00
67	09-912300	Interior Painting	\$176,000.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$176,000.00	\$0.00
68	09-999999	Warranty Work	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00	\$0.00

SubContractor: Rise Residential Construction Garland, LP  
 16812 Dallas Parkway  
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 Garland, Texas

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LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
		<b>Subtotal</b>	<b>\$972,650.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$972,650.00</b>	<b>\$0.00</b>
		<b>SPECIALTIES</b>								
69	10-140020	Monument Signs	\$20,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$20,000.00	\$0.00
70	10-211300	Toilet Partitions	\$1,850.00	\$0.00	\$0.00		\$0.00	0.0%	\$1,850.00	\$0.00
71	10-440000	Fire Protection Specialties	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
72	10-550000	Postal Equipment	\$7,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$7,500.00	\$0.00
	10-572313	Closet and Utility Shelving	\$26,000.00	\$0.00						
73	10-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$55,350.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$29,350.00</b>	<b>\$0.00</b>
		<b>EQUIPMENT</b>								
74	11-310000	Kitchen Appliances	\$216,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$216,000.00	\$0.00
75	11-320000	Washers & Dryers	\$196,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$196,000.00	\$0.00
76	11-681300	Playground Equipment	\$35,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,000.00	\$0.00
77	11-681399	Playground Equip Reallocate	(\$35,000.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$35,000.00)	\$0.00
78	11-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$412,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$412,000.00</b>	<b>\$0.00</b>
		<b>FURNISHINGS</b>								
79	12-210000	Blinds	\$30,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$30,000.00	\$0.00
80	12-353013	Kitchen Cabinets	\$228,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$228,000.00	\$0.00
81	12-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$258,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$258,000.00</b>	<b>\$0.00</b>
		<b>SPECIAL CONSTRUCTION</b>								
82	13-000020	Carports	\$97,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$97,500.00	\$0.00
83	13-000050	Mail Kiosks	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
84	13-000059	Mail Kiosks Reallocate	(\$25,000.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$25,000.00)	\$0.00
85	13-000090	Gazebos	\$4,500.00	\$0.00	\$0.00		\$0.00	0.0%	\$4,500.00	\$0.00
86	13-000099	Gazebos Reallocate	(\$4,500.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$4,500.00)	\$0.00
87	13-000100	Clubhouse	\$135,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$135,000.00	\$0.00
88	13-000199	Clubhouse Reallocate	(\$135,000.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$135,000.00)	\$0.00
89	13-110000	Swimming Pools	\$150,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$150,000.00	\$0.00
90	13-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$247,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$247,500.00</b>	<b>\$0.00</b>
		<b>CONVEYING SYSTEMS</b>								
91	14-240000	Hydraulic Elevators	\$300,000.00	\$135,000.00	\$0.00		\$135,000.00	45.0%	\$165,000.00	\$6,750.00
92	14-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$300,000.00</b>	<b>\$135,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$135,000.00</b>	<b>45.0%</b>	<b>\$165,000.00</b>	<b>\$6,750.00</b>
		<b>MECHANICAL</b>								
93	21-100000	Sprinkler Systems	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00

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LINE ITEM No.	COST CODE NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C-G)	RETAINAGE
		<b>Subtotal</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$0.00</b>	<b>\$0.00</b>
		<b>PLUMBING</b>								
94	22-000010	Plumbing Budget	\$449,000.00	\$104,208.40	\$60,025.60		\$164,234.00	36.6%	\$284,766.00	\$8,211.70
95	22-000010	Plumbing Budget reallocated	* \$35,000.00	\$0.00	\$12,802.20		\$12,802.20	36.6%	\$22,197.80	\$640.11
96	22-000020	Plumbing Fixtures	\$184,606.00	\$19,200.00	\$0.00		\$19,200.00	10.4%	\$165,406.00	\$960.00
97	22-000030	On-Site Water	\$12,500.00	\$0.00	\$11,250.00		\$11,250.00	90.0%	\$1,250.00	\$0.00
98	22-000030	On-Site Water Reallocated	* \$80,000.00	\$0.00	\$72,000.00		\$72,000.00	90.0%	\$8,000.00	\$0.00
99	22-000080	Off-Site Sanitary	\$25,000.00	\$0.00	\$7,500.00		\$7,500.00	30.0%	\$17,500.00	\$375.00
100	22-000090	On Site Sanitary	\$35,000.00	\$0.00	\$14,000.00		\$14,000.00	40.0%	\$21,000.00	\$700.00
101	22-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$821,106.00</b>	<b>\$123,408.40</b>	<b>\$177,577.80</b>	<b>\$0.00</b>	<b>\$300,986.20</b>	<b>36.7%</b>	<b>\$520,119.80</b>	<b>\$10,886.81</b>
		<b>HVAC</b>								
102	23-000010	HVAC	\$470,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$470,000.00	\$0.00
103	23-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$470,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$470,000.00</b>	<b>\$0.00</b>
		<b>ELECTRICAL</b>								
104	26-000010	Electrical Budget	\$537,145.00	\$53,714.50	\$0.00		\$53,714.50	10.0%	\$483,430.50	\$2,685.73
105	26-000030	Fire Protection	\$300,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$300,000.00	\$0.00
106	26-000040	Light Fixtures	\$100,800.00	\$18,700.00	\$0.00		\$18,700.00	18.6%	\$82,100.00	\$0.00
107	26-560040	Communications & Alarm System	\$35,125.00	\$0.00	\$0.00		\$0.00	0.0%	\$35,125.00	\$0.00
108	26-560049	Communication & Alarm Realloc	(\$35,125.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$35,125.00)	\$0.00
109	26-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$937,945.00</b>	<b>\$72,414.50</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$72,414.50</b>	<b>7.7%</b>	<b>\$865,530.50</b>	<b>\$2,685.73</b>
		<b>EARTHWORK</b>								
110	31-000010	Site Preparation	\$457,500.00	\$457,500.00	\$0.00		\$457,500.00	100.0%	\$0.00	\$22,875.00
111	31-000020	Miscellaneous Site Work	\$25,000.00	\$25,000.00	\$0.00		\$25,000.00	100.0%	\$0.00	\$1,250.00
112	31-100000	Site Clearing & Grading	\$15,000.00	\$15,000.00	\$0.00		\$15,000.00	100.0%	\$0.00	\$0.00
113	31-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$497,500.00</b>	<b>\$497,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$497,500.00</b>	<b>100.0%</b>	<b>\$0.00</b>	<b>\$24,125.00</b>
		<b>EXTERIOR IMPROVEMENTS</b>								
114	32-131300	Concrete Paving	\$20,000.00	\$2,000.00	\$0.00		\$2,000.00	10.0%	\$18,000.00	\$100.00
115	32-162300	Sidewalks	\$65,000.00	\$13,000.00	\$0.00		\$13,000.00	20.0%	\$52,000.00	\$650.00
116	32-172300	Pavement Marking	\$25,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$25,000.00	\$0.00
117	32-172500	Site Work Surveys & Layouts	\$7,500.00	\$7,500.00	\$0.00		\$7,500.00	100.0%	\$0.00	\$375.00
118	32-800000	Irrigation Systems	\$10,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$10,000.00	\$0.00
119	32-930000	Landscaping	\$105,000.00	\$0.00	\$0.00		\$0.00	0.0%	\$105,000.00	\$0.00
120	32-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$232,500.00</b>	<b>\$22,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$22,500.00</b>	<b>9.7%</b>	<b>\$210,000.00</b>	<b>\$1,125.00</b>
		<b>UTILITIES</b>								
121	33-000010	Utilities Budget	\$15,000.00	\$15,000.00	\$0.00		\$15,000.00	100.0%	\$0.00	\$750.00



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122	33-250000	Erosion and Sediment Control	\$20,000.00	\$20,000.00	\$0.00		\$20,000.00	100.0%	\$0.00	\$1,000.00
123	33-999999	Warranty Work	\$0.00	\$0.00	\$0.00		\$0.00	0.0%	\$0.00	\$0.00
		<b>Subtotal</b>	<b>\$35,000.00</b>	<b>\$35,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$35,000.00</b>	<b>100.0%</b>	<b>\$0.00</b>	<b>\$1,750.00</b>
		<b>FEEES</b>								
124	50-000010	Profit	\$554,652.65	\$199,674.95	\$22,186.11		\$221,861.06	40.0%	\$332,791.59	\$0.00
125	50-000020	Overhead	\$184,884.22	\$66,558.32	\$7,395.37		\$73,953.69	40.0%	\$110,930.53	\$0.00
126	50-000030	Contingency	\$419,752.33	\$250,000.00	\$0.00		\$250,000.00	59.6%	\$169,752.33	\$0.00
127	50-000030	Contingency reallocated	* (\$310,200.00)	\$0.00	\$0.00		\$0.00	0.0%	(\$310,200.00)	\$0.00
		<b>Subtotal</b>	<b>\$849,089.20</b>	<b>\$516,233.27</b>	<b>\$29,581.48</b>	<b>\$0.00</b>	<b>\$545,814.75</b>	<b>64.3%</b>	<b>\$303,274.45</b>	<b>\$0.00</b>
		<b>Total</b>	<b>\$10,445,500.00</b>	<b>\$3,399,605.53</b>	<b>\$355,936.02</b>	<b>\$643,903.00</b>	<b>\$4,399,444.55</b>	<b>42.1%</b>	<b>\$5,787,805.17</b>	<b>\$113,024.82</b>

OFF-SITE MATERIALS



We visited the site on August 24, 2017. Existing site concrete paving demolition was complete.



Site parking area concrete paving was in progress.



Avenue B roadway improvements were complete.



Off-site sanitary sewer main connection was nearing completion.



Off-site water main connection was nearing completion.



Building A under slab utility rough-ins were complete, with slab-on-grade reinforcing steel placement in progress.



Building B unit sewer utility rough-ins were nearing completion.

6c

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action to adopt the 2018 Multifamily Programs Procedures Manual

**RECOMMENDED ACTION**

**WHEREAS**, the rules relating to multifamily program funding are contained in the Administration Rules, Uniform Multifamily Rules, Housing Tax Credit Qualified Allocation Plan, Multifamily Housing Revenue Bond Rules, and the Multifamily Direct Loan Program Rules;

**WHEREAS**, pursuant to Tex. Gov't Code §2306.67022 the Board shall adopt a manual to provide information regarding the administration of and eligibility for participation in the housing tax credit program; and

**WHEREAS**, the Department has created the Multifamily Programs Procedures Manual as a resource guide for applicants;

**NOW, therefore, it is hereby,**

**RESOLVED**, the 2018 Multifamily Programs Procedures Manual is hereby approved and the publication of the Manual on the Department's website shall occur no later than the date the Uniform Multifamily Rules and Housing Tax Credit Qualified Allocation Plan are filed for publication in the *Texas Register*; and

**FURTHER RESOLVED**, the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department to make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, to revise the manual as required based on the final approved rules, and amend the manual from time to time as it deems necessary to provide guidance on the filing of multifamily related documents.

**BACKGROUND**

In concert with the annual rule-making process for multifamily-related programs, the Multifamily Finance Division revises the Multifamily Programs Procedures Manual (the "manual"). The purpose of the manual is to provide guidance on the filing of a multifamily application and other multifamily program-related documents. Staff created this manual as a resource guide which includes references to the rules and examples of acceptable documentation or development plans based on the program rules and requirements.

The Board's action in approving the adoption of this manual allows staff the flexibility to provide more detailed instructions and amend it as necessary in order to implement the Department's

multifamily program rules effectively once such rules have been adopted and approved by the Governor. Additionally, from time to time staff may update the manual based on additional information that may become available or to correct inconsistencies or to clarify information contained therein.



2018

**DRAFT**

# Multifamily Programs Application Procedures Manual

Texas Department of Housing and Community Affairs  
221 East 11<sup>th</sup> Street  
Austin, Texas 78701

DRAFT

**This manual is a resource made available to help Applicants prepare and submit accurate information, and complete and compliant Applications.** Applicants should understand that this type of guidance is limited by its nature and that staff will apply the Uniform Multifamily Rules, Qualified Allocation Plan, Multifamily Housing Revenue Bond Rules, the Multifamily Direct Loan Rule, and any other applicable rules to each specific situation as it is presented. The Multifamily Programs Application Procedures Manual, the Application Workshops, and any Frequently Asked Questions website postings are provided as good faith guidance and assistance, but in all respects the statutes and rules governing multifamily programs supersede these guidelines and are controlling. Furthermore, any staff guidance is subject to the Governing Board's right to be the final interpreter of its rules.



# 2018 Multifamily Application Procedures Manual

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# 2018 Multifamily Application Procedures Manual

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## Using this Manual

The purpose of this manual is to provide a brief and general description of each tab in the Application, high level guidance as to the Department's submission requirements and what staff would generally view as acceptable supporting documentation. While this guide cannot and will not contemplate all unforeseen situations, we hope that the information provides a suitable foundation upon which you may build your Application in accordance with the Rules. This manual provides limited examples of documentation that could be submitted to comply with a particular rule or requirement. In some instances the rule may allow for alternative documentation not specifically contemplated herein, and in such instances staff will review such documentation for compliance with and fulfillment of the substantive requirements articulated in the applicable rule.

Although the Department may compile data from outside sources in order to assist Applicants in the application process, **it remains the sole responsibility of the Applicant to perform independently the necessary due diligence to research, confirm, and verify any data, opinions, interpretations, or other information upon which an Applicant bases an Application or includes in any submittal in connection with an Application.**

All American Community Survey data must be 5-year estimates, unless otherwise specified. The availability of more current data will be disregarded. Where other data sources are specifically required, such as Neighborhood Scout, the data available after October 1, but before Pre-application Final Delivery Date, will be permissible. The report submitted in the Application must include the report date.

Any Application that staff identifies as having insufficient supporting information will be directed to cure the matter via the Administrative Deficiency process, unless the missing documentation is determined by staff to be a Material Deficiency. (Note that in all matters discussed in this manual, determinations made by staff MAY be subject to rights of appeal to the Governing Board in accordance with applicable rules.) Applicants are cautioned that this process may not be used to increase a scoring item's points or to change any aspect of the proposed Development, financing structure, or other element of the Application. The sole purpose of an Administrative Deficiency will, in accordance with Tex. Gov't Code §2306.6708(b), be to substantiate, correct, or clarify one or more aspects of the Application to enable an efficient and effective review by staff. Although a responsive narrative will be created after Application submission, all facts and materials to substantiate any item in response to such an Administrative Deficiency must have already been clearly established at or prior to the time of submission of the Application.

The Department staff always stands ready to assist in developing an understanding of the tax credit program and other sources of multifamily financing offered by the Department and the means by which an Application is to be presented. Application submission requires a thorough knowledge of the applicable program(s). The Department will offer limited direct assistance (subject to the strictures imposed by Tex. Gov't Code §2306.1113 including, without limitation, the provisions of §2306.113(a-2)(1)) to any individual that requires this service in the preparation of the multifamily application. However, the Department staff cannot and will not take responsibility for completing an Application package or any portion thereof. Applicants should refer to 10 TAC §10.1(b) Due Diligence and Applicant Responsibility regarding guidance received from staff.

Where appropriate, information regarding questions asked during the recent application webinar has been added to this manual. The Department looks forward to your continuing interest in the Multifamily Finance programs and in the creation of safe, decent and high quality affordable housing for Texans.

## Introduction to the 2018 Multifamily Uniform Application

### Programs

All multifamily funding programs are subject to the Uniform Multifamily Rules. The programs administered by the Multifamily Finance Division currently include:

- 9% Competitive Housing Tax Credits (“9% HTC”)
- 4% Housing Tax Credits
- Tax Exempt Bonds
- Multifamily Direct Loan Program (“MDLP”)
  - HOME
  - Tax Credit Assistance Program Repayment Funds (“TCAP RF”)
  - National Housing Trust Fund (“NHTF”)
  - Neighborhood Stabilization Program Program Income (“NSP PI”)

Consistent with the Department’s rules that govern the aforementioned programs, staff has updated the Multifamily Uniform Application and this Manual for 2018.

### Pre-application Requirements

An Applicant for 4% Housing Tax Credits and Tax Exempt Bonds **where TDHCA is the bond issuer** must submit a pre-application. Prior to submitting a pre-application, the Department will require the submission of the Pre-Inducement Questionnaire, properly and fully completed, which will give the Department a preliminary understanding of the proposed Development. The Pre-Inducement Questionnaire, the Multifamily Bond Pre-application Submission Procedures Manual, and the Multifamily Bond Pre-application can be found on the Department’s website at: <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.

Applicants for 9% HTC **may** submit a pre-application to be eligible for six (6) points on the Application self-score. The pre-application collects limited information and is divided into five (5) parts, listed below, each of which will be fully explained later in this Manual.

- Applicant Contact Information
- Development Information
- Notifications
- Self Score
- Attachments and Certifications

The Multifamily Direct Loan Program (“MDLP”) does not have a pre-application requirement. If MDLP is paired with either the 4% or 9% program, the pre-application requirements of those programs must be met.

# 2018 Multifamily Application Procedures Manual

## General Organization of the Application

The 2018 Multifamily Uniform Application has incorporated each of the Multifamily Programs in one Application which is divided into eight parts, seven of which will be completed by Applicants. Each part will be briefly described in this section and fully explained later in this Manual.

- Administrative
- Development Site
- Development Activities
- Finance
- Organization
- Community Input (9% HTC only)
- Third Party Reports
- Review Tabs (for Department use only)

The **Administrative** section of the Application collects certain high level information about the proposed Development and the Applicant's contact information. In this section the Applicant must identify the program(s) for which the Application is being submitted and provide the completed Applicant and Developer Certifications.

The **Development Site** section of the Application requires information related to the physical location of the proposed Development Site, such as the development address, census tract number, and flood zone designation, as well as information about the schools that will serve the Development and elected officials in the community who must receive notifications.

The **Development Activities** section of the Application requires information about the proposed activity, including construction and services provided to the tenants. This section also includes the architectural drawings and information regarding existing structures on the Development Site.

The **Finance** section of the Application requires the identification of all sources and terms of financing, the development cost schedule, *pro forma* annual operating expenses, and the proposed rent schedule.

The **Organization** section of the Application requires certain information about the Development Owner, Developer, Guarantor, Affiliates, Development Team and Nonprofit entities involved with the Application, along with their Owners, managers, and members. It includes the organizational charts and evidence of experience as well as credit limit documentation. The information in this section is used for, among other things, conducting Previous Participation Reviews under 10 TAC §1.301.

The **Community Input** applies to scoring for the 9% HTC only. The section may include Local Government Support in the form of a resolution(s), State Representative letters, and letters and supporting documentation from Community Organizations.

The **Third Party Reports** section briefly identifies who performed the Environmental Site Assessment, Market Study, and Property Condition Assessment, as well as any other required reports.

The **Review Tabs** section has been added for Department staff to place application review documents in the posted Application. This section will not be used by the Applicant but must be included in the submitted application .pdf.

## Instructions for Completing the 9% HTC Electronic Pre-application

**Applicants for programs other than the 9% HTC may skip these instructions and this section.**

The 9% HTC pre-application will be submitted via an online form, a link to which will be posted on the Department's website on Thursday, January 4, 2018. It is anticipated that by Friday, December 1, 2017, a courtesy PDF of the pre-application form will be available on the Department's website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>. **The courtesy PDF is for planning purposes only and will not be accepted as the submitted pre-application.**

**The Pre-application Final Delivery Date is Tuesday, January 9, 2018, at 5:00 p.m. (Austin local time).**

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### What you will learn in this section:

- ✓ Pre-application Documentation and Assembly
- ✓ Pre-application Delivery

### Pre-application Documentation and Assembly

The 9% HTC pre-application is **not** mandatory; however, Applicants that provide a pre-application are eligible for six (6) points in the full Application (assuming all applicable requirements, such as the limitations on the differences between the pre-application self-score and the Application self-score are met), and Applicants that do not make-pre-application will not be eligible for those points.

For each pre-application, the Applicant will follow a link on the Department's webpage to initiate submission. Once opened, the link will require the Applicant to enter the Primary Contact person's email address and the name of the Development. This information will be used to create a unique URL for the Applicant to use to return to the pre-application prior to submission.

The online pre-application is divided into five pages, as identified below. There are certain fields marked with an asterisk, which are each and all required to be completed. The form will not allow the Applicant to move to the next page without completing such fields.

#### ❖ **Page 1: Contact Information**

- The confirmation email received when you complete the **Application Initiation Form** will include the Application number. You will manually enter the Application number when you start the pre-application.
- This page identifies the person(s) responsible for responding to questions and Administrative Deficiencies issued by staff, the persons authorized to submit pre-application and Application documentation by means of electronic transmission (i.e., ServU account). The information entered is included on the Pre-application Log.
- Use the **Next** button to advance to Page 2.

# 2018 Multifamily Application Procedures Manual

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## ❖ Page 2: Development Information

- Enter the **Proposed Entity Name** and **Development Name**.
- Choose the appropriate **Development Type** from the drop down list, the **Secondary Development Type** and if applicable, **Previous TDHCA #**.
  - If **Acquisition/Rehab**, **Adaptive Reuse**, or **Rehab Only** is selected, a field will appear for **Initial construction year**.
  - If Reconstruction is selected, fields will appear for **Units Demolished** and **Units Reconstructed**.
- Choose the applicable **Target Population** from the drop down list.
- Enter the Development's **Address**, **City**, **ZIP Code**, **ETJ**, **County**, **Region** and **Rural/Urban** designation.
- Enter the 11-digit **Census Tract** number; the field will not allow less than 11 digits. If the Development Site is located within multiple census tracts, additional fields will appear and each census tract must be listed. If there are more than 5 census tracts, attach list of additional tracts in the "Other Pertinent Information" section on the last page of the pre-application.

**IMPORTANT!! Double check that the census tract number is correct, as a change in census tract between pre-application and full Application may result in a loss of Pre-application Participation points!**

- Enter the **Total Low Income ("LI") Units**, as well as the **Total Market Rate ("MR") Units** (enter 0 if none). The form will calculate the Total Units.
- Enter the **Annual Housing Tax Credit Request**. Note that pursuant to 10 TAC §11.4(b), related to Maximum Request Limit, an Applicant may not request more than 150 percent of the credit amount available in the subregion based on estimates released by the Department on December 1, 2017, or \$1,500,000, whichever is less, or \$2,000,000 for Applications under the At-Risk Set-Aside. The amount entered should not exceed the maximum funding request/award limits posted in the "2018 HTC Award Limits and Estimated Regional Allocation" as of December 1, 2017.
- The form will calculate the **pre-application fee due**. This fee is calculated without consideration for discounts related to Applications with a private nonprofit sponsor, so the actual fee required may be less than what appears on this form. When submitting fees, ensure that each check is accompanied by a completed Multifamily Document and Payment Receipt. If the nonprofit discount applies, include documentation of nonprofit status and deduct from the fee. The Applicant is responsible for calculating the correct amount of the fee due if requesting the nonprofit sponsor discount. If payment has already been submitted to the Department select "Yes" from the drop-down menu, and a box will appear where the **Check Name and Check #** can be entered.
- Check the boxes for the appropriate **Set-Aside Elections**.
- Use the **Next** button to advance to Page 3.

## ❖ Page 3: Notifications

- Enter the U.S. Representative, State Senator, and State Representative that have been notified and the appropriate Districts.
- Enter the School District that has been notified.
- Enter the Local Elected Officials that have been notified. Similar to the Census Tract fields, additional fields will appear as officials are entered. There are twenty-five spaces to enter local officials. After the 25<sup>th</sup> space, a box will appear asking "**More than 25 Local**

# 2018 Multifamily Application Procedures Manual

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**Officials?”** If yes, attach additional list in the “Other Pertinent Information” section on the last page of the pre-application.

- Answer the question, “Are there Neighborhood Organizations whose boundaries contain the Development Site?” If the answer is no, read the certification. **When you submit the pre-application you are certifying to an understanding of the program requirements and the accuracy of the submission.** Continue to the next page by clicking the **Next** button. If yes, then a space will appear allowing you to list the name of the organization and its address. There are twelve spaces to enter Neighborhood Organizations. After the 12<sup>th</sup> space, a box will appear asking “**More than 12 Neighborhood Organizations?**” If yes, attach additional list in the “Other Pertinent Information” section on the last page of the pre-application.
- Use the **Next** button to advance to Page 4.

**IT IS THE APPLICANT'S RESPONSIBILITY TO IDENTIFY ALL NEIGHBORHOOD ORGANIZATIONS THAT MUST BE NOTIFIED. YOU SHOULD RETAIN RECORDS OF THE DUE DILIGENCE YOU PERFORMED TO IDENTIFY ALL OF THE ORGANIZATIONS**

## ❖ **Page 4: Self Score**

- Select points for each scoring item from the yellow drop-down boxes. Subtotals and the total self-score will auto-populate. *Note that the score cannot change by more than four (4) points between pre-application and full Application in order to qualify for Pre-application Participation points.*
- **Applicant must upload a list that includes the name and address of amenities claimed under Opportunity Index in the “Amenities List” section on the last page of the pre-application.**
- The Local Government Support, Quantifiable Community Participation, Support from State Representative, Input from Community Organizations, and Concerted Revitalization Plan sections are not available for Applicants to Self Score. While these scoring items will not be included in the calculation to determine eligibility for Pre-application Participation points in the full Application, **you MUST indicate points you intend to claim for these items.**

**Note:** There is a point adjustment field prior to the Final Self Score. This can be used to adjust a self score based on a staff determination. For example, a scattered site Development may have an Opportunity Index score calculated to be six points, which is not an option on the drop-down menu for that scoring item. In this case, an Applicant may need to adjust the final self score. Enter negative numbers to reduce the score. *This field must not be used for manipulation of the self score in order to increase chances of being eligible for Pre-application Participation points* and Applicants entering information in this field must also upload their staff determination or request for such determination under the “Other Pertinent Information” section on the last page of the pre-application.

- Use the **Next** button to advance to Page 5.

## ❖ **Page 5: Attachments and Certifications**

- For Site Control, Census Tract, and Other Pertinent Information, multiple documents may be attached under each section as needed.
  - Attach **Site Control Documentation**. By attaching the document(s), the Applicant is certifying that the site control conforms to all applicable rules. Files cannot be larger than 7 MB total.

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- Attach a **Census Tract Map**. The census tract Map(s) will be verified against the census tract(s) entered on the Development Information Page. **Again – be sure to double check your census tract number(s)!** Files cannot be larger than 5 MB total. <https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>
- **NEW! Amenities List**. Attach a list that includes the names and addresses of amenities to be used for Opportunity Index and Concerted Revitalization Plans points. **Remember:** The Opportunity Index amenities for a proposed Development could possibly change between Pre-Application and full Application. Applicants should keep in mind the applicable requirements of §11.9(e)(3), especially regarding deviation of the final score from the Applicant’s self-score in Pre-App.
- **Undesirable Neighborhood Characteristics**. Upload information regarding the presence of Undesirable Neighborhood Characteristics per §11.9(b)(1)(H) as such characteristics are more fully described in §10.101(a)(3). Note that disclosure is required to be submitted with the pre-application. The remainder of the information required to be submitted with the Undesirable Neighborhood Characteristics Report Packet may be submitted with the pre-application or with the full Application. **Remember:** The Undesirable Neighborhood Characteristics related to crime and schools must be disclosed at Pre Application. If the Applicant wishes to have the Board make a determination of site eligibility prior to full Application, the request could be presented in February, prior to the March 1 deadline. Waivers of Undesirable Neighborhood Characteristic requirements are not available; rather the Board will make a determination of site eligibility based on the information provided by the Applicant. The Undesirable Neighborhood Characteristics Packet on the TDHCA website provides a structure for submission of a complete request.
- **Other Pertinent Information:** For prospective developments that don’t fit neatly within the pre-application, there is an attachment field that can be used to provide further information. For example, this field could be used if an Application has more than 5 census tracts, more than 25 local officials that were notified of the pre-application, or a staff determination regarding a scattered site Development. The vast majority of pre-applications will not need to attach anything in this field. Files cannot be larger than 5 MB total.
- Read the certifications regarding the Electronic Filing Agreement, Site Control Documentation, and Census Tract Maps. Text is included below each upload section.
- The Electronic Filing Agreement is part of this section and does not need to be submitted separately. *No hard copies of signed certifications are required*, but **by clicking “Submit Pre-application” Applicants are certifying to an understanding of the program requirements and the accuracy and completeness of the submission.**
- Before entering the “Captcha” (the picture that ensures a user is not a “spambot”), it is strongly recommended that the Applicant use the **Back** button to review the entire pre-application before submission. Once the **Back** button is used, the pre-application uploads should show up as hyperlinks. **Make sure the documents open and that they are complete.**

**Any complete waivers submitted with pre-applications will be taken to the February Board meeting.**



## Pre-application Delivery

Once the Applicant is satisfied with the pre-application, read the final certification, complete the “Captcha” and hit the **Submit Pre-application** button.

The browser will display a submission confirmation page. The Applicant will also receive an email confirmation which will detail the information submitted, including hyperlinks to the files attached by the Applicant. In the event that an error is identified after submission (including a file that cannot be opened from the hyperlinks), the Applicant should use the **Edit Submission** link in the confirmation email to go back to the pre-application and make the necessary corrections (the link in the initiation email will no longer work) prior to the submission deadline. **Applicants are encouraged to submit the pre-application well before the deadline as the ability to edit submissions will be disabled at 5:00 p.m. (Austin local time) on Tuesday, January 9, 2018. A last minute submission poses the risk of encountering computer malfunctions or other factors that could result in failure to complete submission before the 5:00 p.m. deadline. If the complete pre-application is not submitted by the deadline, the Applicant will be deemed to have not made a pre-application.**

**Applicants will not be able to access, edit or submit a pre-application after the deadline.**

# Instructions for Completing the Electronic Application

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### What you will learn in this section:

- ✓ How to download the Electronic Application Materials
- ✓ How to complete the Excel Application
- ✓ How to convert the Excel Application to PDF
- ✓ How to insert documents into the PDF
- ✓ How to set Bookmarks
- ✓ How to submit the Application

### Application Download

All Applicants are required to use the 2018 Multifamily Uniform Application, along with the applicable supplemental files provided by TDHCA located at the following link: (<http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>).

1. To download any of the electronic Application files, right-click on the link at the website provided above, select “Save Target As” and choose the storage location on your computer. The Excel file should be named in the following format -- <Application #\_Development Name>.xls (e.g. 18001\_Austin\_Crossing.xls). If an application number has not been previously assigned then the file should be named as follows -- <Development Name>.xls (e.g. Austin\_Crossing.xls).
2. Please do not transfer tabs from one Excel file to another, even if it is for the same Application. If you plan to submit more than one Application, please make additional copies of the 2018 Multifamily Uniform Application file **after** completing portions of the Application that *are common* to all of your Applications and **before** completing any portions that are not common to all of your Applications.
3. Any cell that is highlighted yellow is available to be manipulated by the applicant. All other cells (unless specifically stated) are for Department use only, have been pre-formatted to automatically calculate information provided, and are locked. Applicants may view any formulas within the cells. Applicants may not add additional columns or rows to the spreadsheets, unless otherwise stated.
4. All questions are intended to elicit a response, so do not leave out any requested information. If references are made by the Applicant to external spreadsheets those references must be removed prior to submission to TDHCA as this may hamper the proper functioning of internal evaluation tools and make pertinent information unavailable to TDHCA.

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5. The electronic Application has been designed so that many of the calculations regarding development cost, eligible basis, and eligible point items will automatically compute once enough information has been entered. If you see a “#VALUE” or “DIV/0” in a cell these values should disappear upon data entry in other tabs.

**Tip – Complete the Development Narrative and the Rent Schedule in the Development Activities and Finance Parts of the Application first to take full advantage of the automated calculations.**

6. **Be sure to save the file frequently as you are filling it out to avoid losing work!**

If you have difficulty downloading files from the website, contact Jason Burr at (512) 475-3986, or [Jason.burr@tdhca.state.tx.us](mailto:Jason.burr@tdhca.state.tx.us).

## Completing Required Forms and Exhibits

The 2018 Multifamily Uniform Application consists of seven (7) parts for the Applicant to complete. Complete all applicable parts. Any portion of the Application that the Applicant considers not applicable must be included in the Application with an indication that the Applicant believes that section to be “not applicable.” Those cells that require entry are highlighted yellow. Some of the required information for this form has been entered in a previous tab and will auto fill here as applicable. Where applicable, Applicants should mark boxes with an “x.” The use of a different symbol may result in misinformation in another part of the Application. Please review and ensure all information is accurate.

The Application must include any supporting documentation needed to evidence that the Application meets the specific requirements of the rules. Where supportive information has been published by the Department, e.g., information included in the Site Demographic Characteristics Report, the Application may refer to that information.

**REMEMBER – Pursuant to §11.9(a) of the QAP, Applicants that elect points where supporting documentation is required but fail to provide any supporting documentation will not be allowed to cure the issue through the Administrative Deficiency process.**

Applicants are cautioned that some parts of the Application are specific to certain fund sources and programs. For instance, parts of the Application are labeled “Direct Loan Only” and should only be completed if requesting that funding source. However, where a specific funding source is not stated, Applicants must complete all other parts of the Application.

### Part 1 – Administrative Tabs

#### ❖ **Tab 1a – Application Certification**

- Enter data in yellow highlighted cells.
  - The Application Certification must be signed by the Applicant or person with authority to execute documents on the Applicant’s behalf and must be dated and notarized. *No hard copy is required, only a scanned copy within the PDF file. The Applicant must, however, retain the originals and provide them to the Department on request.*

#### ❖ **Tab 1b – Meeting Selection (4% only)**

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The *Meeting Selection* form is required for Tax-Exempt Bond Developments only. Applicants are cautioned that while the Department will make its best efforts to present the Application at the requested meeting, delays with reviewing and underwriting along with peak volume of applications being processed may result in the Application being presented at a subsequent board meeting.

## ❖ **Tab 2 – Development Owner Certification**

- ***Complete the yellow boxes on Tab 2 of the Application regarding disclosure of §10.101(a)(2), §10.101(a)(3), §10.202(1)(M), and/or §10.901(18) of the Uniform Multifamily Rules, if applicable.***
- The certification form can be found on the Department's website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm> and must be executed by the Development Owner. This certification addresses the specific requirements associated with the Development, and the Person executing the certification is responsible for ensuring all individuals referenced therein are in compliance with the certification.
- Applicants are encouraged to read the certification carefully as it contains certain construction and Development specifications that each Development must meet.
- **Note that the certification has been revised to include the Applicant's understanding that all third party reports will be posted on the Department's website.**
- **Note that the certification has been revised to include the Applicant's understanding of the penalty ramifications if they do not perform under readiness to proceed.**
- Check the appropriate boxes on pages 3, 4, and 5 for any disclosures pursuant to the Uniform Multifamily Rules regarding undesirable site features [§10.101(a)(2)], undesirable neighborhood characteristics [§10.101(a)(3)], termination of a relationship in an affordable housing transaction [§10.202(1)(M)], and unused credit fee [§10.901(18)].
- Submit any relevant documentation behind the tab, including the **Undesirable Neighborhood Characteristics Report**, if applicable.
- The form must be signed, dated, and notarized. ***No hard copy is required, only a scanned copy within the final PDF file. The Applicant must, however, retain the originals and provide them to the Department on request.***

## ❖ **Tab 3 – Applicant Eligibility Certification**

- The certification form can be found on the Department's website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm> and identifies the various criteria relating to eligibility requirements associated with multifamily funding from the Department.
- The form must be executed by all individuals included on the organizational chart who are identified under §10.204(2)(A) – (D) of the Uniform Multifamily Rules and who have the ability to exercise control over the Development.
- The submission may include one copy of the certification along with copies of the signature pages. A signed, dated, and notarized signature page for each individual described above must be included. ***No hard copy is required, only a scanned copy within the final PDF file. The Applicant must, however, retain the originals and provide them to the Department on request.***

**Remember:** The requirement for individuals that must execute Certifications ties directly to the definition of Control at 10 TAC §10.3(29). If a board member is not able to exercise control over actions of the organization other than as a voting member, they may not have control that fits within the definition. If a Board member is able to execute contracts or take

# 2018 Multifamily Application Procedures Manual

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other actions on behalf of the organization, they likely will meet our definition of control and should provide execution of the Certifications. If there is a question, the Applicant will be best served by having all parties sign the Certification.

- ❖ **Tab 4 – Multifamily Direct Loan Certification** (if applying for Multifamily Direct Loan funds)
  - The certification form can be found on the Department’s website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm> and must be executed by the Development Owner. It addresses the specific requirements associated with the Development, and the Person executing the certification is responsible for ensuring all individuals referenced therein are in compliance with the certification. Applicants are encouraged to read the certification carefully as it contains certain statements regarding lead based paint, HUD Section 3 requirements, environmental requirements, relocation requirements, and a general threshold certification.
  - The Development Owner must initial pages 5, 6, and 7. The form must be signed, dated, and notarized. *No hard copy is required, only a scanned copy within the final PDF file. The Applicant must, however, retain the originals and provide them to the Department upon request.*
  
- ❖ **Tab 5 – Applicant Information Page**

Section 1 should include contact information for the person responsible for responding to Administrative Deficiencies. Note that this may not necessarily be the Development Owner or Applicant. The person listed here will be required to submit requested documentation within a relatively short time period and should be generally available throughout the review process. The person listed here is also expected to be available primarily via email. Contact may include the persons listed in sections 2 and 3 as well.
  
- ❖ **Tab 6 – Self-Score (Competitive HTC Only)**
  - This form completely auto-populates from information entered throughout the Application. As noted in the introduction, the Application has been divided into sections that more closely follow the development process than the selection criteria in the QAP. Near the beginning of each section of the Application is a form that reflects information related to a particular aspect of Development (e.g. site, finance, ownership), and that form may include statements or selections that result in the Application being eligible for points.
  - The self-score form contains hyperlinks that allow the Applicant to skip to the part of the Application that is relevant to that particular scoring item. For example, clicking on “[Financial Feasibility](#)” takes you to the Finance Scoring tab, where the Applicant can manipulate cells. As revisions are made to scoring items within the Application, the self-score will auto-populate and also produces a real-time self-score in the top right corner of the relevant tab. The Applicant can then click on “[Self Score Total](#)” at a number of different places in the Application and return to the self-score form. These internal links are designed to allow an Applicant is quickly toggle back and forth between the self score form and the location in the Application where support documentation for that scoring item is required.
  - If the Self Score does not reflect points that the Applicant expects to receive, changes must be made on the appropriate linked tab; not on the self-score form.
  - **Tie Breakers:** All measurements must include ingress/egress requirements and any easements regardless of how they will be held. The ability to score additional points under opportunity index for tie-breaker purposes is not included in the 2018 QAP.

## Part 2 – Development Site

The blue colored Development Site tabs (8-15) collect all information specific to the physical location of the Development Site.

### ❖ **Tab 7 – Site Information Form Part I**

This form is divided into 4 parts, all of which should be completed by all Applicants. Complete the yellow highlighted cells in each part as applicable. Some portions of this form will make reference to supporting documents which are listed and collected in Tab 8.

- **Part 1 – Development Address:** Enter the information in this section as indicated by the label for each of the boxes present. If there is no mailing address for the site, please do not use phrases such as, “1 mile east of the corner” or “approximately 300 feet from” but only indicate direction from an intersection. For example, “the northeast quadrant of Hickory Street and Red River.” Also, avoid the use of all capital letters. Use the drop-down menu to indicate whether the site is within city boundaries, in the ETJ, etc.
- **Part 2 – Census Tract Information:** Enter the **11-digit** 2010 census tract number with no dashes, commas, decimals, or spaces. Indicate whether or not the tract is a Qualified Census Tract (QCT). Each of the subsequent highlighted cells further describing the demographics of the census tract will auto-populate. Applicants should exercise caution in identifying the correct census tract. Address searches generally yield approximate census tract matches and in some cases such searches are incorrect. It is the Applicant’s responsibility to identify the correct census tract. **Remember: if the poverty rate is greater than 40% for individuals (or 55% for Regions 11 and 13), submit the Undesirable Neighborhood Characteristics Report.**

Applicants can double-check this information using the US Census Bureau’s Fact Finder tool at <https://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>. Any clarifying notes about the address or census tract(s) can be entered in the space provided.

- **Part 3 – Resolutions:** Mark the appropriate box indicating whether or not a resolution is required in order to satisfy a requirement under §11.3 of the QAP related to Housing De-concentration factors.
  - **For Competitive HTC Applications pursuant to §11.3 of the QAP, these are due with the Application and must be included behind this tab.**
  - For Tax-Exempt Bond Applications, these resolutions must be submitted no later than 14 days before the Board meeting where the housing tax credits are to be considered, pursuant to §10.6 of the Uniform Multifamily Rules.
  - For Tax-Exempt Bond Applications, the Resolution of No Objection to satisfy the requirement of §10.204(4) should be included behind this tab if available at the time of Application submission.
  - If no resolution is required, this section can be marked “Not Applicable”.
- **Part 4 – Zoning and Flood Zone Designation:** For the Zoning Designation, enter the code or descriptive name of the Site’s current zoning exactly as it is stated in the local zoning code. For Flood Zone Designation, enter the FEMA description exactly as it appears on the FEMA floodplain map that is included in the ESA. Determine if the Site is inside or outside the 100-year floodplain according to the FEMA description corresponding to the FEMA code for the Development Site that appears on the map. Requirements regarding the floodplain are specified in detail in §10.101(a)(1) of the Uniform Multifamily Rules.
- **Part 5 – School Rating:** this is gone from scoring but is still a threshold item under 10 TAC 10.101(a)(3)(B)(iv).

### ❖ **Tab 8 – Supporting Documentation for the Site Information Form**

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Each of the applicable exhibits listed on this form must be included behind it. Some of the boxes on the Supporting Documentation page will auto-populate. Supporting documents must be included for any that auto-populate or the response that originated the automatically marked box must be corrected.

- **Street Map:** should indicate the location and approximate shape of the Development Site outlined on the map.
- **Census Tract Map:** must bear the full 11-digit number and indicate the location of the Development Site.
- **Resolutions:** sample resolutions are provided in the 2018 Multifamily Uniform Application Template file on the Department's website.
- **Evidence of Zoning or Re-zoning in process:** must exactly match the representation made in the Site Information Form. Acceptable evidence includes one of the following:
  - A letter from the local government official with appropriate jurisdiction stating that either there is no zoning or that the Site is appropriately zoned.
  - A letter from a local government official with jurisdiction over zoning matters that the Applicant or Affiliate is in the process of seeking a zoning change (may include an acknowledgement that a zoning application was received by the political subdivision) and that the jurisdiction received a release agreeing to hold the political subdivision and all other parties harmless.
  - For Rehabilitation Developments, documentation of current zoning and, if necessary, a letter from the local government official with appropriate jurisdiction addressing any overlays or issues of non-conforming uses. See §10.204(11)(D) of the Uniform Multifamily Rules.
  - **NOTE: In instances where annexation of a Development Site occurs while the Application is under review, the Applicant must submit evidence of appropriate zoning with the Commitment or Determination Notice.**
- **Flood Zone Designation:** must be the FEMA flood map submitted in the Environmental Site Assessment that contains the development area or documentation that substantiates sufficient mitigation efforts the local government has undertaken. Refer to the 2018 Uniform Multifamily Rules Subchapter B – Site and Development Requirements and Restrictions §10.101(a)(1), and Subchapter D – Underwriting and Loan Policy, §10.305(b)(3) of the Uniform Multifamily Rules. **NOTE: The Certification of Development Owner includes stipulations regarding the conformity of the Site with the Department's rules regarding the floodplain.**
- **School Rating:**
  - The table allows you to identify up to five public schools, the grade levels served at those schools, and whether or not the school has a Met Standard rating from TEA.
  - These schools may need to be combined to obtain the overall rating for each type of school (elementary, middle, or high school). Refer to §11.9(c)(5) of the QAP in order to determine what schools may need to be combined to meet TEA requirements.
  - Complete the yellow box if the school district has no attendance zones and provide evidence of such.
  - Include supporting documentation behind the tab, including but not limited to printouts from the TEA website indicating school ratings. If all schools Met Standard for all three years, only the 2017 TEA information is required.
  - If any elementary, middle, or high school does not have a Met Standard rating, submit the Undesirable Neighborhood Characteristics Report with backup documentation, including TEA information for the past three consecutive years.

## ❖ Tab 9 – Site Information Form Part II

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This form should be completed for Competitive HTC and Direct Loan Applications. All items on this form are related to scoring criteria.

- **Part 1 – Opportunity Index:** Applications must meet one of the threshold requirements in order to score points for amenities.
  - Use the drop-down boxes to indicate items selected for points.
  - The Application must include one or more maps indicating the location of the Development Site and the related distance to the applicable facility.
  - Distances are to be measured from the nearest boundary of the Development Site to the nearest boundary of the property or easement containing the facility, unless otherwise noted. For the purposes of this section, all measurements will include ingress/egress requirements and any easements regardless of how they will be held.
  - Include backup documentation for ALL selections. **Include this documentation for Opportunity Index and for Concerted Revitalization Plan, as applicable.**
  - Certify that no members of the Applicant or Affiliates had an ownership position in the amenity or served on the board or staff of a nonprofit that owned or managed that amenity within the year preceding the Pre-application Final Delivery Date.
  - Select the Total Points Claimed from the drop-down box.
- **Part 2 – Underserved Area:** Select from the five options available if requesting points for this item, and select the Total Points Claimed from the drop-down box.
  - **Remember:** the rule states “less than 15 years ago” and “less than 30 years ago”. Less than 15 years is anything awarded from 2003 to present. Less than 30 years is anything awarded from 1988 to present.
  - If the fifth item is selected and there are more than six contiguous tracts, include a separate page in the pdf Application listing those tracts.
  - If an Application qualifies for points under Opportunity Index (§11.9(c)(4)), then the Application is not eligible for points under the Colonia or Economically Distressed Area items (§11.9(c)(6)).
- **Part 3 – Proximity to the Urban Core:** Complete the applicable box if the Development Site is located within the required distance of the urban core. Select the Total Points Claimed from the drop-down box.
- **Part 4 – Concerted Revitalization:** If claiming points, be sure that no points are being claimed under the Opportunity Index. Complete the appropriate boxes and make sure supporting documentation, including documentation of opportunity area amenities, is included behind the following tab. Select the Total Points Claimed from the drop-down box. **NEW!!!** Application must include evidence that the CRP is current at the time of Application and that it officially continues for a minimum of three years thereafter. A CRP consists of policies instigated by a host of governmental and public-private entities. Staff would expect to see evidence of those policies continuing on an ongoing basis, with further proof that they will continue for 3 years within the plan. A letter from a city may point to these policies and direct staff’s attention to other evidence. Many CRP plans include target dates as part of their plan.
- **Part 5 – Declared Disaster Area:** If claiming points, simply mark the yellow box and select the Total Points Claimed from the drop-down box. The 2018 list of eligible counties are posted on the TDHCA website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.
- **NEW! Part 6 – Readiness to Proceed in Disaster Impacted Counties** – this scoring item was added to the QAP by the Governor’s office. Applications proposing development in a county declared by the Federal Emergency Management Agency to be eligible for individual assistance within the year proceeding the Full Application Delivery Date that provide the required evidence can qualify for five points.



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## ❖ **Tab 10 – Supporting Documentation for the Site Information Form Part II**

- **School Attendance Zone Map and/school rating:** this is gone from scoring but is still a threshold item under 10 TAC 10.101(a)(3)(B)(iv). Information regarding schools will be entered on the Site Information Form Part I.
- **Opportunity Index information:**
  - The map(s) should indicate the location of the Development Site and include an accurate radius appropriate for the asset. Refer to §11.9(c)(4)(B) for details regarding the radius.
  - Supporting documentation for each amenity selected should be included behind this tab. The documentation must provide evidence that the amenity meets each requirement of the QAP.
  - **Written statements that the amenity meets the rules are not sufficient; evidence of how the amenity meets the rule is required.**
  - Where applicable, Applicant must include a print-out of an online form showing that the entity is included in the applicable database:
    - Evidence of the licenses held by child care centers can be found by searching for the child care center on the Department of Family and Protective Services (DFPS) website at:  
[http://www.dfps.state.tx.us/Child\\_Care/Search\\_Texas\\_Child\\_Care/ppFacilitySearchDayCare.asp](http://www.dfps.state.tx.us/Child_Care/Search_Texas_Child_Care/ppFacilitySearchDayCare.asp).
    - Evidence of university or community college accreditation can be found by downloading the list of universities or community colleges on the Texas Higher Education Coordination Board (THECB) website. If the institution is listed, it is properly accredited: <http://www.txhighereddata.org/Interactive/Institutions.cfm>.
- **Evidence of Underserved area:**
  - For sites located within a colonia, provide a letter from the appropriate local government official or other evidence that the colonia lacks water, wastewater, or electricity at a level commensurate with the quality and quantity expected of a municipality and that the Development will make available any such missing water, wastewater, and electricity for current dwellings within the colonia to connect to such infrastructure (refer to §11.9(c)(6)(A) for further details). Evidence of the boundaries of the colonia from the Office of the Attorney General and a map showing the colonia is located within 150 miles of the Rio Grande river border is also required. Information regarding colonias can be found by using the Border Colonia Geography Online tool on the Attorney General’s website at: <https://www.texasattorneygeneral.gov/cpd/colonias>
  - For sites in an economically distressed area, the Application must include evidence that the site is located in both of the following:
    1. A census tract that has a median household income that is less than 75 percent of the statewide median household income.
    2. A municipality or county that has been awarded EDAP funds administered by the Texas Water Development Board (TWDB) within the five (5) years ending at the beginning of the Application Acceptance Period (as of January 4, 2013). This information can be found by clicking on “EDAP status report” on the right side of the page of the TWDB website at:  
<http://www.twdb.texas.gov/financial/programs/EDAP/index.asp>.
  - For sites located in areas covered in items (C), (D), or (E), the year count will be based on the year of award. A Development that is less than 30 years old would be one that was awarded in 1988 or later, and a Development that is less than 15 years old would be one that was awarded in 2003 or later. **Use the year indicated in the “Board Approval” column of the Property Inventory tab of the Site Demographic Characteristics Report to find this information.**

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- **Proximity to the Urban Core:** The map should indicate the location of the Development Site and include an accurate straight-line distance to the municipal government administration building where regularly scheduled municipal governing body meetings are held.
- **Concerted Revitalization Plan:** If submitting a concerted revitalization plan, either the entire plan or a link to the plan can be provided. If the plan is exceptionally large and no link is available, staff will accept an edited version, with only the applicable sections. In general, the Application must include a description of where specific information can be found in the plan including evidence of adoption and any delegation of parts of the plan. Identify where each component of §11.9(d)(7)(A)(i)(I-V) for Urban and §11.9(d)(7)(B)(i-iii) for Rural have been met within the plan itself or using third party evidence.
  - If in an Urban Area:
    - A letter from the appropriate local official providing documentation of measurable improvements within the revitalization area based on target efforts outlined in the plan and discussing how the improvements will lead to an appropriate area for housing is required.
    - If claiming an additional two points under §11.9(d)(7)(A)(ii)(II) of the QAP, a resolution must be included behind this tab.
    - If claiming an additional one point under §11.9(d)(7)(A)(ii)(III), insert a map here showing amenities and radius, along with back-up documentation for each amenity.
  - If in a Rural Area:
    - Provide rent roll, evidence of construction date, evidence of supporting funds, evidence regarding demolition/relocation (as applicable), a CNA/PCA.
    - If claiming an additional two points under §11.9(d)(7)(B)(ii), provide resolution from the appropriate governing body or bodies, if site crosses jurisdictional boundaries.
    - If claiming an additional one point under §11.9(d)(7)(B)(iii), insert a map here showing amenities and radius, along with back-up documentation for each amenity.
- **Declared Disaster Area:** If the county in which the Development Site is located in listed on the 2018 List of Declared Disaster Areas, no further documentation is required.
  - If the Applicant believes the county in which the Development Site is located was omitted from the list and should be listed, include evidence that the Development Site is located in an area declared to be a disaster area under Tex. Gov't Code §418.014 at the time of the Full Application Delivery Date or at any time within the two-year period preceding the Full Application Delivery Date (on or after March 1, 2016).
- **Readiness to Proceed:** Application must include evidence that satisfies each individual requirement for the scoring item. If evidence is included in separate parts of the Application, indicate such in the spaces provided. Evidence may include but is not limited to:
  - loan or equity commitments with evidence of completed due diligence
  - permit-ready architectural plans
  - construction contracts
  - Construction permits

## ❖ **Tab 11 – Site Information Form Part III**

This form is divided into 3 parts. All Applicants must complete the first two parts, and part 3 is relevant for tax credit (9% and 4%) Applications only.

- **Part 1 – Site Acreage:** Identify the acreage listed on each of the four application exhibits. The site acreage in each of the four spaces should agree. If there are discrepancies, the acreage of the site plan should at least be contained within the acreage of each of the other exhibits.
  - The site control document (*e.g.* purchase contract, lease and/or deed) often reflects more land than the site plan but may never indicate less (unless the site control documents

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- include multiple documents, each relating to a portion of the site, all of which encompass the entirety of the site).
- The entry for the site plan is the most important of the four entries. It must be the actual size of the final Development Site, taking into account any reductions for any circumstances (easements, dedications, *etc.*) that require land to be taken away from the final Site as it will be defined in the LURA.
  - The size of the Site that is reflected by the appraisal should match the size indicated by the site plan in that it should never be less than the size in the site plan. However, under certain circumstances, more land might be appraised than the final Site.
  - The ESA, like the site control document, often encompasses more land than the area of the final Development Site, but it may never be a lesser amount.
  - **Note: Any differences in the sizes of the land stated in any of the four responses should be explained in the space provided, e.g., more land was purchased and studied in the ESA than is projected to be used for the Development Site.**
  - **Part 2 – Site Control:**
    - Complete the yellow highlighted cells identifying the seller, date of sale and any relationship between the seller and the applicant and/or any member of the Development Team. Explain any relevant affiliations.
    - Identify all sellers of the property or any interest therein for the 36 months prior to 1/5/17, and their relationship to the Applicant.
    - Indicate the document being presented as evidence of site control by marking the appropriate box and fill in the expiration date and estimated closing date of the contract for lease, purchase, or other form of conveyance as applicable.
  - **Part 3 – Ingress/Egress and Easements:** If land for ingress and/or egress and any easements is held separately from the property described in the site control documents, describe how the land is held. Documentation of rights of ingress/egress must be included within site control
  - **Part 4 - 30% Increase in Eligible Basis (“Basis Boost”):** The “boost” may be granted to tax credit Developments in certain locations and/or for certain types of Developments. If the Development is Rural, Supportive Housing, or in a high opportunity area, these boxes will auto-populate. If claiming the boost under §11.4(c)(2) or §11.4(c)(3)(D) or (E), mark the appropriate box.
    - If claiming eligibility for the boost for a Development located in a Small Area Difficult Development Area (SADDA), a SADDA map must be submitted that clearly shows the proposed Development is located within the boundaries of a SADDA. [https://www.huduser.gov/portal/sadda/sadda\\_qct.html](https://www.huduser.gov/portal/sadda/sadda_qct.html)
    - If claiming eligibility for the boost by restricting additional units for households below 30% AMGI, note that the Application does not make this calculation and that applicants should reference §11.4(c)(3)(D) as well as §11.9(c)(1) and (2) of the QAP to ensure that enough units are set aside to meet these requirements.

For Competitive HTC Applications submitted in 2018 the 2018 lists of QCTs and DDAs are effective. For 4% HTC Applications, Applications submitted prior to January 1, 2018, the 2017 list of QCTs and DDAs will apply, for Applications submitted on or after January 1, 2018, the 2018 list will apply.
  - ❖ **Tab 12 – Supporting Documentation from Site Information Part III**

Provide the site control document, title commitment or policy and each MFDL exhibit as applicable, according to the list given in the Application. **IMPORTANT:** For Applications involving scattered sites, please group all applicable items below, identifying the Site by the line number in the *Multiple Site Information Form* (e.g. if there are five different scattered sites, provide the site control, zoning, etc. for Site #1 in a group, and the same for Site #2, etc.)

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- **Evidence of Site Control:** See 2018 Uniform Multifamily Rules Subchapter C, §10.204(10) for details regarding site control. Be aware that for Competitive HTC Applications the rules for scoring the submission of a pre-application are affected by site control.
  - If the evidence is not in the name of the Development Owner, then an Affiliate of the Development Owner must have site control that does not expressly preclude an ability to assign the Site Control to the Development Owner or another party.
  - If in the form of a lease or contract for lease, the existing lease must have 45 years remaining, or the contract must be for a 45-year term.
  - For identity of interest transactions, submit documentation requirements described in Subchapter D §10.302(e)(1)(B) of the Uniform Multifamily Rules.
  - For **scattered sites**, if you are submitting multiple contracts, deeds, etc. each one must meet all of the requirements of §10.204(10) of the 2018 Uniform Multifamily Rules. Each must clearly have the address identified and be consistent with the Scattered Site Information Form (e.g. If the Development consists of 3 parcels of Property, 3 contracts/deeds, etc. must be provided or one form of site control must clearly identify and cover all 3 parcels).
- **Title Commitment or Title Policy:** See 2018 Uniform Multifamily Rules Subchapter C, §10.204(12) for detailed instructions of the rules regarding title documents.
  - The title commitment or policy should be in the name of the Development Owner. In addition, the current owner reflected on any title commitment or policy should match the current owner listed on any purchase or lease agreements.
  - If documentation is more than six months old prior to the beginning of the Application Acceptance Period a letter from the title company/Bureau of Indian Affairs indicating that nothing further has transpired on the policy, commitment, or status report must be provided.
  - For **scattered sites**, a title for each separate Site must be submitted. Each must have the Site clearly identified. It must be consistent with the site control document submitted for the same piece of Property as well as the Scattered Site Information Form (e.g. if the Development consists of 3 parcels of Property, 3 separate labeled titles must be provided).
- **Increase in Eligible Basis:**
  - If claiming eligibility for the boost for a Development located in a Qualified Census Tract (“QCT”), a QCT map must be submitted that clearly shows the proposed Development is located within the boundaries of a QCT. **In addition**, New Construction or Adaptive Reuse Developments must include a resolution if claiming eligibility for the boost for a Development located in a QCT with **greater than 20%** HTC Units per total households, pursuant to 10 TAC §11.4(c)(1).
  - If claiming eligibility for the boost for a Development located in a Small Area Difficult Development Area (SADDA), a SADDA map must be submitted that clearly shows the proposed Development is located within the boundaries of a SADDA.
- **Site & Neighborhood Standards (Direct Loan New Construction Only):**
  - Letters confirming availability from each utility provider.
  - A statement from the Applicant explaining how the Development will promote greater choice of housing.
  - Census data using the DP-1 (Profile of General Demographic Characteristics 2010) table from the Census Bureau. (<http://factfinder2.census.gov>)
  - Statement from the Applicant describing travel time and cost from the Development Site to areas of employment.

## ❖ Tab 13 – Multiple Site Information Form

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The Application's Multiple Site Information Form was created as an aid to determining how lots and tracts that have separate descriptions fit together to form the Development.

- If a Development proposal requires the submission of more than one purchase contract, lease contract or deed to evidence Site Control, the Applicant must complete one block of the Multiple Site Information Form for each Property that will be aggregated into the Development.
- In general, the Application must sufficiently describe the properties in the contracts and deeds so that each Property can be identified within the survey(s) of the Development Site(s).
- Evidence must show that the Property determined by the survey of the Development Site is entirely under the Applicant's Control and any land that is purchased in excess of the Development Site must be described in a way that makes the excess area apparent in both quantity and location.
- In all cases, the Application must include a plat or plats that indicate the legal description of each lot, alley, roadway and tract as described in the documents evidencing the Applicant's Control. If more than one plat is necessary to depict the land under control, the relative locations of the platted land should be clear and the fit of each part into the whole should be apparent. If a contract includes land that is only described by metes and bounds, a plat showing the boundaries corresponding to these same metes and bounds and labeled with the corresponding bearings and distances should be provided.
- The desired result of these descriptions and drawings is a clear depiction of the land under the Applicant's Control and the relationship of this land to the Property that will be the Development Site(s). A further explanation of the information requested for multiple site development proposals is provided by the instructions for filling out the Multiple Site Information Form in the Application itself. *Note: Lines 135-433 are hidden and available should additional spaces be needed.*

## ❖ **Tab 14 – Elected Officials**

- If no pre-application was submitted, list each elected official and their respective District/Precinct.
- If a pre-application was submitted which correctly identified all the elected officials, and no re-notifications or corrections are required (e.g., no information has changed), check the box that indicates no change and leave the rest of the form blank.
- If a pre-application was submitted and re-notification was required for any reason (whether changes to the Application or to the elected official) fill out the entire form, indicating the elected officials that were notified prior to submission of the full Application.
- Note that this form becomes part of the Certification of Notifications. For details regarding the notification requirements, refer to §10.203 of the Uniform Multifamily Rules.

## ❖ **Tab 15 – Neighborhood Organizations**

Complete the form as applicable. If the pre-application exhaustively completed the process for notifying Neighborhood Organizations, and no corrections are necessary, it is not necessary to complete this form; the box at the top of the form would need to be checked in that instance.

## ❖ **Tab 16 – Certification of Notifications (All Programs)**

This form is divided into three parts, the first two of which apply to all Applications. The third part applies only to competitive HTC Applications.

- **Part 1 – Mark the appropriate box.**
- **Part 2 – Mark all certifications.**

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- **Part 3 – If no neighborhood organizations exist** mark this box, indicating also that no neighborhood organizations were notified.
- The form must be signed, dated and notarized. The individual signing the certification must be the Applicant or the person that has the authority to sign on behalf of the Applicant. No hard copy is required, but a scanned copy of the signed and notarized form should be included in the Application.

**NOTE: Refer to §10.203 of the Uniform Multifamily Rules and §11.8(b)(2) of the QAP for details regarding notification requirements, particularly those involving Development Sites located in ETJs.**

- The *Public Notifications Template* located in the 2018 Uniform Multifamily Templates file should be utilized to meet these requirements. The file can be found on the website at: <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.

**NOTE: For Competitive HTC Applications, if re-notification was required because the number of Units increased by more than 10% then the Application will not be eligible for pre-application participation points.**

## Part 3 – Development Activities

### ❖ **Tab 17 – Development Narrative**

The Development Activities tabs are colored red, and contain all information regarding the planned construction on the Site. This includes physical features, such as architectural drawings, Development amenities, and Target Population.

- **Part 1 - Construction Type:** Choose one construction type from the drop-down menu and answer all appropriate questions. If questions are not relevant, answer with N/A, leaving no yellow highlighted cells blank.
- **Part 2 – Target Population:** Identify the Target Population from the drop-down menu provided. Refer to §10.3(a)(47) of the 2018 Uniform Multifamily Rules for more information on how Elderly Development is defined. **If Elderly Preference is proposed, complete the statement in this section by choosing the funding source from the drop-down menu in the space provided and submit supporting documentation for that financing behind the tab.** Take care in selecting the correct Target Population.
- **Part 3 – Staff Determinations:** If a staff determination was made pursuant to §10.3(b), mark the box with an “x” and submit a copy of the determination behind this tab. If no determination was required, simply leave the box blank.
- **Part 4 – Narrative:** Applicants are required to provide a brief development narrative and should also use this space as an opportunity to explain any unique circumstances surrounding the proposed Development. Unless there are unusual aspects of the Development, the narrative should be one sentence, such as a statement that the Development is a fee simple, garden style apartment complex that is typical for the Target Population. If there are unusual aspects, such as those listed below, the narrative must describe them:
  - unusual or complex Site Control arrangements and/or relationships between buyer and seller or landlord and tenant, e.g., condominium, leasehold, leased fee, Related Parties, etc.;
  - whether the Development is an additional phase, and name, address and TDHCA number of the prior phase development;
  - unusual building types, e.g., mid-rise, high-rise, modular construction, historic structure;

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- uses other than residential rental units, e.g., structured parking garage, commercial space (retail, office, etc.), community center, etc.;
- rental subsidies and/or operating subsidies (summary in Development Narrative with detail in Financing Narrative);
- age or population restrictions;
- descriptions of unusual tenant services; e.g., if space will be provided for medical services/exams, state clearly who will provide those services to ensure no violation of 10 TAC 10.101(b)(1)(A)(iii);
- Unit configuration changes on Rehabilitation Developments;
- any and all issues that would require approval or clearance by staff or the Board.

Please double-check that any specific information about the Development that is also provided elsewhere in the Application is consistent. For example, if the narrative describes 4 residential buildings, then the architectural plans should reflect the same.

- **Part 5 – Funding Request:** Applicants should carefully fill in all relevant cells highlighted in yellow. This form is used to auto-populate other parts of the Application, including the scoring item related to Leveraging of Private, State and Federal Resources. Applicants are encouraged to review this form carefully for errors.
  - There is no verification of funding amounts built into the Application, so Applicants should also be aware of any funding limit requirements before completing this form.
  - Clicking on the funding sources (Multifamily Direct Loan, Housing Tax Credits, etc.) will link Applicants to the Summary of Sources and Uses page in the finance section. That section also links back to this page so that funding requests can be manipulated easily as Applicants develop their financing structures.
- **Part 6 – Set-Aside:** This section is applicable to Multifamily Direct Loan and Competitive HTC Applications only.
  - Applicants will be asked to submit the appropriate supporting documentation for the set-aside at different parts of the Application.
  - **NOTE: For Competitive HTC Applications seeking pre-application participation points, Set-Asides may not be changed from pre-application to Application.**
- **Part 7 – Previously Awarded State and Federal Funding:** All cells highlighted in yellow require data entry by the Applicant. If a particular question is not applicable to the Application, type in “N/A.”
- **Part 8 – Qualified Low Income Housing Development Election:** This applies only to HTC (both 9% and 4%) Applications. Applicants should understand that once an election is made it is irrevocable. Applicants are also encouraged to check this election against the Rent Schedule to ensure that there are enough 50% or 60% Units (whichever is applicable) to be consistent with the election.

## ❖ **Tab 18 – Development Activities Part I**

This tab is divided into 4 parts, all of which need to be completed for all Applications. The selections made here serve to certify that the Development will meet various requirements under §10.101 of the Uniform Multifamily Rules.

- **Part 1 – Common Amenities** – The number of units will auto-populate, but Applicants should fill in the appropriate number of points associated with amenities according to §10.101(b)(5) of the Uniform Multifamily Rules. Applicants proposing scattered site Developments should review this rule carefully in order to determine the appropriate number of points.
- **Part 2 – Unit Requirements** – Mark the one appropriate highlighted cell each from Part A and Part B.

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- **Part 3 – Tenant Supportive Services** - Mark the highlighted cell that is applicable.
- **Part 4 – Development Accessibility Requirements** - Mark the appropriate cells, indicating “Not Applicable” where necessary. **Applicants should pay special attention to ensure that the design of the Development is in compliance with the rules found at §10 TAC 10.101(b)(8).**

## ❖ **Tab 19 – Development Activities Part II**

This tab is divided into 10 parts. The selections made here will populate the self-score form.

- **Part 1 – Size and Quality of the Units:** Mark the appropriate highlighted cell. Points claimed will auto-populate. **NOTE: Direct Loan applicants must comply with requirements of the newly published Federal rule at 81 FR 92626, which requires installation of broadband infrastructure at the time of new construction or substantial rehabilitation of multifamily rental housing that is funded or supported by HUD.**
- **Part 2 – Rent Levels/Tie Breaker for Direct Loan Program:** Only Applicants applying for MFDL need to complete this part. Applicants electing to restrict Units at 30% AMGI for Competitive HTC purposes may not count those Units for point scoring under 10 TAC §13.6(e). However, 50% AMGI and 60% AMGI Units that are layered with 30% AMGI Units for Direct Loan purposes may count for point scoring under §13.6(e). **Points claimed here will not appear on the Self Score tab.**
- **Part 3 – Income Levels of the Tenants** - The Rent Schedule must be complete before a score can be calculated.
  - The *Total Number of Low-Income Units at 50% or less of AMGI* will auto-populate from the Rent Schedule.
  - You must select (in the second box) the number of 30% Units from the above number that will be used for points under §11.9(c)(2) of the QAP. **NOTE: This number cannot be greater than but can be less than or equal to the total number of 30% Units indicated in the Rent Schedule.**
  - You must select (in the third box) the number of 30% Units that will be used to satisfy the requirements of §11.4(c)(3)(D) related to the Increase in Eligible Basis (30% boost). **Applicants not requesting the boost or achieving the boost under another provision (OCT, Rural, etc.) should leave this box blank.**
  - The fourth box will subtract all of the 30% Units used for either points or the boost from the total number of Units at 50% or less of AMGI.
  - The fifth box will calculate the percentage of Units at or below 50% of AMGI available for points under §11.9(c)(1) of the QAP.
  - Select a yellow highlighted cell if requesting points. The *Total Score Claimed* will populate based on what the Application is eligible for. **NOTE: The Total Score Claimed will not auto-populate if both check-boxes are marked.**
- **Part 4 – Rent Levels of the Tenants** - Select the highlighted cell that is applicable. The Rent Schedule must be complete before a score can be calculated, and the Total Points claimed will not auto-populate if more than one box is marked. **NOTE: There is no calculation to determine eligibility for points. Applicants need to double check that points claimed here are consistent with the number of Units represented Part 2 - cell B21, “Number of Units used to score points under §11.9(c)(2).”**

**IMPORTANT!!! Income Levels of Tenants & Rent Levels of Tenants Worksheet** – Parts 3 and 4 above both deal with income targeting and are similar in many ways. However, it is important to note that the Income Levels of Tenants awards points for the number of Units at or below 50% AMGI, which includes 30% Units. The Rent Levels of Tenants awards points solely on the number of Units at 30% AMGI. **It is extremely**



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**important that Units at 30% AMGI are not counted twice for both scoring items.**

Staff created a table located outside of the print area of the Development Activities exhibit to assist Applicants in determining their eligibility for points. The worksheet ***does not*** need to be submitted in the PDF Application. The worksheet is a tool for use by Applicants to determine their eligibility for points under §§11.9(c)(1) and 11.9(c)(2) of the QAP depending on how many total LI Units are proposed.

- Column (a) contains a highlighted yellow cell that represents the total number of LI Units. Applicants ***can manipulate*** this cell to determine the number of Units at or below 50% AMGI needed for points under §11.9(c)(1) and the number of LI Units left over to qualify for points under §11.9(c)(2).
- Once the *Rent Schedule* has been completed, the top right-hand corner of the worksheet pulls from it the total number of low-income (LI) Units as well as the total number of 30% Units. These two numbers ***cannot*** be manipulated.
- Right above column (a), there is a cell for Applicants to input the number of 30% Units being used to satisfy the boost provision under §11.4(c)(2)(D); **applicants not requesting the boost or achieving the boost under another provision (QCT, Rural, etc.) should not enter anything into this cell in order to effectively use the worksheet.** TIP: In order to double-check the final Application submission and eligibility for points, this number should equal the red bolded number that auto-populates in the right-hand corner.

**Applicants should always independently verify that the calculations are correct and that the spreadsheet is not rounding.** Staff attempts to include calculations in certain areas as a courtesy but it is the Applicant's responsibility to verify that their Application meets the underlying rules.

- **Part 5 – Tenant Services:** Select a highlighted cell if applicable (Note that the score will not populate if both of the first two boxes are selected).
- **Part 6 – Tenant Populations with Special Housing Needs: This is a scoring item for all 9% HTC and MFDL Applications.**
  - Applicants must try to score first with subparagraph (A) and then subparagraph (B), both of which pertain to the requirements of the Section 811 Project Rental Assistance Program (“Section 811 PRA Program”) (10 TAC Chapter 8).
  - Except for MFDL, only if an Applicant or Affiliate cannot meet the requirements of subparagraphs (A) or (B) may an Application qualify for subparagraph (C).
  - Select and score only one of the three options.
- **Part 7 – Pre-application Participation:** Mark the highlighted cell if claiming points.
- **Part 8 – Extended Affordability:** Mark the highlighted cell if claiming points.
- **Part 9 – Historic Preservation:** If claiming points for Historic Preservation, mark the first box in the section. Each of the four boxes under the first box as well as the fifth (indented) box must be marked for the appropriate score box to populate. Documentation must be submitted behind this tab. A letter from the Texas Historical Commission stating that the property is already a Certified Historic Structure OR that the Commission has established preliminary eligibility for the structure are acceptable for points.
- **Part 10 – Right of First Refusal:** Mark the highlighted cell if claiming points.
- **Part 11 – Funding Request Amount:** Mark the highlighted cell if claiming points.

❖ **Tab 20 – Existing Development Information**

This form is divided into three sections which are all relevant to specific types of Applications. See the headings for each part to determine if it is applicable.

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- **Part 1 – At-Risk Set-Aside (Competitive HTC Developments applying under the At-Risk Set-Aside ONLY):**
  - Section A: Mark the highlighted cell next to all applicable subsidies or benefits. Mark each condition that is applicable.
  - Section B: If the At-Risk units are owned by a Public Housing Authority, mark each box that is applicable. Be sure to include all applicable information for RAD Developments. A list of RAD reservations can be found at [https://www.hud.gov/sites/documents/RADRESERVATIONS\\_021617.PDF](https://www.hud.gov/sites/documents/RADRESERVATIONS_021617.PDF). **The Application should indicate the PIC under which the RAD Units proposed for the Development have been reserved.**
  - The box under Part C should be marked for all At-Risk Developments.
- **Part 2 – Existing Development Assistance on Housing Rehabilitation Activities**
  - Section A. Indicate the type of assistance the Development is expected to have or continue from the drop down box and include a brief description of the restrictions or subsidies in the space provided. Fill in the remaining highlighted cells based on the information in the contract which should be included behind Tab 35.
  - Section B. If claiming acquisition credits in an HTC Application, fill in all applicable highlighted cells.
- **Part 3 – Lead Based Paint (Section 811 PRA and Multifamily Direct Loan Applications Only).** If the Development was constructed before January 1, 1978 mark each of the highlighted cells that applies.

❖ **Tab 21 – Occupied Developments**

- If any structure on the Development Site is occupied at any time after the beginning of the Application Acceptance Period, even if demolition is proposed, the following items must be provided (Mark the appropriate box):
  - Historical monthly operating statements for 12 consecutive months ending not more than three (3) months from the first day of the Application Acceptance Period; or
  - The two most recent consecutive annual operating statement summaries; or
  - The most recent consecutive six months of operating statements and the most recent available annual operating summary; or
  - All monthly or annual operating summaries available.
- Each of the following items, as applicable, must be provided:
  - A rent roll not more than 6 months old as of the first day of the Application Acceptance Period that discloses the terms and rates of leases, rental rates offered at the date of the rent roll, Unit mix, and tenant names or vacancy. A sample rent roll is included below:

	Date:				As of:
Unit	Lease Expires	Unit Mix	Tenant Name	Rental Rate	Tenant Pays
101	6/15/14	1/1- 630sf	Jones	\$450	\$450
102	8/30/14	1/1- 630sf	Smith	\$450	\$400
103	12/1/14	1/1- 690sf	Travis	\$470	\$470
104	3/15/14	2/1- 720sf	Wright	\$470	\$450
105	N/A	2/1- 720sf	Vacant	\$600	\$0

- written explanation of the process used to notify and consult with the tenants in preparing the Application,
- a relocation plan outlining relocation requirements and a budget with an identified funding source,

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- any documentation necessary for the Department to facilitate, or advise an Applicant with respect to or to ensure compliance with the Uniform Relocation Act and any other relocation laws or regulations as may be applicable, and
- evidence that a relocation plan has been submitted to the appropriate legal or governmental agency.
- If one or more of the above is not applicable, based upon the type of occupied structures on the Development Site, provide an explanation in the highlighted box.
- **NEW! URA Applicability to MFDL and 811.** Select the box and provide additional information as applicable.
- **Complete the certification.**
- RARAP Certification (*Direct Loan Only*). If any yellow highlighted box is marked, then the Residential Anti-Displacement and Relocation Assistance Plan Certification must be submitted.

## ❖ **Tab 22 – Architectural Drawings**

Make sure all drawings are LEGIBLE and double-check full application submission after combining pdf files into one. *Do not submit drawings above and beyond those required under the rules.*

- **Site Plan – NOTE:** There have been changes to the list, so be sure that your architect follows it closely.
- **Building Floor Plans** - must be submitted for each building type. Building floor plans must include the locations of the accessible Units and must also include square footage calculations for balconies, breezeways, corridors and any other areas not included in Net Rentable Area.
- **Unit Floor Plans** - must be submitted for each Unit type and must include the square footage for each type of Unit. Applications for Adaptive Reuse are only required to submit Unit floor plans for each typical Unit type and for all Unit types that vary in NRA by more than 10% from the typical Unit of each type. **Unit floor plans must be submitted for the accessible Units for all Developments.**
- **Building Elevations** - must be submitted for each side of each building type (**or include a statement that all other sides are of similar composition to the front**) and must include percentage estimates of each exterior material and proposed roof pitch. Rehabilitation and Adaptive Reuse Developments may submit photographs if the Unit configurations are not being altered and after- renovation drawings must be submitted if Unit configurations are proposed to be altered.

## ❖ **Tab 23 – Specifications and Building/Unit Configuration**

- **Specifications and Amenities** - Required for all Development types (i.e. New Construction, Rehabilitation, etc.); no exceptions. Complete all yellow highlighted cells as applicable. Under parking requirements, indicate number of spaces of each parking type that will be free of charge and number of spaces that will be available to tenants for a fee.
- **Building/Unit Configuration** – Information on this chart should be consistent with the *Rent Schedule* and the architectural drawings. **For Supportive Housing Applications Only:** The breakdown of common area square footage at the bottom of the page must agree with the architectural plans.
  - **NEW!** This form is broken down into forms 23, 23a, 23b, and 23c. These worksheets will help you determine the distribution of mobility and hearing/visual accessible Units and (**NEW!!!**) accessible parking spaces. **Include these worksheets in the Application.**
  - Specifics about parking:

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- **Basic requirement:** The number of parking spaces must be adequate consistent with local code, unless there is no local code, in which case the requirement is one and a half (1.5) spaces per Unit for non- Elderly Developments and one (1) space per Unit for Elderly Developments. The minimum number of required spaces must be available to the tenants at no cost.
- **ADA Chapter 2 Section 208 standards always apply to all parking in every development.** In some instances, Fair Housing Accessibility (“FHA”) requirements will apply. Below are links to both standards.  
<https://www.ada.gov/regs2010/2010ADAStandards/2010ADAStandards.pdf>  
<https://www.huduser.gov/publications/pdf/fairhousing/fairch2.pdf>

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

## Part 4 – Development Financing

- ❖ **Tab 24 – Rent Schedule:** Submit the final *Rent Schedule* after deleting any rows that indicate zero (0) as the unit count. The *Rent Schedule* has been intentionally placed immediately following the *Building/Unit Configuration* exhibit in an effort to reduce the number of inconsistencies.
  - Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided.
  - The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.
  - If any non-rental income is included, describe the source(s) of the income. “Misc” or “Etc.” in the income description is not acceptable.
  - If the Development includes loft/efficiency Units, label these Units as “0” bedrooms as provided in the drop-down list.
  - If applying for Multifamily Direct Loan funds, the column titled “MF Direct Loan Units (HOME (Rent/Inc))” also includes the Income level required for each MF Direct Loan Unit designation.
  - **Tax-Exempt Bond Developments ONLY.**
    - Space has been added to identify the Private Activity Bond Priority. Choose the applicable priority from the drop-down list.
    - Priority must be designated, as submitted to the Bond Review Board, regardless of Bond Issuer. The priority designations include the following:
      - Priority 1(a): Set-aside 50% of the Units at 50% AMGI and 50% at 60% AMGI.
      - Priority 1(b): Set-aside 15% of the Units at 30% AMGI and 85% at 60% AMGI.
      - Priority 1(c): Set-aside 100% of the Units at 60% AMGI for Developments located in a census tract with a median income that is higher than the median income of the county, MSA or PMSA in which the census tract is located.
      - Priority 2: Set-aside 80% of the Units at 60% AMGI; up to 20% of the Units can be at market rate.
      - Priority 3: Includes any qualified residential rental Development. Market rate Units can be included under this priority.
  - **Cost of Development per Square Foot.** These cells will calculate automatically when both the *Rent Schedule* and *Development Cost Schedule* are completed.
    - **Points for this item will be selected at the end of the Development Cost Schedule.**

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**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

❖ **Tab 25 – Utility Allowances:**

- Drop down lists are provided to identify “Who Pays” for the utility service and what type of “Energy Source” will be used.
- If Development is **all bills paid**, utilities and energy source is still required.
- The “Total paid by tenant” calculates only those energy sources for which it is indicated the tenant pays.
- **Remember to include your support documentation:**
  - Current PHA utility allowances sheet
  - USDA Rural Housing Services utility schedule (for RHS-regulated buildings)
  - HUD utility schedule (for HUD-regulated buildings)
  - TDHCA **pre-approval** of the following:
    - HUD Utility Schedule Model
    - Written Local Estimate
    - Energy Consumption Model
    - Actual Use Method/Agency Estimate

**NOTE:** Applicants should review the HTC Workshop Part 3 presentation slides posted on the website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>. More information can be found at: <http://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm>

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

❖ **Tab 26 – Annual Operating Expenses:**

- Fill in all yellow highlighted cells.
- You must describe any “Other” cost included in any of the expense categories. “Misc” and “Etc.” are not acceptable descriptions. The cells state “describe” in red to remind you to enter a description.
- Annual Debt Service should be consistent with information provided in the *Summary of Sources and Uses of Funds* form as well as the *15 Year Pro Forma*.
- Expense per Unit, Expense to Income ratio, and Debt Service Ratio will be calculated automatically. Applicants should familiarize themselves with the underwriting rules (Subchapter D of the Uniform Multifamily Rules) regarding thresholds for these items.

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

❖ **Tab 27 – 15 Year Pro Forma:**

- Refer to §10.302(d) of the Multifamily Rules regarding the underwriting analysis for a discussion that encompasses the items in the pro forma.
- Any deferred developer’s fee must be shown to be fully repaid by year 15.
- Enter rental concessions as a negative value.
- You must describe any “Other” debt service included in the pro forma.
- The form includes an optional certification, signature, and contact information for the lender for Competitive HTC Applications claiming points under §11.9(e)(1) of the QAP.

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

## ❖ **Tab 28 – Offsite Costs Breakdown**

- This form must be completed if there are any offsite costs associated with the Development, whether or not they are included in the *Development Cost Schedule*. For example, if offsite costs are embedded in the acquisition costs, this form must be completed. If there are any unusual circumstances surrounding the costs and/or payment of off-site costs, please include an explanation behind this tab.
- The form must be completed, signed and sealed by a professional engineer. See §10.204(8)(E)(ii) of the Uniform Multifamily Rules.
- If any Off-site Costs are included in Eligible Basis:
  - A letter from a certified public accountant must be submitted allocating which portions of those costs should be included in Eligible Basis; and
  - If off-site costs are based on PLR 200916007 the certified public accountant must provide a statement of findings describing the facts relevant to the Development and that the fact pattern matches the PLR 200916007.

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

## ❖ **Tab 29 – Site Work Costs Breakdown**

- This form is applicable to all Developments, regardless of the amount of Site Work cost attributed to the Development.
- If the Site Work cost is above \$15,000 per Unit and are included in Eligible Basis, a letter must be provided from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis.
- The total Site Work costs entered in this exhibit should match the amount reflected in the *Development Cost Schedule*.

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

## ❖ **Tab 30 – Development Cost Schedule**

- All applicable yellow highlighted cells under the Total Development Summary (columns C, D, and E) should be completed. A section for notes regarding the costs is provided as well; this should be used to add any information that could be helpful for the underwriting review, to explain line items that may be particularly low or high costs.
- This form separates contingency from general requirements, overhead and profit. “Voluntary Eligible Building/Hard Costs” allows the Applicant to list the **actual** building and hard costs in the schedule, then indicate only the amount of the actual costs to be used to score points under §11.9(e)(2) Cost per Square Foot. The Applicant should adjust the voluntary number until the desired percentage is reached. The score will be entered at the end of the form.
- **Supportive Housing Developments** should review the “Specifications and Building/Unit Type Configuration” form ensure that information required for such developments is entered at the bottom of that form.
- **Where development costs are reduced by contributions by local government entities** for the purpose of scoring points under §11.9(d)(2) Commitment of Development Funding by Local Political Subdivision, those reductions should be indicated in the “Notes” column next to the cost.
- **NOTE:** No syndication costs should be included in the Eligible Basis.

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- The “Credits Supported by Eligible Basis” cell is automatically calculated. This figure should be equal to or greater than the annual Housing Tax Credit Funding Request.
- **IMPORTANT:** If a 130% High Cost Area Adjustment is included in the *Development Cost Schedule* the Application should meet one of the criteria identified in §11.4(c) of the QAP and indicate under which criteria the Application qualifies for the Eligible Basis boost in Part 3 of the *Site Information Form Part III*.
- You must describe any “Other” costs reflected in the Cost Schedule. The cells will prompt you when an amount is inserted to “please specify” under a footnote.

**Include the contact name and phone number in the space provided of the person providing the cost estimate for the Hard Costs.**

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

## ❖ **Tab 31 – Financing Narrative and Summary of Sources and Uses:**

- Identify the name of each Financing Participant in the left-hand column. (Note that Department Funds have been auto populated based on data entered on the Development Narrative Tab, and are hyperlinked to move back and forth between tabs.)
- Choose the Funding Descriptions from the drop-down list for *Debt* and *Third Party Equity*:
  - conventional loan,
  - conventional/FHA,
  - conventional/letter of credit,
  - mortgage revenue bonds – other issuer,
  - Housing Trust Fund,
  - CDBG,
  - USDA/TXRD loan,
  - federal loan,
  - state loan,
  - local government loan, or
  - private loan.
- **Where there are financial contributions by local government entities** for the purpose of scoring points under §11.9(d)(2) Commitment of Development Funding by Local Political Subdivision, those contributions should be entered as debt, a grant, or “Other”, as applicable.
- Match (MF Direct Loan only) is included as Other.
- Note that the Funding Description column under “Deferred Developer Fee” and “Other” do not have drop-down menus. Applicants should write in a funding description.
- For each source identified you are required to include the interest rate, amortization, term and syndication rate, where applicable. **THE INFORMATION INCLUDED HERE MUST BE CONSISTENT WITH THE FINANCING NARRATIVE, TERM SHEETS, AND DEVELOPMENT COST SCHEDULE.**
- The priority of lien must be indicated in the “Lien Position” column for interim and permanent financing.
- Total sources of funds in the “Permanent Period” portion of the form must equal the total uses of funds reflected in the *Development Cost Schedule*.
- Complete the financing narrative, **again ensuring that any information written here is consistent** with the other exhibits in the Application. The narrative should identify any non-traditional financing arrangements; use of funds with respect to the Development; funding sources including construction, permanent, bridge loans, rents, operating

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subsidies, and replacement reserves; and commitment status of funding sources for the Development.

**If a revised form is submitted during the application review process, indicate the date of submission at the bottom of the form.**

- ❖ **Tab 32 – Financial Capacity and Construction Oversight (Direct Loan Applications only)**  
This tab is applicable for the Department’s Direct Loan Applications if: (1) the Direct Loan amount to more than 50% of the Total Housing Development Cost, except for Developments also financed through the USDA-515 program, or (2) the Direct Loan is the only source of Department funding (no HTCs are being requested) for the Development. Place the documentation described in the tab behind the tab.
- ❖ **Tab 33 – Matching Funds (Direct Loan Applications only)**  
This form is applicable for Multifamily Direct Loan Applications, only. Detail the type of Match, amount, and source in the appropriate columns. See the Match Guidance section of the tab page as well as 10 TAC §13.2(8) for information and requirements about Match. Match in the amount of at least 5% of the MF Direct Loan funds requested must be documented.
- ❖ **Tab 34 – Finance Scoring (competitive HTC Applications only)** This form is divided into 3 parts and is only applicable to Competitive HTC Applications.
  - **Part 1 – Commitment of Development Funding by Local Political Subdivision (LPS) (§11.9(d)(2))** To request the point, enter the name of the Local Political Subdivision providing the funding in the highlighted box at the top of this part. Indicate in the following three check boxes that the letter meets each of these criteria. **The letter must indicate the dollar value of the contribution and the dollar value of the contribution must be reflected in the Application.** If the contribution reduces costs, it must be noted on the Development Cost Schedule. If the contribution is in the form of a loan, grant or similar instrument, it must be included with the development sources and uses. Contributions must equal \$500 or more if the Application is Urban and \$250 if the Application is Rural or USDA. The letter committing the funding and naming the same Local Political Subdivision named in the top box of this scoring item must be present in the “Tab 35. Supporting Docs.” The total points claimed will auto-populate the score box only if the boxes above it have entries.
  - **Part 2 – Financial Feasibility (§11.9(e)(1))** Make only one selection from the options listed on the form in this section. The Total Points Claimed will auto-populate based on your selection. As support for these points, **submit both a 15-year pro forma itemizing all projected income and expenses, signed by the permanent or construction lender AND a lender letter indicating financial feasibility and/or acceptable Principals. A template exists for an acceptable letter but an alternative letter may be used, as long as it contains the same information as the template.**
  - **Part 3 – Leveraging of Private, State, and Federal Resources (§11.9(e)(4))**
    - At least 5% of the total Units must be restricted to 30% AMGI. The form will calculate the percentage based on the information reflected in the *Rent Schedule*.
    - If the Development leverages CDBG Disaster Recovery, HOPE VI, RAD, or Choice Neighborhoods funding, mark the appropriate box.
    - The form will calculate Housing Tax Credit funding request as a percent of Total Housing Development Cost based on information reflected in the *Development Narrative* and the *Development Cost Schedule*. **Note that the rule calls for the funding request to be LESS THAN a certain percentage without rounding.**



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- No more than 50% of the developer fee can be deferred to be eligible. **NOTE: This form does not perform this calculation.**
- No supporting documentation is necessary unless claiming points based on a commitment of CDBG-DR, HOPE VI, RAD or Choice Neighborhood Funding.

**NOTE: Remember to select the points being requested from the drop-down in the “Total Points Claimed” field. Although the form will calculate eligible points based on the information provided, the points requested WILL NOT auto-populate.**

## ❖ Tab 35 – Supporting Documentation

- Evidence must be consistent with the *Summary Sources and Uses of Funds and Financing Narrative*. If changes occur, update the form to match the new information.
- Executed Pro Forma from a Permanent or Construction Lender (if requesting points for financial feasibility). The pro forma must include:
  - the first 5 years and every fifth year thereafter for a 15 year period;
  - all projected income, operating expenses, and debt service;
  - the general growth factor applied to income and expense;
  - a minimum 1.15 DCR throughout the 15 years for all Third Party lenders that require scheduled repayment;
  - signature and contact information of an authorized representative of the lender.
- Letter from lender regarding approval of Principals.
- Include term sheets for all interim and permanent financing that are consistent with other parts of the Application, and provided in one or more of the forms identified and include the requirements set forth in §10.204(7)(A)-(B) of the Uniform Multifamily Rules. **Reminder!! Term sheet must include an acknowledgment of the amounts and terms of all other anticipated sources of funds or the Sources and Uses must be signed by an authorized representative from each funding source.**
- **Reminder:** For Direct Loan Applications or Tax Exempt Bond Applications utilizing FHA financing, the Application shall include applicable pages from the HUD Application for Multifamily Housing Project. If the HUD application has not yet been submitted then a statement to that effect should be included in the Application along with an estimated date for submission.
- Any federal, state or local gap financing, whether soft or hard debt must be identified at the time of Application and a term sheet must be provided for each.
- If the Development is financed through more than 5% Development Owner contributions provide the required documentation described in §10.204(7)(C) in the full Application.
- Include term sheets for syndication of tax credits that include the requirements set forth in §10.204(7)(D) of the Uniform Multifamily Rules.
- Letter from the Texas Historical Commission as applicable to historic tax credit financing under §11.9(e)(6) or otherwise.
- Include evidence of rental assistance or other subsidies if applicable.

## Part 5 – Development Organization

The Development Organization tabs are colored green, and include all information regarding the Development Team members. The Organizational Charts, Previous Participation exhibits, and Credit Limit documents are all located in this section.

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❖ **Tab 36 – Sponsor Characteristics** This form is only applicable for Competitive HTC Applications, and is divided into 2 Parts. Applications may qualify for two points for having a Certified HUB or Qualified Nonprofit in the ownership structure, or for one point for having a Certified HUB or nonprofit organization involved with the Development Services or in the provision of on-site tenant services during the Development's Affordability Period. To be eligible for the two points using a Qualified Nonprofit, the Application must be applying in the Nonprofit Set-Aside (a selection made in the *Development Narrative* and which will be auto-populated in this section.) The HUB must be registered with the Texas Comptroller of Accounts, and evidence of such registration must be provided behind this tab.

• **Part 1 – Certified HUB or Qualified Nonprofit in the Ownership Structure:**

- Indicate if attempting to score two points as a certified HUB or Qualified Nonprofit.
- Complete the yellow highlighted cells with the percentages of ownership interest, cash flow from operations, and developer fee.
- Certify that the Nonprofit or HUB will materially participate in the Development.
- Indicate the experience of the Nonprofit or HUB by marking the checkboxes (Property Management, Construction, Development, Financing, or Compliance).
- Certify there is no relationship between the Principals of the Nonprofit or HUB and any other Principals of the Applicant or Developer.
- A narrative describing the HUB's or Nonprofit's experience in the housing industry as well as a statement indicating **how** the Nonprofit or HUB will materially participate must be included behind this tab. Acceptable evidence of experience includes, but is not limited to a resume or TDHCA experience certificate. (*Note, however, that such certificate is not necessarily sufficient to satisfy a 2018 experience requirement.*)
- Indicate points claimed (zero if this option is not selected).

• **Part 2 – Certified HUB or nonprofit involved with the Development Services or in the provision of on-site tenant services during the Development's Affordability Period :**

- Complete the yellow highlighted cells indicating which will be involved with Development services..
- Certify there is no relationship between the Principals of the HUB or nonprofit and any other Principals of the Applicant or Developer.
- Evidence of experience in the provision of Development Services or in the provision of on-site tenant services as well as a narrative statement indicating how the HUB or Nonprofit will provide such services must be included behind this tab.
- Indicate points claimed (zero if this option is not selected).

**The score will populate based on the selections made on this form. If it is not filled out correctly, points will not be included on the self score form.**

❖ **Tab 37 – Applicant and Developer Ownership Charts:** This sheet shows a basic format for organizational charts. Be sure that charts follow the example given and that they contain the following information:

- Correct name and ownership percentage of each entity and person. Avoid nicknames.
- Clear indication of role, i.e. Member, Member/Manager, Class B, LP, etc.
- Trusts must include the trustee and list all beneficiaries that have the legal ability to access, control, or direct activities of the trust and are not just financial beneficiaries.

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- Nonprofit entities, public housing authorities and publicly traded corporations must show name of organization, individual board members and executive director. **For individual board members, indicate those board members that have the ability to exercise control. Any other persons with the power to exercise control must also be identified.**
- In cases of to-be-formed instrumentalities of PHAs where the board members and executive director remain to be determined, the PHA itself is shown.
- Ownership must be described to the level of natural persons, whether Owners or board members.
- Developer organization chart shows the structure of the Developer and includes the following:
  - Any Person receiving more than 10% of the Developer Fee
  - Nonprofit entities, public housing authorities and publicly traded corporations show name of organization, individual board members and executive director
  - Ownership to the level of natural persons, whether Owners or board members
  - Any other relationships involving the power to control the Applicant directly or indirectly.
- Create separate charts for the Owner, Developer and Guarantor, ensuring that each of the three is a complete representation of the structure of each organization, and attach them behind this exhibit.

## ❖ **Tab 38 – List of Organizations and Principals**

- Complete the yellow highlighted cells as needed, beginning with the Applicant name.
- **All information that the form solicits must be legible in the Acrobat version of the form (reduce the font size or make other provisions as necessary to accomplish this).**
- All organizations AND persons should be listed on this form.
- Each ***entity*** except a natural person will have its own section, in which its individual structure will be given.
- Select the appropriate description of TDHCA experience for each Person from the Yes/No drop-down menu. Make a selection for each entry.
- Be sure names exactly match the organizational charts. Avoid nicknames.
- Additional spaces for Sub-Entities or Principals are available by un-hiding rows. (There are 30 entries available for Sub-Entities or Principals.)
- Submit as many pages of the form as necessary to report all organizations and natural persons, including Guarantors and recipients of the developer fee.

**When converting to PDF format, be sure to adjust page breaks as necessary and keep all information legible.**

## ❖ **Tab 39 – Previous Participation Form**

- **A separate form must be completed for each entity shown on the Owner and Developer organizational charts, and for only those natural Persons shown on the Owner and Developer organizational charts that exercise control. See 10 TAC §1.5 for possible exceptions from previous participation review.**
- Note that the appropriate fields should be marked at the bottom to indicate other TDHCA programs the entity or person has participated in.
- **A separate form is required for each Person or entity, regardless of whether the Person or entity has previous experience with TDHCA funding or assistance.**
- For “Control Begin”/”Control End” enter the time period a person’s or entity’s role in each property identified began and ended. This applies to any Developments in which a

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Person or entity was originally involved, but have since been transferred to another Person or entity.

- If the Person's or entity's role in a property or service-related activity has not ended then leave the "Control End" column blank.
- If more space is needed, unlock rows after row 40.

## ❖ **Tab 40 – Nonprofit Participation**

- All nonprofit Applicants or Principals must complete this form regardless of the level of ownership or application set-aside.
- Complete all appropriate yellow highlighted cells. Yes/No questions have drop-down menus.
- The worksheet allows listing up to twenty (20) board members. If more space is needed, print additional forms or contact staff.
- Include the Board Members' **home** address.

## ❖ **Tab 41 – Nonprofit Supporting Documentation**

- Applications involving 501(c)(3) or (4) nonprofit General Partners that DO NOT elect to be included under the Nonprofit Set-Aside only need to submit the IRS determination letter described below, or if the nonprofit designation is not due a 501(c)(3) or (4) determination, the Application must contain a disclosure of the basis of the nonprofit status. **Tax Exempt Bond Applications only need to submit the first item below in addition to the Nonprofit Participation Form.**
  - **IRS Determination Letter** which states that the nonprofit organization is a §501(c)(3) or (4) entity. *This designation must be in place as of the beginning of the Application Acceptance Period.* If the organization is a Qualified Nonprofit Organization as defined in the tax code, notwithstanding any apparent limitations in the QAP about the particular parts of the Code under which a nonprofit may qualify, submit an IRS determination letter
- The additional documentation requirements identified in this section must be completed **only** if the Applicant is eligible and has elected to compete under the Nonprofit Set-Aside Allocation pursuant to §2306.6706, which requires that the organization's 501(c)(3) or (4) designation be in place at the beginning of the Application Acceptance Period.
  - **Third Party Legal Opinion** – Be sure your legal opinion contains all of the required statements pursuant to §2306.6706 and §10.204(14)(A)(iii). A template is provided on the website at: <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>. **The Third Party Legal Opinion letter template has changed. Be sure to share the current letter with your counsel as soon as possible so that they can determine if they will be able to provide any required opinion or they can contact us if there are questions as to form.**
  - **Financial Statement** - The nonprofit's most recent financial statement prepared by a Certified Public Accountant.
  - **Certification of Residence**- a certification that a majority of the board members reside in the State of Texas if the Development is in a Rural Area, or within 90 miles of the Development if it is not in a Rural Area.
- The worksheet allows up to twenty (20) board members to be listed. If more space is needed, simply print out another form or contact staff.

- ❖ **Tab 42 – Development Team Members:** Enter information as requested. Note that drop-down menus will facilitate identification of HUB participants and related team members.

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## ❖ **Tab 43 – Architect Certification:**

- This certification can be found on the Department’s website at <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm> and must be executed by the Development engineer, an accredited architect or Third Party accessibility specialist.
- New Construction Direct Loan Applicants must have the architect certify Development Site is sufficient in size, exposure, and contour to accommodate the number of Units proposed.

**NOTE:** The certification requires a separate statement be submitted that describes how the accessibility requirements for the physically accessible /hearing and visual impaired Units will be met, along with related parking requirements. Be sure this statement is attached to this certification.

- The form must be signed, dated, and notarized. *No hard copy with original signature/stamp is required, only a scanned copy within the final PDF file. However, a signed and stamped original must be retained and provided on request.*

## ❖ **Tab 44 – Experience Certificate**

- If a Principal of the Development Owner, General Partner or Developer for the Application is seeking an Experience Certificate from the Department, the **2018 Experience Certification Request Form**, along with the required documentation (found in §10.204(6) of the Uniform Multifamily Rules) to establish experience must be submitted to the Department within the Application behind this placeholder tab. Alternative experience documentation may be provided in accordance with 10 TAC §13.5(d)(1) if MFDL is the only source of Department funding being requested.
  - Names on the evidence must tie back to the individual seeking the experience certificate.
  - Experience certification may be withheld if the individual has, at any time within the preceding three years, been involved with affordable housing in another state which has been the subject of issued IRS form 8823 citing non-compliance that has not been or is not being corrected with reasonable due diligence.
  - If the Principal is determined by the Department to not have the required experience, an acceptable replacement for that Principal must be identified prior to the date the award is made by the Board.
  - No person may be used to establish the required experience if that person or an affiliate of that person would not be eligible to be an Applicant themselves.
  - The **2018 Experience Certification Request Form** is located in the Multifamily Applications section of the TDHCA website or at: <http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm>.
  - Experience documentation **may be submitted prior to the March 1st** Competitive HTC Application deadline. If the documentation has been submitted but no experience certificate issued, indicate such on the form and include a copy of the request.
- **DUNS Number and SAM.gov Registration (Direct Loan Applications Only)** If available, include the DUNS and SAM.gov registration for the Applicant entity behind this tab. This information is an absolute requirement prior to Contract execution should the Applicant receive an award of federal funds.
- **Davis Bacon Labor Standards (Section 811 PRA and Direct Loan Applications Only)** Mark boxes as appropriate.
- **Affirmative Marketing Plan (Direct Loan Applications Only)** Complete the HUD form including the worksheets and attach behind this tab.

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## ❖ **Tab 45 – 9% Applicant Credit Limit Documentation and Certification**

- In general, each entity and Person listed on the Owner’s and the Developer’s organizational charts should be listed on Part 1a.
- Part 1a must list all Board Members of Nonprofits that have the ability to exercise control, all Executive Directors, and any other person capable of exercising control.
- In Part 1b, use the drop-down menu to state whether the person or entity has more than one Application competing in the current Application Round.
- **Be sure all names exactly match the organizational charts and are used consistently. Avoid nicknames.**
- For each Person or entity that indicates affiliation with another Application in Part 1b, you must submit a Part 2. Scroll down to find Part 2 of the form.
- Up to 30 separate persons or entities may be entered in Part 1.
- **Part 2: Complete a Part 2 for each Person that answered “Yes” on Part 1b. Print the complete forms, have them signed, and insert the executed copies back into the PDF Application.**

### **For 9% HTC Applicants only:**

The Housing Tax Credit cap is \$3 million and applies to all Applicants, Developers, Affiliates or Guarantors in the Application. See §11.4(a) of the QAP for details regarding how to apply the cap.

## **Part 6 – Community Input Scoring Items**

### ❖ **Tab 46 –** Fill-in the form and include the letters behind the form as applicable.

- **Section 1 - Local Government Support** - An Application may qualify for up to seventeen (17) points for a resolution or resolutions voted on and adopted by the bodies reflected in subparagraphs (A) - (C) below. The resolution(s) must be dated prior to and submitted no later than 5:00 p.m. (Austin local time) on **March 1, 2018**. Resolution(s) must specifically identify the Development by legal description, address, Development name, Application number or other verifiable method. A municipality or county should consult its own staff and legal counsel to assure the consistency of such resolution with applicable Fair Housing laws, including any Fair Housing Activity Statement-Texas (“FHA”ST”) form on file, any current Analysis of Impediments to Fair Housing Choice, or any current plans such as one year action plans or five year consolidated plans for HUD block grant funds, such as HOME or CDBG funds. Once a resolution is submitted to the Department it may not be changed or withdrawn. For an Application with a proposed Development Site that, at the time of the initial filing of the Application, is:
  - (A) Within a municipality, the Application can receive seventeen (17) points for a resolution from the Governing Body of that municipality expressly stating that the municipality supports the Application or Development; or fourteen (14) points if the resolution states that the municipality has no objection to the Application or Development.
  - (B) Within the extraterritorial jurisdiction of a municipality, the Application may receive(i) eight and one-half (8.5) points for a resolution from the Governing Body of that municipality expressly stating that the municipality supports the Application or Development; or seven (7) points if the resolution states that the municipality has no objection to the Application or Development. In addition, the Application can receive eight and one-half (8.5) points for a resolution from the Governing Body of the county expressly stating that the county supports the

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Application or Development; or seven (7) points if the resolution states that the county has no objection to the Application or Development.

- (C) Within a county and not within a municipality or the extraterritorial jurisdiction of a municipality scores seventeen (17) points for a resolution from the Governing Body of that county expressly setting forth that the county supports the Application or Development; or fourteen (14) points if the resolution expressly sets forth that the county has no objection to the Application or Development.
- **Section 2 - Community Support from State Representative** – This item adds or deducts up to eight (8) points in the Application score. Letters must be on the State Representative's letterhead and be signed by the State Representative, identify the specific Development and clearly state support for, opposition to or neutrality toward the specific Development. The letter will be accepted with the Application or via delivery from the Applicant or State Representative and must be submitted no later than 5:00 p.m. (Austin local time) on **March 1, 2018**. After submission, letters may not be changed or withdrawn. Representative letters, whose statements are based on the relevant community's expression of support, will be considered a support letter and will receive eight (8) points. Neutral letters, letters of opposition or letters that do not specifically refer to the Development will receive zero (0) points. If the relevant Representative's office is vacant, the Application will be considered to have received a neutral letter. Letters opposing the Application/Development will be added to the Application posted on the Department's website.
- **Section 3 - Input from Community Organizations** - Development Sites outside the boundaries of qualifying Neighborhood Organizations may score up to four (4) points for letters of support submitted with the Application. Once a letter is submitted to the Department it may not be changed or withdrawn. This option means losing one (1) point from the score under this paragraph for each letter in opposition that is from an organization that would otherwise qualify under this paragraph. Letters of opposition will be added to the Application, posted on the Department's website. The score of this item will never be less than zero (0), calculated as follows:
  - Two (2) points for a letter of support from a community or civic organization serving the community containing the Development Site, identifying and stating support for the Development at the proposed location. The organization must be tax exempt and its primary purpose must be the overall betterment, development, or improvement of the community as a whole or one of its major aspects such as schools, fire protection, law enforcement, city-wide transit, flood mitigation or similar activities. The Applicant must include:
    - Evidence of the organization's tax-exempt status, e.g. a copy of the organization's IRS determination letter.
    - Evidence that the tax-exempt status of the organization is current as of October 1, but before the Pre-Application Final Delivery Date. Evidence of IRS exemption can be found at <https://apps.irs.gov/app/eos/>, and evidence of state exemption can be found at <https://comptroller.texas.gov/taxes/exempt/search.php>.
    - Evidence that it either has a location or conducts activities within the specific city or county of the Development. Evidence can include a listing of activities and where they are held, membership lists showing addresses, brochures indicating activities and the geographical service area, annual reports, etc. Churches can be eligible for these points if they operate a beneficial activity to the community outside of religious

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- services (food pantry, clothes closet, after-school care available to the community regardless of membership, etc.).
- Community and civic organizations do not include neighborhood organizations, governmental entities (excluding Special Management Districts), or taxing entities so evidence of how the organization was created and by whom/what group, etc., should be included.
- Two (2) points for a letter of support from a property owners association created for a master planned community containing the Development Site that does not meet the requirements of a Neighborhood Organization for the purpose of awarding points under §11.9(d)(4) of the QAP. Include documentation evidencing the establishment of the association and the master planned community to which it belongs.
- Two (2) points for a letter of support from a Special Management District whose boundaries include the Development Site, as of the Full Application Delivery Date as identified in §11.2 of the QAP. Include evidence of the District's boundaries, indicating the location of the Development Site inside those boundaries, along with evidence of the existence of the District itself.

Note that input evidencing unlawful discrimination under Fair Housing law or whose scoring the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered. The Department will refer input appearing to indicate non-compliance under the Fair Housing Act, to the Texas Workforce Commission for investigation, but the referral will not, standing alone, cause staff or the Department to terminate the Application. Staff will report all such referrals to the Board and summarize the status of any such referrals in any recommendations.

## Part 7 – Third Party Reports

All third party reports must be submitted in their entirety by the deadline. Incomplete reports will result in termination of the Application. Reports should be submitted in a searchable electronic copy in the format of a single file containing all of the required information and conform to Subchapter D of the Uniform Multifamily Rules. Exhibits should be clearly bookmarked.

### ❖ **Tab 47 – Third Party Reports**

- The required **Environmental Site Assessment (ESA)** must be submitted to the Department no later than 5:00 p.m. (Austin local time) on **March 1, 2018** for competitive HTC Applications, at least 75 days prior to the selected Board meeting at which the Determination Notice will be considered for Tax-Exempt Bond Applications or at the time of Application submission for all other programs.
  - The ESA must not be dated more than twelve (12) months prior to the first day of the Application Acceptance Period. If the timeframe is exceeded an updated report or letter must be provided, dated not more than three (3) months prior to the Application Acceptance Period from the party who completed the original report confirming that the site has been re-inspected and reaffirming the conclusions of the initial report or identifying any changes.



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- If the Application is receiving funding from USDA, an ESA will not be required; however it is the responsibility of the Applicant to ensure that the Development is in compliance with all state and federal environmental hazard requirements.
- Prior to submission, confirm that the report is addressed to the Department or has a statement granting the Department authority to rely on the report findings. Also required are statements that the report preparer has read and understood §10.305 of the Uniform Multifamily Rules; a statement confirming that the person or company preparing the report will not materially benefit from the Development in any other way than receiving a fee for performing the ESA; and that the fee is in no way contingent upon the outcome of the assessment.
- If the report includes a recommendation for any additional assessments to be performed, include a statement that the recommendations will be followed prior to closing.
- All Applications for Direct Loans from the Department, except for those which are ultimately awarded TCAP RF, **and for Section 811 PRA** must complete the environmental clearance process in accordance with 24 CFR Parts 50 and 58 prior to engaging in choice limiting activities such as closing on land, loans, beginning demolition or construction activities, or entering into construction contracts. A Phase I Environmental Site Assessment (ESA) WILL NOT satisfy the environmental clearance required for use of **Section 811 PRA** and/or Direct Loan funds. Mark the appropriate yellow highlighted cells.
- **The Primary Market Area (PMA) Map is required with full Application submission.** For competitive HTC Applications, this is **March 1, 2018**. *A pdf copy of the map as well as the definition of the PMA, based on census tracts, ZIP codes, or census place should be included with the Application to ensure timely submission.*
- The **Market Analysis** is required for all Developments and must be submitted no later than 5:00 (Austin local time) on **April 1, 2018** for competitive HTC Applications and no later than 75 days prior to the selected Board meeting at which the Determination Notice will be considered for Tax-Exempt Bond Applications, or at the time of Application submission for all other programs.
  - The report must be prepared by a Qualified Market Analyst approved by the Department. The approved list is found on the REA page of the TDHCA website.
  - Applications in the USDA Set-Aside proposing Rehabilitation with residential structures at or above 80% occupancy at the time of Application submission may use the Appraisal (required for Rehabs and prepared in accordance with §10.304) to satisfy the Market Analysis requirement.
  - The report must include a statement from the Market Analyst that they have read and understood §10.303 of the Multifamily Rules.
  - **NEW: It is the responsibility of the Applicant to ensure that this analysis forms a sufficient basis for the Applicant to be able to use the information obtained to ensure that the Development will comply with fair housing laws.**

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- If applicable, the **Property Condition Assessment (PCA)** must be submitted to the Department no later than 5:00 p.m. (Austin local time) on **March 1, 2018** for competitive HTC Applications, at least 75 days prior to the selected Board meeting at which the Determination Notice will be considered for Tax-Exempt Bond Applications or at the time of Application submission for all other programs.
  - The PCA must not be dated more than six (6) months prior to the first day of the Application Acceptance Period. If the timeframe is exceeded an updated report must be provided from the Third Party who completed the original report. Any report dated more than twelve (12) months from the first day of the Application Acceptance Period will not be accepted.
  - If submitting a capital needs assessment from USDA in lieu of a PCA, it may be more than six (6) months old, as long as written evidence from USDA is submitted confirming the existing capital needs assessment is still acceptable and meets the requirements of §10.306 of the Uniform Multifamily Rules.
  - Prior to submission, confirm that the report is addressed to the Department or has a statement granting the Department authority to rely on the report findings. Also required are statements that the report preparer has read and understood §10.306 of the Uniform Multifamily Rules; a statement confirming that the person or company preparing the report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA; and that the fee is in no way contingent upon the outcome of the assessment.
- If applicable, the **Appraisal** must be submitted to the Department no later than 5:00 p.m. (Austin local time) on **March 1, 2018** for competitive HTC Applications, at least 75 days prior to the selected Board meeting at which the Determination Notice will be considered for Tax-Exempt Bond Applications or at the time of Application submission for all other programs.
  - The appraisal must not be dated more than six (6) months prior to the first day of the Application Acceptance Period. If the timeframe is exceeded an updated report must be provided from the Third Party who completed the original report. Any report dated more than twelve (12) months from the first day of the Application Acceptance Period will not be accepted.
  - If submitting an appraisal from USDA, it may be more than six (6) months old, as long as written evidence from USDA is submitted confirming the appraisal is still acceptable and meets the requirements of §10.304 of the Uniform Multifamily Rules.
  - Prior to submission, confirm that the appraisal is addressed to the Department or has a statement granting the Department authority to rely on the report findings and that the report preparer has read and understood §10.304 of the Uniform Multifamily Rules.
- If applicable, the **Site Design and Development Feasibility Report** must be submitted to the Department no later than 5:00 p.m. (Austin local time) on **March 1, 2018** for competitive HTC Applications, at least 75 days prior to the selected Board meeting at which the Determination Notice will be considered for Tax-Exempt Bond Applications or at the time of Application submission for all other programs.

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- Required for New Construction Developments and must meet the requirements of §10.204(15) of the Uniform Multifamily Rules.

The feasibility report should include a statement regarding local design requirements, which includes requirements related to parking. Local parking code will be reviewed for compliance with §10.101(b)(4)(M) of the Uniform Multifamily Rules.

## Part 8 – Review Tabs

These tabs will be used by staff in the review process. While there is nothing to be completed or supplied with these tabs at submission, they should be included and bookmarked.

Tab 48 - Deficiency Documents

Tab 49 – Scoring Notice

Tab 50 - Third-Party Requests for Administrative Deficiency

Tab 51 – REA Division RFI Documents

Tab 52 – Board Action

Tab 53 – Public Comment

Tab 54 – Commitment or Determination Notice


Tab 55 – MFDL Award Letter

Tab 56 – Carryover Documents

## Instructions for Converting the Excel file to PDF

Once the Excel Application file is complete and you are ready to convert the file to PDF, follow these instructions. **Be sure to check all of the Page Breaks in the Excel files before you convert to PDF.**

### Excel 2007 Users:

Click the **Microsoft Office Button**  , point to the arrow next to **Save As**, and then click **PDF or XPS**.

1. In the **File Name** list, type or select a name for the workbook.
2. In the **Save as type** list, click **PDF**.
3. If you want to open the file immediately after saving it, select the **Open file after publishing** check box. This check box is available only if you have a PDF reader installed on your computer.
4. Next to **Optimize for**, do one of the following, depending on whether file size or print quality is more important to you:
  - If the workbook requires high print quality, click **Standard (publishing online and printing)**.
  - If the print quality is less important than file size, click **Minimum size (publishing online)**.
5. Click **Options**. Under **Publish What** select **Entire Workbook** and click **OK**.
6. Click **Publish**.

### Excel 1997-2003 Users:

1. With the Excel file open go to the Adobe PDF drop-down box from the task bar (if using Excel 2007 click on “Acrobat” tab in the task bar)
2. Select “Convert to Adobe PDF” from the drop-down list (Excel 2007- select “Create PDF”)
3. The Adobe PDFMaker box will appear. On the left hand side of the box all of the sheets within the Excel file will be listed and you will be prompted to select the sheets you would like to convert to PDF. Once the sheets you want to convert are selected click on the “Add Sheets” button to move those sheets over to the right-handed side of the Adobe PDFMaker box, this will list the sheets selected to be converted to PDF. Make sure the sheets are in order.
4. Once all sheets you have selected appear on the right-hand side under “Sheets in PDF” click on the “Convert to PDF” button.
5. You will be prompted to create a name and save the PDF file. The PDF file should be named in the following format -- <Application #\_Development Name>.pdf (e.g. 18001\_Austin\_Crossing.pdf). If an Application number has not been previously assigned

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then the file should be named as follows --<Development Name>.pdf (e.g. Austin\_Crossing.pdf)

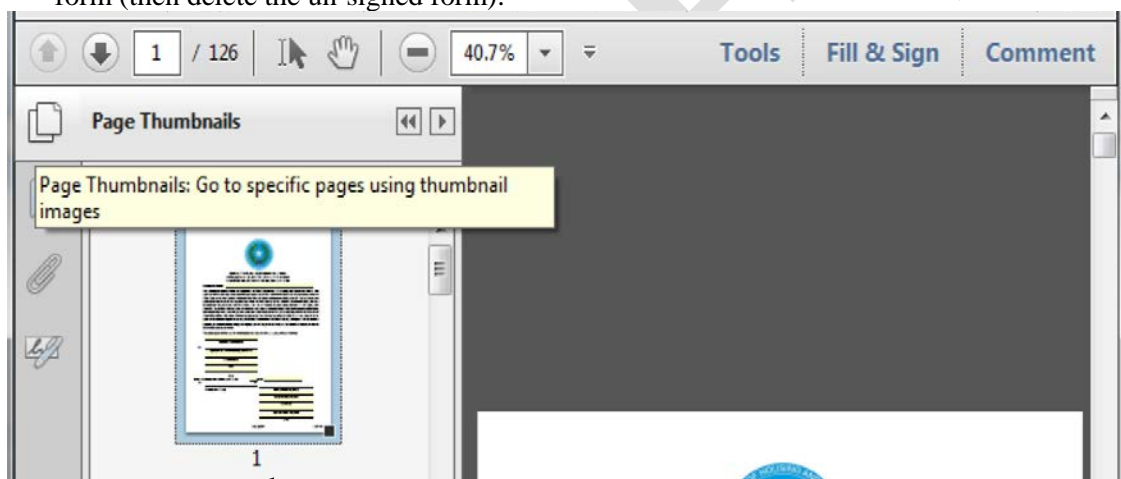
6. A pop-up box will appear that asks “Do you want to proceed without creating tags?” Click Yes.

## Inserting Documents into the PDF

***“No hard copy is required, only a scanned copy within the final PDF file”***

We really mean this. If there are documents to be submitted as part of the Application, include those documents in the pdf Application.

1. Convert the Excel application to pdf per the instructions above.
2. Once you have collected all required executed documents, scan them as individual files and name them (“app-cert.pdf”, “owner-cert.pdf”, etc).
3. Insert the scanned forms into the pdf application in the order required. For instance, you will need to insert the signed Applicant Certification form. You can either:
  - Click the “thumbnails” button, then drag and drop the pdf form before or after the existing form (then delete the un-signed form):



Drag document to here. A line will appear showing where the document will be placed. You can also use this feature to put documents in the correct order.

- Or, use the “insert from file” option.

Select “Insert from File”, navigate to document to be inserted and select it. In the dialog box, selected appropriate page number and indicate whether the document is to be inserted before or after that page. Click okay.

## **Do not submit a scanned copy of the Excel or PDF file.**

The Application submitted should be the pdf file created from converting the Excel file (into which additional application documentation has been inserted), as well as the Excel file itself. **A fully scanned Application is difficult to read, is not searchable, and creates question regarding accuracy.**

### **Creating Bookmarks**

Once the file has been converted to PDF and all executed forms have been inserted into their appropriate location within the file, you will need to create Bookmarks. Bookmarks may or may not have already been created as part of the conversion process. You will need to designate or re-set the locations. To correctly set the Bookmark locations you must have the PDF file open in Adobe Acrobat. Click on the Bookmark icon located on the left-hand side of the Adobe Acrobat screen, or go to the task bar and select these options in the following order: **View** → **Navigation Panels** → **Bookmarks**.

If a Bookmark has already been created for each tab within the Excel file, simply re-set the bookmarks to the correct locations. To re-set the location for the Bookmarks, go to the first page of each separately labeled form/exhibit. You will then right-click on the corresponding Bookmark for the form/exhibit you are currently viewing. Select **Set Destination** and a pop-up box will appear asking you the following: "Are you sure you want to set the destination of the selected bookmark to the current location?" Select **Yes**.

If Bookmarks were not already created within the Excel file, then you will need to create these Bookmarks. Go to **Document** → **Add Bookmark**. Right-click on the first Bookmark and re-name it for the appropriate form or exhibit. You will then need to set the location of the Bookmark by going to the first page of each form or exhibit, right click on the corresponding Bookmark and select **Set Destination**. A pop-up box will appear asking you the following: "Are you sure you want to set the destination of the selected bookmark to the current location?" Select **Yes**.

*Tabs within the Excel Application workbook have been color coded to distinguish between “Parts” of the Application consistent with this manual. Additionally, beside each bulleted item a label to use for purposes of bookmarking the final PDF Application file is included in parentheses.*

If you have extra blank pages of any exhibit after conversion of the Excel file to PDF, you can delete those pages in order to limit the size of the file. To delete any extra, unnecessary pages identify the page number(s) you want deleted. On the Adobe Acrobat Task Bar click on Document and select Delete Pages from the drop down list. A box will appear prompting you to select which page(s) you would like to delete. Enter the page numbers to be deleted and hit OK. If you delete anything YOU are responsible for ensuring you did it correctly and did not inadvertently delete something you should have kept.

The PDF formatted file must be checked for the following prior to submission:

- ✓ All tabs and/or volumes must be correctly bookmarked
- ✓ Files should average less than 100 kilobytes per page

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- ✓ Files must be readable with free PDF file viewers including Adobe Reader and be compatible with Adobe Reader 5.0 and above
- ✓ Files should be saved so that “Fast Web View” (or page at a time downloading) is enabled
- ✓ Text within the PDF file should be searchable using the “Find” command in the PDF viewer

If you have any questions on using or experience difficulties with the Microsoft Excel based Application, contact Multifamily Finance Division staff via email. Contact information may be found at <http://www.tdhca.state.tx.us/multifamily/contacts.htm> . In some instances a file may have small variations in bookmarks, file sizes, or readability that are not explicitly cited as requirements in the rule. Staff will use a reasonableness standard in determining when such deviations rise to the level of necessitating termination or other remedy.

## Application Assembly Instructions

For each Application the Applicant must ensure execution of all necessary forms and supporting documentation, and place them in the appropriate order according to this manual. The submitted Application should be the electronic copy created from the Excel file. Do not print and scan the Excel file. Do not print and scan the PDF file. Convert the Excel form to a PDF, and then insert scanned pages only as indicated below. Scanned copies of the Application are difficult to read, are not searchable, raise questions regarding accuracy and will not be accepted.

All Application materials must be submitted via the Department’s secure web transfer server. The Applicant must physically deliver the following:

1. Completed hard copy of the 2018 Payment Receipt. Attach evidence of nonprofit status (as applicable) and a check for the correct Application Fee made out to “Texas Department of Housing and Community Affairs”; and
2. Completed and fully executed 2018 Electronic Application Filing Agreement (**Only required if no pre-app submitted**).
3. Payment – the fee for competitive Housing Tax Credit Applications is \$30 per unit as represented in the Application. If a pre-application was submitted, the fee is \$20 per unit as represented in the full Application (regardless of any change in the number of units from pre-application to Application). A 10% discount applies to some fees pursuant to §10.901(3) of the Uniform Multifamily Rules. *Please do not submit checks for more than the applicable fee.*

## Application Delivery Instructions

Applications are accepted only through the Serv-U portal. Physical delivery of Applications will not be accepted. For guidance on using Serv-U, refer to the [Electronic Document Upload User Guide \(MF Serv-U FTP\)](#) posted on the Department’s “Apply for Funds” page.

Application payments are accepted during regular business hours:

Deliver To: Multifamily Finance Division  
(overnights) Texas Department of Housing and Community Affairs

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221 East 11th Street  
Austin, Texas 78701

Regular Mail: P.O. Box 13941  
Austin, Texas 78711

Please note that the Applicant is solely responsible for proper delivery of the Application and payment. Late deliveries will not be accepted.

## 4% HTC and Bond Applications

4% Tax Credit Applications for Bond Financed Developments can be submitted throughout the year. Submission of these Applications is based on the Bond Review Board Priority designation and the 75-day deadlines posted on the Department's website at the following link: <http://www.tdhca.state.tx.us/multifamily/htc/index.htm>.

## Multifamily Direct Loan Program Applications

Multifamily Direct Loan Applications may be submitted throughout the submission period described in the applicable NOFA <http://www.tdhca.state.tx.us/multifamily/nofas-rules.htm>

## 9% HTC Applications

The Application and fee payment for competitive Applications must be received by TDHCA no later than 5:00 p.m. (Austin local time) on Thursday, March 1, 2018. Mailed or couriered payments must be received by TDHCA on or before 5:00 p.m. (Austin local time). TDHCA is not responsible for any delivery failure on the part of the Applicant. If the Applicant chooses to use a postal or courier service to deliver the payment to TDHCA and such service fails to deliver the payment by the deadline, then the Application will be considered untimely and will not be accepted.

On March 1, 2018, the Department will accept walk-in delivery of the Application fee payment only; the Application must be uploaded to Department's ServU system by 5:00 p.m. (Austin local time). **All required supplemental reports must be submitted simultaneously with the Application** (unless otherwise noted). The ServU system will be disabled at 5:00 p.m. (Austin local time) on Thursday, March 1, 2018. **The Department is not responsible for transmission failures whether caused by malware, internet connectivity problems or equipment failures on the part of the Applicant.**

Applicants are advised to take any steps necessary to ensure timely delivery of all application materials. Applicants should not expect to have the opportunity to complete the Application materials at TDHCA offices on the final day of the submission period.



## Multifamily Direct Loan Program Information

### Application Delivery Instructions

All Applicants must upload a PDF copy and Excel copy of the complete Application to the Department's secure web transfer server. Each copy must be in a single file and individually bookmarked as further described in this manual. Additional files required for Application submission (e.g., Third Party Reports) outside the Multifamily Uniform Application must also be uploaded to the secure web transfer server. It is the responsibility of the Applicant to confirm the upload to the Department's secure web transfer server was successful.

If you are applying for Multifamily Direct Loan ("MFDL") funds in conjunction with 4% or 9% Housing Tax Credits, you must complete the following sections of 2018 Multifamily Uniform Application *in addition* to what you would normally complete when applying for 4% or 9% Housing Tax Credits:

- Multifamily Direct Loan Certification
- Tab 9 – Applicable sections (if seeking points under the 2018 MFDL NOFA)
- Tab 10 – Applicable sections (if seeking points under the 2018 MFDL NOFA)
- Tab 12 – Site and Neighborhood documentation (New Construction only)
- Tab 17 – Section 5 (Direct Loan request)
- Tab 17 – Section 6, **parts A and B only**
- Tab 19 – Sections 2, 5 and 6
- Tab 20 – Section 3
- Tab 21 – Uniform Relocation Act (Rehabilitation or New Construction that involves demolition or removal of existing occupied housing units)
- Tab 32 - (if applicable)
- Tab 33
- Tab 44
- Tab 47 – Section 2

If you are applying for Multifamily Direct Loan funds as the only source of Department funds, you must complete all sections of the 2018 Multifamily Uniform Application except for those sections that reference Housing Tax Credit applications only. All applicable Third Party Reports are required in accordance with 10 TAC §10.205 regardless of whether or not your application is layered with Housing Tax Credits.

The Application deadline for applicants applying in conjunction with 2018 9% Housing Tax Credits is 5:00 p.m. (Austin local time) on March 1, 2018, with a Market Analysis Delivery Date of April 1, 2018. The application deadline for all other applicants is 5:00 p.m. (Austin local time) on August 31, 2018, unless extended by the Board. If you are applying for HOME funds under the CDHO Set Aside, please also check the CHDO box in Tab 17 of the 2018 Multifamily Uniform Application and submit the 2018 CHDO Certification Packet (located on the Apply for Funds page of the Multifamily Programs page). For applicants applying in conjunction with 2018 9% Housing Tax Credits, the 2018 CHDO Certification

# 2018 Multifamily Application Procedures Manual

Packet must be received no later than 5:00 p.m. (Austin local time) on March 1, 2018. For all other applicants, the 2018 CHDO Certification Packet must be submitted with the 2018 Multifamily Uniform Application. Applicants for HOME funds under the CHDO Set Aside are eligible to apply for up to \$50,000 in CHDO Operating Expense Grant funds (Tab 17 – Funding Request) that can be used to pay for necessary costs for the operation of the CHDO. These costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials; and supplies.

## Multifamily Direct Loan Program Information

Multifamily Direct Loan funds may be made available through program income generated from prior year HOME allocations, de-obligated funds from prior year HOME allocations, the 2016 and 2017 Grant Year HOME allocation, loan repayments from the Tax Credit Assistance Program ("TCAP Repayment funds" or "TCAP RF"), the 2016 and 2017 Grant Year National Housing Trust Fund ("NHTF") allocations, and program income generated from prior year Neighborhood Stabilization ("NSP") allocations. Multifamily Direct Loan Funds are set aside for Supportive Housing/Soft Repayment loans and eligible Community Housing Development Organizations ("CHDO") in the amounts described in the NOFA.

Except for the Supportive Housing/ Soft Repayment Set-Aside, Multifamily Direct Loan funds are structured as a fully repayable loan with a term of 10-40 years and an amortization of 30 years, except in cases where the first lien mortgage is a federally insured HUD or FHA mortgage as allowed in 10 TAC §13.8(c)(2). If the loan is in a second or third lien position, the term and amortization should match within six months of the shortest term and amortization of the senior loan(s) so long as neither exceeds 40 years and 6 months. The interest rate requested on the loan may be as low as the minimum interest rate described in 10 TAC §13.8(a). The final approved interest rate may be the interest rate requested by the Applicant or higher depending on whether or not REA staff believes the deal can support more debt.

Please refer to the [2017-1 Multifamily Direct Loan Notice of Funding Availability \(NOFA\)](#) and [10 TAC Chapter 13](#) for more information. The NOFA and the Multifamily Direct Loan Rule work in conjunction; Applicants are cautioned to fully review both.

## CHDO Overview

The 2018 CHDO Certification Packet must be submitted for all Applicants requesting funds under the CHDO Set-Aside. Applicants, or the sole members of the general partners of applicants, for HOME funds under the CHDO Set Aside must meet the requirements of the definition of Community Housing Development Organization in [24 CFR 92.2](#) and 10 TAC §13.2(4). Please read carefully the requirements under the CHDO definition in 92.2 and 10 TAC §13.2(4) to ensure that your organization meets these requirements before submitting an application under the CHDO Set Aside. Furthermore, a CHDO must be the Owner, developer, or sponsor of the housing proposed to be built in accordance with [24 CFR 92.300](#). Finally, a member of a CHDO's board cannot be a Principal of the Development beyond his/her role as a board member of the CHDO or be an employee of the Development Team, and may not receive financial benefit other than reimbursement of expenses from the CHDO (*e.g.* a voting board member cannot also be the paid executive director of the CHDO).

A CHDO must demonstrate its accountability to the low income community where the housing is being proposed in accordance with 8(i) and (ii) of the CHDO definition in 24 CFR 92.2. This requirement may be met, in part, by having board members from the community where the housing is being proposed and/or having an advisory board comprised of members from the community where the housing is being

# 2018 Multifamily Application Procedures Manual

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proposed. Additionally, the CHDO must have a formal process for low-income input to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing. As a final requirement within 8(i) and (ii), the CHDO must have a designated service area (i.e. the “community” in which it produces housing) and have demonstrated experience serving the community for at least one year prior to applying for HOME funds. A community can be a neighborhood or neighborhoods, city, county, metropolitan area, or multi-county area (but not the entire state).

DRAFT

## Supplemental Information

### Requests for Waiver and Staff Determinations

The Department will accept requests for waivers and staff determinations during the Application Acceptance Period. These requests can be submitted with the pre-application or full Application submission, or separately. Requests WILL NOT be accepted after full Application submission. Requests should be submitted directly to the appropriate staff below and when possible submitted electronically, either through the ServeU system (with an email to the appropriate staff member), or by email attachment. Hard copies will not be accepted.

For Competitive 9% HTC Applications, Sharon Gamble at [sharon.gamble@tdhca.state.tx.us](mailto:sharon.gamble@tdhca.state.tx.us); for 4% HTC/Bond Applications, Teresa Morales at [teresa.morales@tdhca.state.tx.us](mailto:teresa.morales@tdhca.state.tx.us), or for Multifamily Direct Loan Program Applications, Andrew Sinnott at [andrew.sinnott@tdhca.state.tx.us](mailto:andrew.sinnott@tdhca.state.tx.us).

Requests for waivers are appropriate when an Applicant violates a rule and/or proposes a development that violates a rule, and as such they must be specific to an actual proposed Development (or Application). Requests should include an explanation of how the circumstances surrounding the request are out of the applicant's control and how, if such waiver is not granted, the Department would not fulfill some specific requirements of law. Applicants should familiarize themselves with §10.207(a) of the Uniform Multifamily Rules and are encouraged to contact staff to discuss the request before submission.

Requests for staff determinations should be submitted in cases where certain definitions or terms do not fully account for activities proposed in an application. For example, if an applicant proposes a scattered site development that involves different census tracts that would score differently on the Opportunity Index, that applicant may request a staff determination prior to application submission in order to ascertain how staff will apply the rule and ultimately award points. Similarly, an applicant proposing a combination of rehabilitation and adaptive reuse may request a staff determination as to how to classify the activity. Applicants should familiarize themselves with §10.3(b) of the Uniform Multifamily Rules.

### Public Viewing of Pre-applications and Applications

The Department will allow the public to view any pre-applications or Applications that have been submitted to the Department in an electronic format. These electronic versions should be available within approximately two weeks of the close of the Application Acceptance Period. An Applicant may request, via an open records request, a paper or electronic copy between the hours of 8:00 a.m. and 5:00 p.m. (Austin local time) Monday through Friday. There may be an associated cost with requesting this information.

### Applicable Rules and Reference Materials

2018 SITE DEMOGRAPHIC CHARACTERISTICS REPORT

2018 UNIFORM MULTIFAMILY RULES:

# 2018 Multifamily Application Procedures Manual

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Chapter 12, the Multifamily Bond Rule  
Chapter 13, the Multifamily Direct Loan Rule

2018 QUALIFIED ALLOCATION PLAN

TEXAS GOVERNMENT CODE CHAPTER 2306

INTERNAL REVENUE CODE SECTION 42

TEXAS GOVERNMENT CODE CHAPTER 1372

NOTICES OF FUNDING AVAILABILITY (NOFA)

DRAFT

6d

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action on timely filed appeals under 10 TAC §10.902 of the Department's Multifamily Program Rules relating to Fee Schedule, Appeals and other Provisions.

**RECOMMENDED ACTION**

**WHEREAS**, Application 17107, The Residence at Wolfforth, was awarded \$664,709 of competitive tax credits and \$500,000 of HOME funds at the July 27, 2017 meeting;

**WHEREAS**, Applicants for Direct Loan funds certify they will follow all regulatory requirements imposed by the use of federal funds, including the Uniform Relocation Action ("URA") if applicable;

**WHEREAS**, the Applicant has returned their HOME award, stating that the terms of the award did not justify the cost of compliance with URA requirements;

**WHEREAS**, staff determined that the Applicant is subject to penalty under the Multifamily Direct Loan rule as a result of returning the award; and

**WHEREAS**, the Applicant timely filed an appeal, which the Executive Director has denied;

**NOW, therefore, it is hereby**

**RESOLVED**, that the appeal of the penalty under 10 TAC §13.11(b) is hereby \_\_\_\_\_; and, if denied

**FURTHER RESOLVED**, the Applicant and all Affiliates for 17107, The Residence at Wolfforth, are prohibited from applying for Multifamily Direct Loan funds under the 2018 and 2019 Notices of Funding Availability; and

**FURTHER RESOLVED**, the Executive Director and staff as designated by the Executive Director are authorized, empowered, and directed, for and on behalf of the Department to execute such documents, instruments and writings and perform such acts and deeds as may be necessary to effectuate the foregoing.

**BACKGROUND**

HOME funds are allocated annually to the Department by HUD, and carry strict deadlines for commitment and expenditure. Failure to meet those deadlines or other requirements that are created by the use of these federal funds may result in the loss of those funds to the State of Texas, or a requirement for repayment from non-federal funding sources. Due in large part to the potential loss of funds and the long lead time between publication of the annual Notice of Funding Availability ("NOFA") and the typical commitment of

HOME funds, the Multifamily Direct Loan ("MFDL") rule includes a penalty for return of an award after it has been made by the Board.

The Applicant argues the Department cannot know at this point that the returned funds will not be committed and therefore the penalty cannot be imposed at this time. While it is true that staff will work to commit these funds to other projects so that they are not lost to the state, there is no guaranty this will happen. HOME funds were undersubscribed in the 2017 round, further complicating our ability to timely commit this returned award.

There are a group of regulations that, to varying degrees, are common across federal fund sources - these are called the cross-cutting regulations. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA") (Pub. L. 91-646, 42 U.S.C. 4601 *et seq.*) and URA implementing regulations at 49 CFR Part 24 are part of the cross-cutting regulations that apply to the use of HOME funds. In addition, section 104(d) of the Housing and Community Development Act of 1974 (Pub. L. 93-383, 42 U.S. C. 5301 *et seq.*), provides for one-for-one replacement of dwelling places that are demolished as part of a HOME project, and imposes additional requirements for low- and moderate-income residents. These regulations ensure that owners, tenants, and businesses displaced by federally-funded acquisition, demolition, construction, or rehabilitation projects are adequately compensated for their loss of property. The Applicant has returned the HOME award because it found that compliance with the URA requirements is too costly.

Seven mobile homes were located on the property that will be used to construct The Residence at Wolfforth. The Applicant did not provide the required initial URA notices to the occupants of the mobile homes until requested by staff. They contracted with a URA consultant after staff questioned the status of the mobile homes and URA compliance. Staff does not have information regarding the status of the occupants, if they were tenants in the mobile homes or owners of the mobile homes renting space on the property, and thus does not know if §104(d) would have been triggered. The Applicant's purchase agreement with the owner of the mobile home park indicated that the property will be vacant at closing. Staff has received no assurance that the occupants will receive assistance to relocate their mobile homes, or to locate replacement housing. If the Applicant retained the HOME award and complied with the applicable relocation requirements, the occupants of the mobile home park would have received assistance in finding decent safe and sanitary new housing, or assistance to move their mobile home to another property. Low- and moderate income occupants may have been eligible for continued assistance.

As explained in the Executive Director's denial of the appeal, it is not possible to no way the time of return how it will or will not impact the Department's meeting of HUD deadlines. Staff's position is that a logical reading of 10 TAC §13.11(b) is that a penalty may be applied if the Applicants returns their award. However, as the Executive Director's letter points out, there is another way to interpret the rule and ultimately it is the Board that has final authority to interpret its rule.



17107

The Resident at Wolfforth

Notice to Applicant regarding Relocation  
Requirements



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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August 21, 2017

*Writer's direct dial: 512/475-1676*  
*Email: [marni.bolloway@tdhca.state.tx.us](mailto:marni.bolloway@tdhca.state.tx.us)*

Abby Van Nordstrand  
Overland Property Group  
5345 W. 151<sup>st</sup> Terrace  
Leawood, KS 66224

RE: URA/104(d) REQUIREMENTS FOR APPLICATION #17107 – THE RESIDENCES AT WOLFFORTH

Dear Ms. Van Nordstrand:

As a result of the Board's approval of the HOME award for the above-referenced application on July 27, 2017, this letter provides further guidance on the items that will be required for the applicant to demonstrate full compliance with all applicable statutes and regulations surrounding relocation, including but not limited to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) and, if applicable, Section 104(d) of the Housing and Community Development Act of 1974. The following must be provided no later than Commitment Notice execution date:

1. The number of manufactured/ mobile homes on the site as of March 1, 2017.
2. Signed General Information Notices (GINs) by all households who occupied the property as of March 1, 2017. If a tenant has moved since that date, HUD considers this tenant displaced as a result of not being properly notified. Please see HUD Handbook 1378 Section 1-4 I.3 and 4.
3. Clarification regarding whether the manufactured/mobile homes are real property or personal property. Please provide justification for real or personal property as applicable.
4. Household income certifications for all households who occupied the property as of March 1, 2017.
5. A list of households who occupied the property on March 1, 2017 and August 1, 2017.

Additional information and documentation will be required as you move through the relocation process. You are encouraged to familiarize yourself with the HUD requirements described in *Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition*. If you have any questions regarding the relocation requirements, please do not hesitate to contact Carmen Roldan at (512) 475-2215 or [Carmen.rolدان@tdhca.state.tx.us](mailto:Carmen.rolدان@tdhca.state.tx.us). If you have additional questions or require further information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Marni Holloway", written over a horizontal line.

Marni Holloway  
Multifamily Finance Director



17107

The Resident at Wolfforth

Page from Commitment Notice Package

Evidence of Satisfaction of Any Conditions Identified in the Credit Underwriting Analysis Report or Any Other Conditions of the Award Required to be met at the Time of Commitment

2. Receipt and acceptance by Commitment:

- a. Final approval of a change in zoning to allow for the development as proposed.  
**See zoning change documentation submitted under tab 7.**
- b. Receipt of MAP Invitation Letter for FHA 221(d)(4) loan, or letter from Lender indicating the date that the HUD concept meeting was held, and confirmation that based on that meeting the Lender intends to proceed with processing the application and submitting it to HUD.  
**Please be advised that the following condition is no longer applicable to this application as a result of the proposed financing changes enclosed.**

**We are no longer pursuing financing through the FHA 221(d)(4) loan program and instead are applying for funding through the Rural Housing Service Section 538 Guaranteed Rural Rental Housing Program (“RHS 538 GRRHP”). As a result, the MAP Invitation Letter is no longer applicable. The RHS 538 GRRHP allows for a faster closing than FHA 221(d)(4) and is perceivably less costly, while the financing terms are just as favorable.**

**Please be advised that we are also no longer pursuing funding through the HOME Program and are returning the HOME award. Ultimately, we decided that the financing terms of the HOME loan did not justify the exceedingly costly relocation requirements. Higher than initially expected equity pricing is, in part, allowing for these changes.**

**Enclosed are the revised financing exhibits and the supporting documentation.**

5. Additional items due at Commitment:

- a. The number of manufactured/ mobile homes on the site as of March 1, 2017.
- b. Signed General Information Notices (GINs) by all households who occupied the property as of March 1, 2017. If a tenant has moved since that date, HUD considers this tenant displaced as a result of not being properly notified. Please see HUD Handbook 1378 Section 1-4 I.3 and 4.
- c. Clarification regarding whether the manufactured/mobile homes are real property or personal property. Please provide justification for real or personal property as applicable.
- d. Household income certifications for all households who occupied the property as of March 1, 2017.
- e. A list of households who occupied the property on March 1, 2017 and August 1, 2017.  
**Please note that the HOME funds awarded to this Application are being returned. Per our discussions with TDHCA staff and TDHCA’s August 21, 2017, letter, these conditions are a result of the HOME award and URA/104(d) requirements. With the return of the HOME funds, it is our understanding that these conditions are no longer applicable.**

17107

The Resident at Wolfforth

Letter from Applicant regarding return of  
HOME award

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*A Professional Corporation*

SCOTT A. MARKS

smarks@coatsrose.com  
Direct Dial  
(512) 684-3843  
Fax  
(713) 890-3911

September 22, 2017

Mr. Andrew Sinnott  
Multifamily Loan Programs Administrator  
TDHCA  
221 East 11<sup>th</sup> Street  
Austin, Texas 78701

Re: The Residence at Wolfforth, TDHCA #17107

Dear Andrew:

OPG Wolfforth Partners, LLC received an allocation of 2017 Housing Tax Credits and was approved by the board for an award of HOME funds. After researching the restrictions imposed by the HOME program, Overland Property Group, LLC (the “Developer”) has determined that acceptance of the HOME funds is not financially prudent and is making the funds available to other applicants. Please accept this letter as notification of that decision, as well as our request that TDHCA exercise its discretion under 10 TAC 13.11(b) not to penalize the Developer for this decision.

The Post-Award Requirements Rule states, “If a Direct Loan award is returned after Board approval... penalties may apply under 10 TAC 11.9(f) or the Department *may* prohibit the Applicant and all Affiliates from applying for MFDL funds for a period of 2 years if they returned their funds or have failed to take necessary action... where the failure resulted in the Department’s failure to meet federal commitment and expenditure requirements.” (10 TAC 13.11) The penalties in this rule are not triggered by this case because there are no adverse consequences to TDHCA or any competing applicants by this decision to return the HOME funds. The Post-Award Requirements Rule does not state that the Department shall impose a penalty, only that the Department may impose a penalty.

In this case, the Developer has not received an award letter or contract for the HOME funding. The Department may award this funding to another developer without risk of failure by TDHCA to satisfy federal requirements. If the Developer had executed an award letter or contract and then failed to satisfy its obligations, a two-year penalty might be appropriate. But

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September 22, 2017

Page 2

here there has been so little time since the board's decision, less than two months, that this penalty would be inappropriate.

For these reasons, please accept this letter as Overland Property Group's notice to the Department of its decision to return the HOME funds, and respectful request for no penalty to be imposed in this case. If you have questions, please contact me at (512) 684-3843.

Sincerely,



Scott A. Marks

17107

The Resident at Wolfforth

Penalty Notice for return of HOME award





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Sharon Thomason, *Member*  
Leo Vasquez, *Member*

October 13, 2017

*Writer's direct dial: 512/475-1676*  
*Email: [marni.holloway@tdhca.state.tx.us](mailto:marni.holloway@tdhca.state.tx.us)*

Mr. Scott A. Marks  
Coats Rose  
901 South MoPac Expressway  
Building 1, Suite 500  
Austin, TX 78746

RE: APPLICATION #17107 – THE RESIDENCES AT WOLFFORTH

Dear Mr. Marks:

The Texas Department of Housing and Community Affairs ("TDHCA") is in receipt of your letter dated September 22, 2017, in which you request that your client – OPG Wolfforth Partners, LLC (the "Applicant") – not be subject to penalties under 10 TAC §13.11(b) as a result of returning HOME funds after Board approval. In your letter, you explain that the Developer has "determined that acceptance of the HOME funds is not financially prudent and is making the funds available to other applicants." Staff disagrees with the assertion that "there are no adverse consequences to TDHCA" by returning the HOME award, as these federal grant funds are subject to strict commitment and expenditure deadlines. Staff's ability to secure commitments and expenditures is critical to the success of the HOME program throughout the state, and any return of funds after Board approval impedes that ability. The need for staff to be able to "count on" commitments is the reason why penalties for the return of funds exist.

In a letter dated August 21, 2017, and again on the Commitment Notice, the Applicant was informed that documentation regarding their compliance with Uniform Relocation Act ("URA") requirements was required no later than the date of execution of the Commitment Notice. The Applicant's response to the requirement included a statement in the Commitment Package, "Please be advised that we are also no longer pursuing funding through the HOME Program and are returning the HOME award. Ultimately, we decided that the financing terms of the HOME loan did not justify the exceedingly costly relocation requirements."

The Applicant is reminded that they executed a 2017 Multifamily Direct Loan Certification in connection with their Application, which included the following statement:

**Relocation and Anti-Displacement  
Displacement of Existing Tenants**



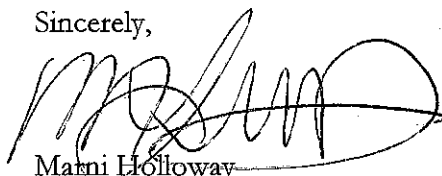
I (We) certify that that the work to be performed in connection with any award of federal funds is subject to Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”), as amended, and implementing regulations at 49 CFR Part 24. Consistent with the goals and objectives of activities assisted under the Act and HUD Handbook 1378 unless the Application is for funds under a TCAP only NOFA, the Applicant must prepare and submit the following to TDHCA with the Multifamily Uniform Application:

- 1) A detailed explanation of the reasons for displacement relocation;
- 2) A detailed plan of the relocation, including evidence of comparable replacement housing;
- 3) A copy of the General Information Notice (signed by the tenant or sent Certified Mail, return recipient requested) sent to all tenants on the Rent Roll listed with the Multifamily Direct Loan Application, and
- 4) Estimated costs and funding sources available to complete the permanent relocation.

Because the Applicant certified they were aware of the URA requirements, and chose to submit the Application for Direct Loan Funds subject to those requirements, staff finds that the penalty provisions at 10 TAC §13.11(b) are applicable, and recommends the Applicant and all Affiliates be prohibited from applying for Multifamily Direct Loan Funds for a period of two years..

An appeals process exists for the Housing Tax Credit and Direct Loan Programs. The restrictions and requirements related to the filing of an appeal can be found in §10.902 of the 2017 Uniform Multifamily Rules. Should you choose to appeal this decision to the Executive Director, you must file your appeal, in writing, with the Department not later than seven (7) calendar days after the date of this letter. If you are not satisfied with the decision of the Executive Director or if the Executive Director does not respond, you may file a further appeal with the Board of Directors of the Texas Department of Housing and Community Affairs. Please review §10.902 of the 2017 Uniform Multifamily Rules for full instruction on the appeals process.

Sincerely,



Marni Holloway  
Director, Multifamily Finance

cc: Abby Van Nordstrand, OPG Wolfforth Partners, LLC

17107

The Resident at Wolfforth

Applicant Appeal to the Executive Director

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SCOTT A. MARKS  
DIRECTOR

smarks@coatsrose.com  
Direct Dial  
(512) 684-3843  
Fax  
(713) 890-3911

October 20, 2017

Mr. Tim Irvine  
Executive Director  
TDHCA  
221 East 11<sup>th</sup> Street  
Austin, Texas 78701

Re: Application #17107—The Residences at Wolfforth Appeal

Dear Tim:

Please accept this letter as our appeal on behalf of OPG Wolfforth Partners, LLC (the “Owner”) of the October 13, 2017 letter from Marni Holloway recommending prohibiting the Owner and its affiliates from applying for Multifamily Direct Loan Fund for two years. Specifically 10 Tex. Admin. Code 13.11 (Post-Award Requirements) provides that this penalty is appropriate “if they have returned their funds or have failed to take necessary action specified in one or more agreement with the Department *where the failure resulted in the Department’s failure to meet federal commitment and expenditure requirements.*” (emphasis added) Because the Owner did not execute the Multifamily Direct Loan HOME Award Letter and Loan Term Sheet (the “Award Letter and Loan Term Sheet”) and there is no failure by the Department to meet HUD requirements for these funds, we respectfully appeal this recommendation and urge you not to penalize the Owner and its affiliates.

In her 10/13/2017 letter, Marni Holloway states, “Staff disagrees with the assertion that ‘there are no adverse consequences to TDHCA’ by returning the HOME award, as these federal grant funds are subject to strict commitment and expenditure deadlines.” TDHCA awarded the \$500,000 to the Owner from its 2016 HOME program income funds. The HUD deadline for the commitment by TDHCA of these funds is July 2018, and the federal deadline for expenditure of these funds is four years from the date of commitment.

Moreover, the damage from Hurricane Harvey is a multi-billion dollar need, and TDHCA transferred more than \$9 million in unexpended multifamily HOME funds to its single-family disaster recovery program last month. In conversations with Andrew Sinnott, there appears to be

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no reason why this \$500,000 award could not similarly be reprogrammed to disaster recovery, and reprogramming these funds to this purpose would be a boon to the State of Texas rather than a burden.

Ms. Holloway's letter also states, "The need for staff to be able to 'count on' commitments is the reason why penalties for the return of funds exist." We agree that this is one purpose of the rule, although there are three problems with extending this purpose to The Residences at Wolfforth beyond the fact that the text of the regulation limits the penalty to situations where TDHCA fails to meet federal commitment and expenditure requirements. The first problem is that TDHCA never sent an Award Letter and Loan Term Sheet for the Wolfforth HOME funds to the Owner, so there was literally no commitment to count on. The second problem is that the Owner never signed an Award Letter and Loan Term Sheet. You may be able to "count on" a handshake in Texas, but it is odd to argue that you counted on extending your hand when the other person did not shake it at all. The third problem is that there is precedent, including Saralita Senior Village in Kerrville (TDHCA #16164), where the developer received an Award Letter and Loan Term Sheet, it was executed by the owner, and then the funds were returned to TDHCA, and for some reason TDHCA did not impose a penalty in that case. Imposing a penalty on Wolfforth where there is no Award Letter and Loan Term Sheet and no agreement between TDHCA and the Owner whatsoever would not only go beyond the text of 10 T.A.C. 13.11, but would be inconsistent with TDHCA's resolution of the Saralita Senior Village return of funds.

In addition to the plain meaning of a penalty limited by its own terms to situations where TDHCA fails to meet federal commitment and expenditure requirements, and to the inconsistency of the recommended penalty with precedent, a policy reason for not imposing a penalty on the Owner and its affiliates is that the application round for these funds was *undersubscribed*. There is no competitor who can argue that its application was in any way harmed by a delay in awarding these funds. In conversations with Mr. Sinnott, he confirmed that one of the reasons the funds will most likely be reprogrammed for disaster recovery is that the round was undersubscribed. When funding rounds are undersubscribed, as a policy matter it will not help the Department in the future with meeting its HUD commitment obligations to place a developer in a penalty box for two years who has been very successful in the past at meeting its obligations under the housing tax credit and HOME programs.

The 10/13/2017 letter from Ms. Holloway also relies on application certifications related to the Uniform Relocation Act (URA) and states, "Because the Applicant certified that they were aware of the URA requirements, and chose to submit the Application... subject to those requirements, staff finds that the penalty provisions at 10 TAC 13.11(b) are applicable." Again, 10 TAC 13.11(b) calls for a penalty only when failure to take action causes TDHCA to fail to satisfy its federal commitment and expenditure obligation, and that has not occurred. While the Applicant was aware of the URA requirements, analysis on relocation costs, done in consultation with TDHCA staff, proved that the monetary URA requirements exceeded the financial benefit of the HOME funds. When an applicant is striving to comply with its obligations and honest in its assessment regarding the overall financial stability and feasibility of the development, a penalty is not appropriate, especially when there is no consequence to the state other than that it now has \$500,000 more in resources to devote to the critical need of disaster recovery.

October 20, 2017

Page 3

Federal funds come with many strings attached. Some of those strings are easy to satisfy, such as affordability requirements, and others are difficult and costly and, in the case of URA, sometimes difficult to estimate how costly they will be. When an applicant makes a decision prior to executing an Award Letter and Loan Term Sheet that the strings are too costly to justify accepting federal funds, that decision should not be penalized, and especially not with a penalty provision that is not triggered until TDHCA fails to meet federal commitment and expenditure obligations. This penalty provision would be applicable in the very unlikely event that TDHCA fails to commit the \$500,000 in HOME funds by July 2018, but is not justified in October 2017 with widespread damage to the state from Hurricane Harvey and ample opportunity to reprogram these funds for that purpose before next summer.

For these reasons, we respectfully request that TDHCA not penalize the Owner and its affiliates under 10 TAC 13.11. If you would like to discuss this appeal, please contact me at (512) 684-3843.

Sincerely,



Scott A. Marks

17107

The Resident at Wolfforth

Executive Director Denial of Appeal



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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October 27, 2017

Writer's direct dial: 512.475.3296  
Email: [tim.irvine@tdhca.state.tx.us](mailto:tim.irvine@tdhca.state.tx.us)

Scott Marks  
Coats Rose PC  
Barton Oaks Plaza  
901 South Mopac Expressway, Bldg. 1, Suite 500  
Austin, Texas 78746

**RE: APPEAL ON APPLICATION 17107, THE RESIDENCES AT WOLFFORTH**

Dear Mr. Marks:

On behalf of your client you have appealed the assessing of a penalty for the return of HOME funds, and in your appeal letter you have enumerated a number of interpretive and policy reasons why I should consider granting the appeal. This appeal turns on the construction and correct application of 10 TAC §13.11(b). That section provides:

If a Direct Loan is returned after Board approval, or if the Applicant or Affiliates fail to meet federal commitment or expenditure requirements, penalties may apply under 10 TAC §11.9 or the Department may prohibit the Applicant and all Affiliates from applying for MFDL funds for a period of 2 years if they have returned funds or have failed to take necessary action specified in one or more agreement[s] (sic) with the Department where the failure resulted in the Department's failure to meet federal commitment and expenditure requirements.

As I read the rule and apply it to the facts at hand I believe it is clear that the Applicant has returned a Direct Loan award. The question is whether the phrase "if they have returned funds" applies as a standalone triggering of the two year prohibition, or whether the provision "where the failure resulted in the Department's failure to meet federal commitment and expenditure requirements" applies to both the occurrences of "hav[ing] failed to take necessary action specified in one or more agreement[s] (sic) with the Department" as well as "if they have returned funds." In other words, does the rule provide that the two year prohibition applies to any return or only to a return which results in the Department's failure to meet federal commitment and expenditure requirements? Because it is not possible to know at the time of return how the return will or will not impact the Department's meeting of HUD deadlines, staff's interpretation is the former. In light of the timeline and your stated assumptions



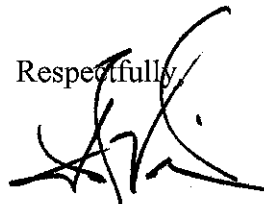


about other uses for the funds, including response to Hurricane Harvey, you believe the latter interpretation ought to apply.

Clearly, a return that prevents meeting federal requirements is a more significant concern than a return that may lead to such a failure. However, at the time of return it is not known if the Department will successfully comply with federal commitment and expenditure requirements. These funds were approved and awarded by the Board on July 27, 2017, and returned on September 22, 2017. They must be committed within the meaning of the federal HOME regulation on or before August 31, 2018. Furthermore, to adopt the interpretation that the penalty provision is triggered only when there is a return and the return causes a failure to meet commitment or expenditure deadlines is an exceptionally challenging standard for staff to manage. The complexities, uncertainties, and timing issues attendant to adding the returned funds to a NOFA, receiving an application (which may or may not be forthcoming, depending on a host of factors beyond the Department's control), reviewing the application, underwriting the application, performing previous participation review, and presenting the possible award to the Board constitute the factors that would go into employing such a standard. The returned funds in question took from December 2016 to July 2017 to complete this process. These returned funds need to complete that entire process successfully by August in order for the Department to meet its commitment deadline.

Because the Board is charged by statute to create and enforce its rules, and the manner in which this rule ought to be read is susceptible to two facially reasonable interpretations, I feel constrained to deny the appeal, not to express a strong view so much as to place the matter before the Board for its interpretation. As provided for in 10 TAC §10.902(e) you have until November 3, 2017, to appeal this decision to the Board. If the matter is appealed to the Board it will be placed on the agenda for the November 9, 2017, meeting.

Respectfully,



Timothy K. Irvine  
Executive Director

17107

The Resident at Wolfforth

Applicant Appeal to the Board

# COATS | ROSE

*A Professional Corporation*

SCOTT A. MARKS  
DIRECTOR

smarks@coatsrose.com  
Direct Dial  
(512) 684-3843  
Fax  
(713) 890-3911

November 3, 2017

Mr. Tim Irvine  
Executive Director  
TDHCA  
221 East 11<sup>th</sup> Street  
Austin, Texas 78701

Re: Application #17107—The Residences at Wolfforth Board Appeal

Dear Tim:

Please accept this letter as our appeal to the board on behalf of OPG Wolfforth Partners, LLC (the “Owner”) of your decision dated October 27 recommending prohibiting the Owner and its affiliates from applying for Multifamily Direct Loan Fund for two years. Specifically 10 Tex. Admin. Code 13.11 (Post-Award Requirements) provides that this penalty is appropriate “if they have returned their funds or have failed to take necessary action specified in one or more agreement with the Department *where the failure resulted in the Department’s failure to meet federal commitment and expenditure requirements.*” (emphasis added) Because the Owner did not execute the Multifamily Direct Loan HOME Award Letter and Loan Term Sheet (the “Award Letter and Loan Term Sheet”) and there is no failure by the Department to meet HUD requirements for these funds, we respectfully appeal this recommendation and urge you not to penalize the Owner and its affiliates. Moreover, in prior transactions such as Saralita Senior Village (TDHCA #16164), TDHCA waived the penalty even though there had been an Award Letter and Term Sheet executed by the owner, who returned the Direct Loan award more than a year after executing the Award Letter.

First, there appears to be very little risk of adverse consequences to TDHCA because of HUD deadlines. Your letter states that the deadline for TDHCA to commit these funds is August 31, 2018. TDHCA transferred more than \$9 million in unexpended multifamily HOME funds to its single-family disaster recovery program last month. In conversations with Andrew Sinnott, there appears to be no reason why this \$500,000 award could not similarly be reprogrammed to disaster recovery, and reprogramming these funds to this purpose would be a boon to the State of Texas rather than a burden.

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4810-5553-4675.v1

Second, there is precedent for waiving this penalty. The owner of Saralita Senior Village (TDHCA 16164) returned a 2015 Direct Loan Award in 2017, well over a year after executing its TDHCA Award Letter and Term Sheet. In that case, there was a much greater duration between board approval of the Direct Loan and the return of the funds by the owner than in the Residences at Wolfforth case. The owner of the Residences at Wolfforth notified TDHCA that it did not want to move forward with the Direct Loan less than two months after board approval of the award, and before the Department had sent the owner an Award Letter and Term Sheet. As we explained in our appeal letter dated October 20<sup>th</sup>, we do not believe that the phrase “returned funds” in the rule is triggered when there has been no Award Letter and Term Sheet executed by the owner. But even if that phrase is interpreted to cover situations such as this one, the risk to the Department and unfairness to other potential borrowers caused by the return of a Direct Loan were clearly much more serious at Saralita Senior Village, where literally years went by after the owner executed a legally binding commitment to use the Direct Loan. Attached is the Board Action back-up for Saralita Senior Village.

In addition to the plain meaning of a penalty limited by its own terms to situations where TDHCA fails to meet federal commitment and expenditure requirements, and to the inconsistency of the recommended penalty with precedent, a policy reason for not imposing a penalty on the Owner and its affiliates is that the application round for these funds was *undersubscribed*. There is no competitor who can argue that its application was in any way harmed by a delay in awarding these funds. In conversations with Mr. Sinnott, he confirmed that one of the reasons the funds will most likely be reprogrammed for disaster recovery is that the round was undersubscribed. When funding rounds are undersubscribed, as a policy matter it will not help the Department in the future with meeting its HUD commitment obligations to place a developer in a penalty box for two years who has been very successful in the past at meeting its obligations under the housing tax credit and HOME programs.

The 10/13/2017 letter from Ms. Holloway relies heavily on application certifications related to the Uniform Relocation Act (URA) and states, “Because the Applicant certified that they were aware of the URA requirements, and chose to submit the Application... subject to those requirements, staff finds that the penalty provisions at 10 TAC 13.11(b) are applicable.” But if the reason for the penalty is failure to take action in certifications to the Department, 10 TAC 13.11(b) calls for a penalty only when failure to take action causes TDHCA to fail to satisfy its federal commitment and expenditure obligation, and that has not occurred. While the Applicant was aware of the URA requirements, analysis on relocation costs, done in consultation with TDHCA staff, proved that the monetary URA requirements exceeded the financial benefit of the HOME funds. When an applicant is striving to comply with its obligations and honest in its assessment regarding the overall financial stability and feasibility of the development, a penalty is not appropriate, especially when there is no consequence to the state other than that it now has \$500,000 more in resources to devote to the critical need of disaster recovery.

Federal funds come with many strings attached. Some of those strings are easy to satisfy, such as affordability requirements, and others are difficult and costly and, in the case of URA, sometimes difficult to estimate how costly they will be. When an applicant makes a decision prior to executing an Award Letter and Loan Term Sheet that the strings are too costly to justify accepting federal funds, that decision should not be penalized, and especially given the precedent of waiving this penalty for Saralita Senior Village.

November 3, 2017

Page 3

We are appreciative of your point that the Board is charged by statute to decide these questions, and we recognize that your letter does not express a strong view on whether an appeal is appropriate. For these reasons, we respectfully request that TDHCA not penalize the Owner and its affiliates under 10 TAC 13.11 and ask that our appeal be heard at the December board meeting. If you would like to discuss this appeal, please contact me at (512) 684-3843.

Sincerely,



Scott A. Marks

**BOARD ACTION REQUEST**

**MULTIFAMILY FINANCE**

**MAY 25, 2017**

Presentation, discussion, and possible action regarding a waiver of 10 TAC §13.11(b) of the Multifamily Direct Loan Rule

**RECOMMENDED ACTION**

**WHEREAS**, Saralita Senior Village (application #16164), a 2016 9% Housing Tax Credit (“HTC”) and Direct Loan award, has had an ownership transfer prior to IRS Form 8609 Issuance or Construction Completion;

**WHEREAS**, the new owner has indicated that they would like to return the Direct Loan award while keeping the 9% HTC award;

**WHEREAS**, Real Estate Analysis staff has completed their analysis of the transaction without the Direct Loan funds and found it to be feasible;

**WHEREAS**, 10 TAC §13.11(b) of the Multifamily Direct Loan Rule states that an applicant that “fails to meet federal commitment or expenditure requirements, penalties may apply under 10 TAC §11.9(f) or the Department may prohibit the Applicant and all Affiliates from applying for MFDL funds for a period of 2 years if they have returned their funds or have failed to take necessary action specified in one or more agreement with the Department where the failure resulted in the Department’s failure to meet federal commitment and expenditure requirements.”

**WHEREAS**, the Board took action last month to allow 2016 9% HTC-layered Direct Loan awardees to return their Direct Loan award by June 30, 2017, if they also return their HTC award, without point or other penalty if they have experienced and can document a loss in prospective equity attributable to a decline in syndication rates of such a magnitude that the transactions are no longer financially feasible without other accommodations and funding or equity sources;

**WHEREAS**, because the applicant for Saralita Senior Village is not returning their HTC award, they would not be protected by the Board’s previous action as it relates to 10 TAC §13.11(b) and would be subject to a prohibition on applying for Direct Loan funds for a period of 2 years;

**WHEREAS**, it is staff’s understanding that the federal 2017 Appropriations Act appears to suspend the two year commitment deadline for the 2015 allocation of HOME funds, but HUD has yet to issue formal guidance to the Department; and

**WHEREAS**, staff recommends waiving the prohibition of applying for Direct Loan funds for a period of 2 years for the applicant and all affiliates of the applicant;

**NOW, therefore, it is hereby**

**RESOLVED**, that this Board hereby waives the penalty under 10 TAC §13.11(b) for the applicant and all affiliates of Saralita Senior Village as a result of the unique circumstances surrounding this return of Direct Loan funds and the apparent suspension of the two year commitment deadline for the 2015 allocation of HOME funds.

### **BACKGROUND**

At the Board meeting of March 23, 2017, the Board took action with respect to applications for 9% competitive low income housing tax credits awarded in the 2016 round. Specifically, the Board approved staff's ability to allow 9% HTC awardees under the 2016 round to return credits by June 30, 2017, without point or other penalty if they have experienced and can document a loss in prospective equity attributable to a decline in syndication rates of such a magnitude that the transactions are no longer financially feasible without other accommodations and funding or equity sources. The Board action taken last month was a conforming waiver of 10 TAC §13.11(b) in the Multifamily Direct Loan Rule that allowed an awardee that could establish that their credit pricing, alone or coupled with increases in interest rates and/or increases in costs of construction, made their deal infeasible, that 9% HTC/ Direct Loan awardee could return their Direct Loan Funds by June 30, 2017, as well as their credits without any point or other penalty contemplated in 10 TAC §13.11(b), specifically the prohibition on applying for Direct Loan funds for a period of two years.

Saralita Senior Village is a unique case in that the applicant has transferred ownership of the transaction to another entity that does not wish to retain the Direct Loan funding that was previously awarded. This ownership transfer to an entity that is better capitalized and that has its own General Contractor is necessary in order to complete the transaction. Rather than penalize the applicant who cannot require the new owner to take the Direct Loan funds as well as the 9% HTC award, staff believes waiving the penalty under 10 TAC §13.11(b) in this specific instance is appropriate.

6g



**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action regarding an award of Direct Loan funds from the 2017-1 Multifamily Direct Loan Notice of Funding Availability

**RECOMMENDED ACTION**

**WHEREAS**, the Department has received a total of 44 applications for Multifamily Direct Loan funds under the 2017-1 Multifamily Direct Loan Notice of Funding Availability (“2017-1 NOFA” or “NOFA”);

**WHEREAS**, Application 17500, which is requesting \$1,500,000 in Direct Loan funds for The Works at Pleasant Valley Phase II, is a Priority 3 application under the Supportive Housing/ Soft Repayment set-aside that has received complete reviews for compliance with program and underwriting requirements;

**WHEREAS**, the requested amount of Direct Loan funds was recommended by the Executive Award and Review Advisory Committee (“EARAC”);

**WHEREAS**, this Application has previously received a waiver in accordance with 10 TAC §10.207(a)(2) for the 20 percent owner equity requirement found in 10 TAC §13.8(c)(5); and

**WHEREAS**, this application meets the requirements of 24 CFR Part 93 as required by the Third Amendment to the 2017-1 NOFA;

**NOW, therefore, it is hereby**

**RESOLVED**, that an award of \$1,500,000 in National Housing Trust Fund from the NOFA for The Works at Pleasant Valley Phase II is hereby approved in the form presented at this meeting; and

**FURTHER RESOLVED**, that the Board’s approval is conditioned upon satisfaction of all conditions of underwriting and the 811 Project Rental Assistance (“PRA”) Program, and completion of any other reviews required to assure compliance with the applicable rules and requirements.

**BACKGROUND**

On December 15, 2016, the Board approved the 2017-1 Multifamily Direct Loan NOFA with \$32,549,905 in funds with up to \$4,000,000 in the Supportive Housing/ Soft Repayment Set-Aside, \$4,723,589, in the CHDO Set-Aside, and \$23,826,316 in the General Set-Aside. The NOFA has since been amended four times in the past several months to include \$2,299,235 in additional TCAP Repayment Funds, \$7,000,000 in NSP1 Program Income, and a reduction of \$9,086,316 in HOME

funds, all of which occurred under the General Set-Aside, thereby increasing the General Set-Aside slightly to \$24,039,235. Additionally, \$4,310,528 in National Housing Trust Fund was added to the Supportive Housing/Soft Repayment set-aside. The overall NOFA amount has consequently increased to \$37,073,353.

Staff and EARAC are recommending the Board's approval of The Works at Pleasant Valley Phase II application (17500) for National Housing Trust Fund ("NHTF") totaling \$1,500,000 under the Supportive Housing/ Soft Repayment Set-Aside. The recommended applications and award amounts are outlined in the attached award recommendations log.

The Works at Pleasant Valley Phase II is proposing new construction of 29 units serving a Supportive Housing population in Austin in Travis County. These 29 units will be constructed on approximately half an acre of vacant land adjacent to the original phase – a 45-unit property which received \$3,625,662 in NSP3 funds in 2012. Twelve of the 29 units will be NHTF-restricted units available to households earning up to 30% AMI; the remaining 17 units will be available to households earning up to 50% AMI, 60% AMI, and 80% AMI. The Applicant – Lifeworks Affordable Housing Corporation – will lease the land from Lifeworks Enterprises, LLC (a related entity) for a term of 99 years.

As required in 10 TAC §13.11(m) of the Multifamily Direct Loan Rule, the Department's Governing Board must establish a hard closing deadline at the time of award. As such, staff recommends that closing on the Direct Loan must occur no later than April 30, 2018. Moreover, as a result of 10 TAC §10.204(16), the applicant has committed The Works at Pleasant Valley (Phase I) for inclusion in the Department's Section 811 Project Rental Assistance Program. The Department has approved it for participation in the Section 811 PRA Program and staff recommends that the 811 Owner Participation Agreement be signed before closing on the Direct Loan award.

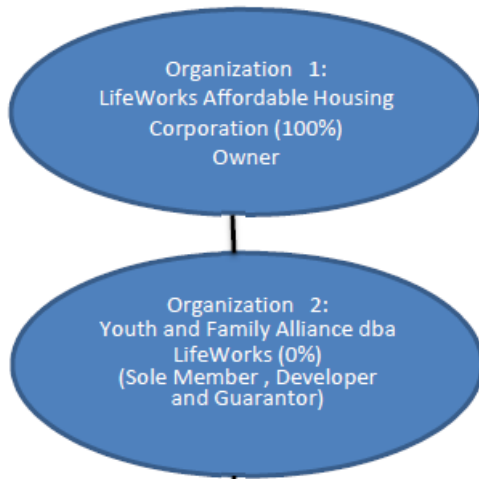
This application has been underwritten and determined to meet the Real Estate Analysis rules and requirements and has received a previous participation review.

Should the recommended award, as well as the other Direct Loan award recommendations on the agenda today, be approved, \$14,723,353 will remain available under the NOFA with \$5,110,529 (\$2,810,529 in NHTF) remaining available under the Supportive Housing/ Soft Repayment Set-Aside, of which, three applications requesting a total of \$3,896,926 within the set-aside are still under review. Subsequent award recommendations for applications undergoing staff reviews may appear on future Board agendas.

The Application and Award Recommendations Log is attached.

*Organizational Structure and Previous Participation:* The borrower is Lifeworks Affordable Housing Corporation and includes entities and principals as indicated in the organization chart below. At the time of the Previous Participation Review, the applicant was a Small Category 1 portfolio.

*Public Comment:* There have been no letters of support or opposition received by the Department.



<b>Board of Directors:</b>	
Susan McDowell, President	0%
Angie McDermott., Secretary	0%
Al Lopez	0%
Larry Greenberg	0%
Franklin Fisher	0%
Trish Thompson	0%
James C. Hopke, Jr.	0%

<b>Board of Directors Executive Committee:</b>			<b>Other Board Members</b>			
Trisa Thompson	Chair	0%	Diana Alcala	0%	Mary Beth Jester	0%
James A. Halbert III	Past Chair	0%	Sandra Brown	0%	Dave Kirchoff	0%
Angie McDermott	Chair Elect	0%	Dennis Donley	0%	Stephanie Lucie	0%
Jason Belew	Treasurer	0%	Meredith Duncan	0%	Tim Mooney	0%
Glenn Neland	Secretary	0%	Doug Eicher	0%	Susan Moore	0%
Amanda Nevins	Assistant Secretary	0%	Larry Greenberg	0%	Cookie Munson	0%
Andy Sekel	Exec. Committee	0%	Michael Hancock	0%	Aaron Ross	0%
Jon Armstrong	Exec. Committee	0%	Cloteal Haynes	0%	Harry Wolin	0%
Shawn Walker	Exec. Committee	0%	Matt Hoglund	0%		
Susan McDowell	Executive Director	0%				

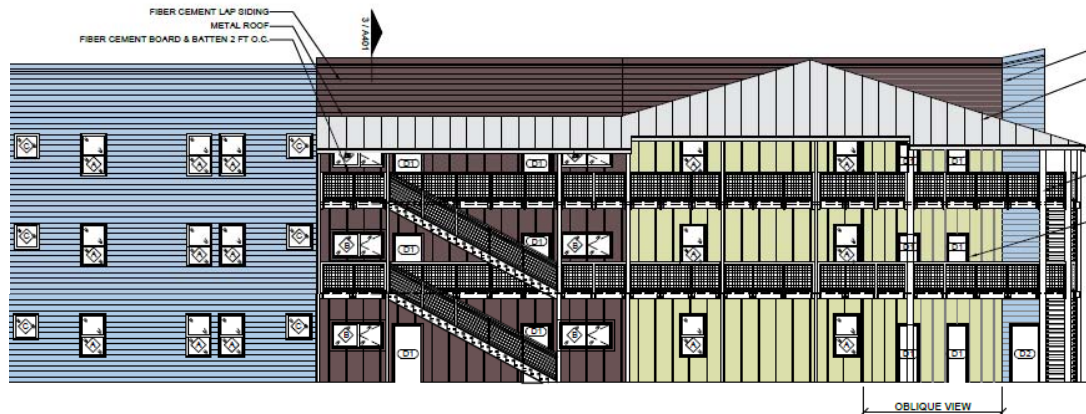
# 17500 Works at Pleasant Valley Phase II - Application Summary

REAL ESTATE ANALYSIS DIVISION

December 6, 2017

PROPERTY IDENTIFICATION		RECOMMENDATION						KEY PRINCIPAL / SPONSOR		
Application #	17500	TDHCA Program	Request	Recommended			Lifeworks Affordable Housing			
Development	Works at Pleasant Valley Phase II	LIHTC (4% Credit)	\$0				Susan McDowell			
City / County	Austin / Travis		Amount	Rate	Amort	Term	Lien			
Region/Area	7 / Urban	Multifamily Direct Loan (Deferred Forgivable)	\$1,500,000							
Population	Supportive Housing									
Set-Aside	N/A									
Activity	New Construction									
		Related-Parties	Contractor -	No	Seller -		Yes			

## TYPICAL BUILDING ELEVATION/PHOTO

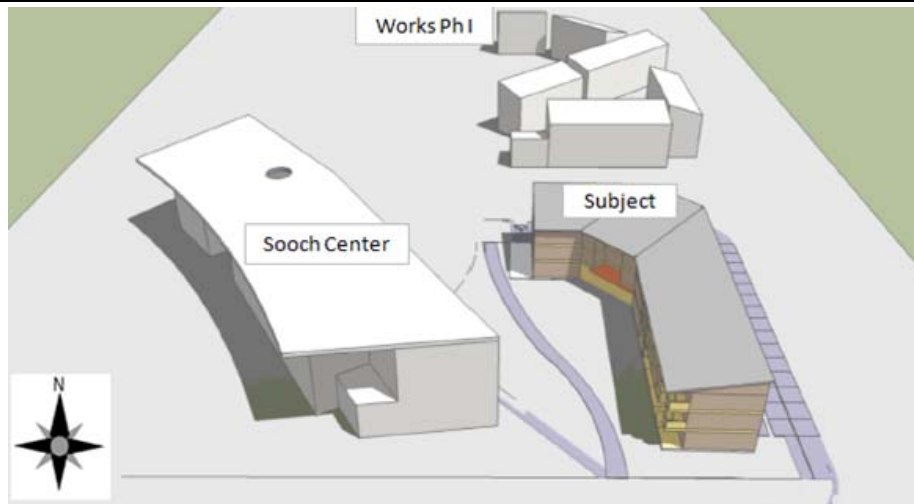


UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	9	31%	30%	12	41%
1	11	38%	40%	-	0%
2	9	31%	50%	11	38%
3	-	0%	60%	-	0%
4	-	0%	MR	6	21%
<b>TOTAL</b>	<b>29</b>	<b>100%</b>	<b>TOTAL</b>	<b>29</b>	<b>100%</b>

## PRO FORMA FEASIBILITY INDICATORS

Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	✗ 0.00	Expense Ratio	✗ 87.4%
Breakeven Occ.	✓ 80.9%	Breakeven Rent	\$588
Average Rent	\$674	B/E Rent Margin	✓ \$87
Property Taxes	\$203/unit	Exemption/PILOT	50%
Total Expense	\$6,686/unit	Controllable	\$3,599/unit

## SITE PLAN



## MARKET FEASIBILITY INDICATORS

Gross Capture Rate (30% Maximum)	✓ 2.0%
Highest Unit Capture Rate	✓ 8% 0 BR/50% 5
Dominant Unit Cap. Rate	✓ 1% 1 BR/50% 6
Premiums (↑60% Rents)	Yes ✗ \$326/Avg.
Rent Assisted Units	23 79% Total Units

## DEVELOPMENT COST SUMMARY

Costs Underwritten		TDHCA's Costs	
Avg. Unit Size	597 SF	Density	58.0/acre
Acquisition	\$00K/unit		\$2K
Building Cost	\$152.01/SF	\$91K/unit	\$2,631K
Hard Cost		\$107K/unit	\$3,096K
Total Cost		\$144K/unit	\$4,178K
Developer Fee	\$241K	(0% Deferred)	Paid Year: 1
Contractor Fee	\$385K	30% Boost	No

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
					Austin Housing Finance Corp	99/0	0.00%	\$1,810,000			
					LifeWorks Cash Contribution	0/0	0.00%	\$814,674			
					General Contractor Contribution	0/0	0.00%	\$271,265			
					Local Foundations	0/0	0.00%	\$75,000			
					TDHCA-MDL Forgivable	0/0	0.00%	\$1,500,000			
<b>TOTAL DEBT (Must Pay)</b>			<b>\$0</b>		<b>CASH FLOW DEBT / GRANTS</b>			<b>\$4,470,939</b>		<b>TOTAL EQUITY SOURCES</b>	
										<b>TOTAL DEBT SOURCES</b>	<b>\$4,470,939</b>
										<b>TOTAL CAPITALIZATION</b>	<b>\$4,470,939</b>

**CONDITIONS**

- 1 Receipt and acceptance before Direct Loan Closing
  - a: Documentation of \$1M approved AHFC funds.
  - b: Substantially final construction contract with Schedule of Values.
  - c: Updated term sheets with substantially final terms from all lenders
  - d: Substantially final draft of limited partnership agreement.
  - e: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
  - f: Documentation that a noise study has been completed, and certification from the Architect that all recommendations from the noise study are incorporated into the development plans.
  - g: Executed car share contract with language requiring prior approval for termination by the Director of Watershed Protection as required by City of Austin land code.
  - h: Should TDHCA's Multifamily Direct Loan take a 2nd lien position to Capital One's current lien on the master lot, Capital One must sign a subordination agreement at closing that prohibits the NHTF LURA from being extinguished regardless of any events of default that may occur on Capital One's loan(s) to Lifeworks Enterprises, LLC for the larger 3.468 acre parcel or any other property cross collateralized through Lifeworks Enterprises, LLC or its affiliates.
- 2 Receipt and acceptance by Cost Certification:
  - Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

**BOND RESERVATION / ISSUER**

Issuer
Expiration Date
Bond Amount
BRB Priority
Close Date
Bond Structure


**RISK PROFILE**

**STRENGTHS/MITIGATING FACTORS**

- Public Transportation
- On LifeWorks' campus
- Developer/Nonprofit experience
- Success of Works I

**WEAKNESSES/RISKS**

- Assumes \$1M award of AHFC funds on 12/14/17
- Capital One's current lien on master lot

**AERIAL PHOTOGRAPH(S)**





**DEVELOPMENT IDENTIFICATION**

TDHCA Application #: 17500 Program(s): MDL

Works at Pleasant Valley Phase II

Address/Location: 2800 Lyons Rd.

City: Austin County: Travis Zip: 78702

Population: Supportive Housing Program Set-Aside: \_\_\_\_\_ Area: Urban

Activity: New Construction Building Type: Combination Region: 7

Analysis Purpose: New Application - Initial Underwriting

**ALLOCATION**

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
Multifamily Direct Loan (Deferred Forgivable)	\$1,500,000				\$1,500,000				

**CONDITIONS**

- 1 Receipt and acceptance before Direct Loan Closing
  - a: Documentation of \$1M approved AHFC funds.
  - b: Substantially final construction contract with Schedule of Values.
  - c: Updated term sheets with substantially final terms from all lenders
  - d: Substantially final draft of limited partnership agreement.
  - e: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
  - f: Documentation that a noise study has been completed, and certification from the Architect that all recommendations from the noise study are incorporated into the development plans.
  - g: Executed car share contract with language requiring prior approval for termination by the Director of Watershed Protection as required by City of Austin land code.
  - h: Should TDHCA's Multifamily Direct Loan take a 2nd lien position to Capital One's current lien on the master lot, Capital One must sign a subordination agreement at closing that prohibits the NHTF LURA from being extinguished regardless of any events of default that may occur on Capital One's loan(s) to Lifeworks Enterprises, LLC for the larger 3.468 acre parcel or any other property cross collateralized through Lifeworks Enterprises, LLC or its affiliates.
- 2 Receipt and acceptance by Cost Certification:
  - Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

**SET-ASIDES**

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
30% of AMFI	30% of AMFI	12

### DEVELOPMENT SUMMARY

The Works at Pleasant Valley Phase II is a proposed 29-unit multifamily supportive housing development sponsored by LifeWorks Affordable Housing Corporation, an Austin-based non-profit organization. The project will consist of one and two bedroom units from 30% AMI to 80% AMI and will target formerly homeless youth and families; pregnant and parenting youth; and youth exiting foster care.

The Works II will be adjacent to The Works I (#7711000110) and the Sooch East Austin Youth and Family Resource Center which provides GED, Counseling and Employment Development programs. Capital IDEA, a job development and college prep program is co-located at the site and the Austin Community College Eastview Campus is within walking distance. Applicant has extensive experience in providing social services to low and very low income families and individuals.

Supportive housing generally targets a very low income population with special needs, resulting in lower operating income and higher expenses than a typical development. Financing for supportive housing properties is generally structured with layers of subsidy and no conventional permanent debt, and generally requires other on-going financial support. As such, underwriting is less focused on the real estate and more on the operations and track record of the sponsor's ability to provide operational support.

### RISK PROFILE

STRENGTHS/MITIGATING FACTORS	
<input type="checkbox"/>	Public Transportation
<input type="checkbox"/>	On LifeWorks' campus
<input type="checkbox"/>	Developer/Nonprofit experience
<input type="checkbox"/>	Success of Works I

WEAKNESSES/RISKS	
<input type="checkbox"/>	Assumes \$1M award of AHFC funds on 12/14/17
<input type="checkbox"/>	Capital One's current lien on master lot
<input type="checkbox"/>	
<input type="checkbox"/>	

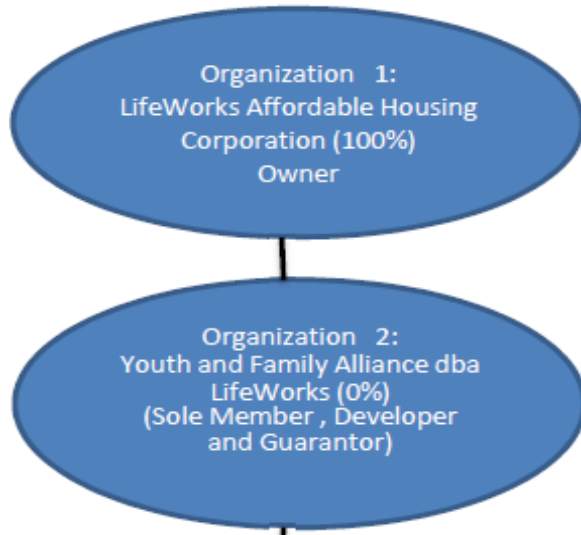
### DEVELOPMENT TEAM

#### PRIMARY CONTACTS

Name: Mitch Weynand  
 Phone: (512) 496-7135  
 Relationship: Consultant

Name: Susan McDowell  
 Phone: (512) 735-2453  
 Relationship: Developer/Owner

OWNERSHIP STRUCTURE



<b>Board of Directors:</b>	
Susan McDowell, President	0%
Angie McDermott., Secretary	0%
Al Lopez	0%
Larry Greenberg	0%
Franklin Fisher	0%
Trish Thompson	0%
James C. Hopke, Jr.	0%

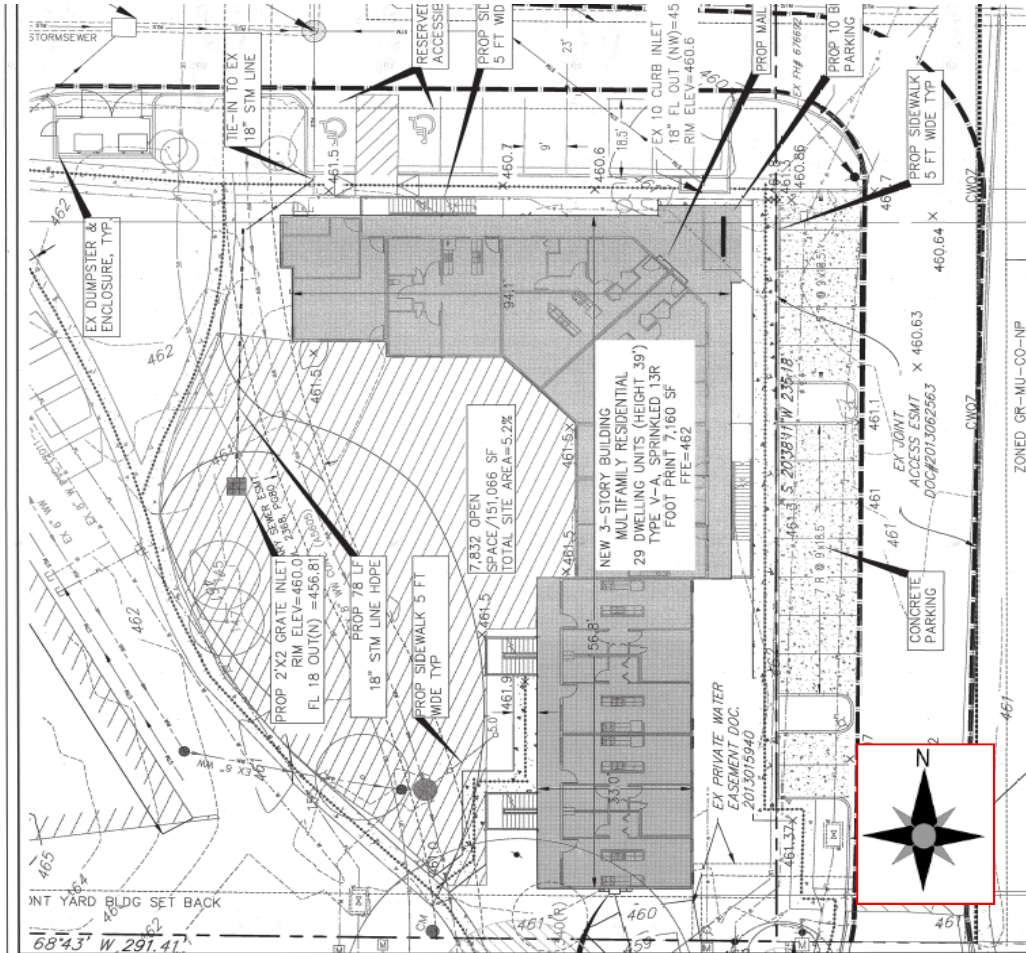
The Youth and Family Alliance dba LifeWorks will serve as the Developer under a contract with the LifeWorks Affordable Housing Corporation.

- The Applicant, Developer, Accountant, Consultant, and supportive services provider are related entities. LifeWorks was created in 1998 through the merger of four longstanding community agencies. The goal of the merger was to establish a continuum of support for youth and families experiencing crisis. The LifeWorks Affordable Housing Corporation (LAHC) was formed in 2001 as a separate entity that would own, develop, and operate properties for low and moderate income housing. LAHC currently operates the 45 units at Works at Pleasant Valley Phase I (NSP 77110000110). LifeWorks umbrella has grown to a budget of nearly \$11 million, employing 140 professional staff and operating 7 service locations. LifeWorks serves approximately 4,500 youth and their families yearly, most notably families experiencing conflict and trauma, youth aging out of foster care, young parents, and runaway/homeless youth. Services are provided through three service divisions.



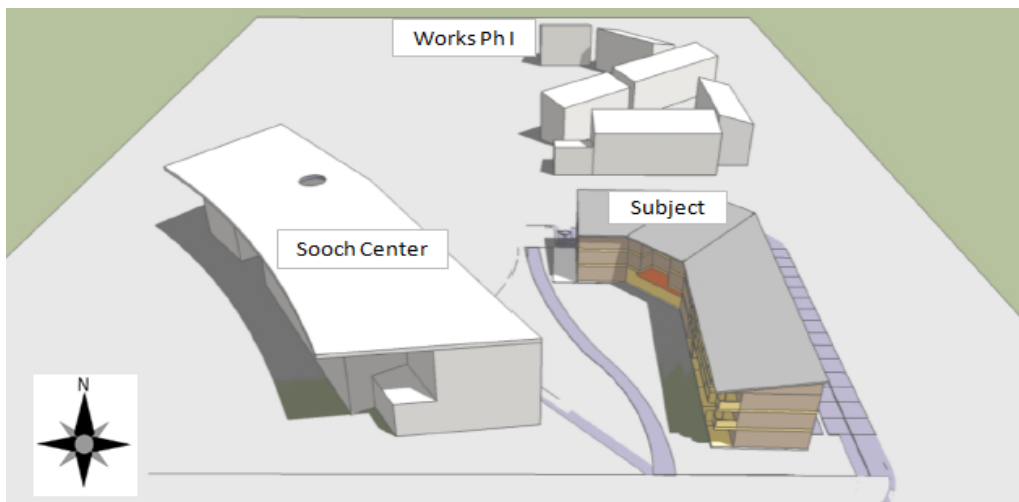
# DEVELOPMENT SUMMARY

## SITE PLAN



**Comments:**

0.5 acre site will be ground leased from Lifeworks Enterprises. The half acre is part of the whole 5.9 acre Lifeworks' campus. Parking will meet individual building requirements, but all buildings share egress. The Works II will be leased and managed from the office in Works Phase I.



**Comments:**

Existing detention pond was designed for 4.26 acres; based on current impervious cover on site, the pond has capacity to treat approximately 1 acre of additional impervious cover; the proposed building would create approximately 0.25 acre of additional impervious cover.

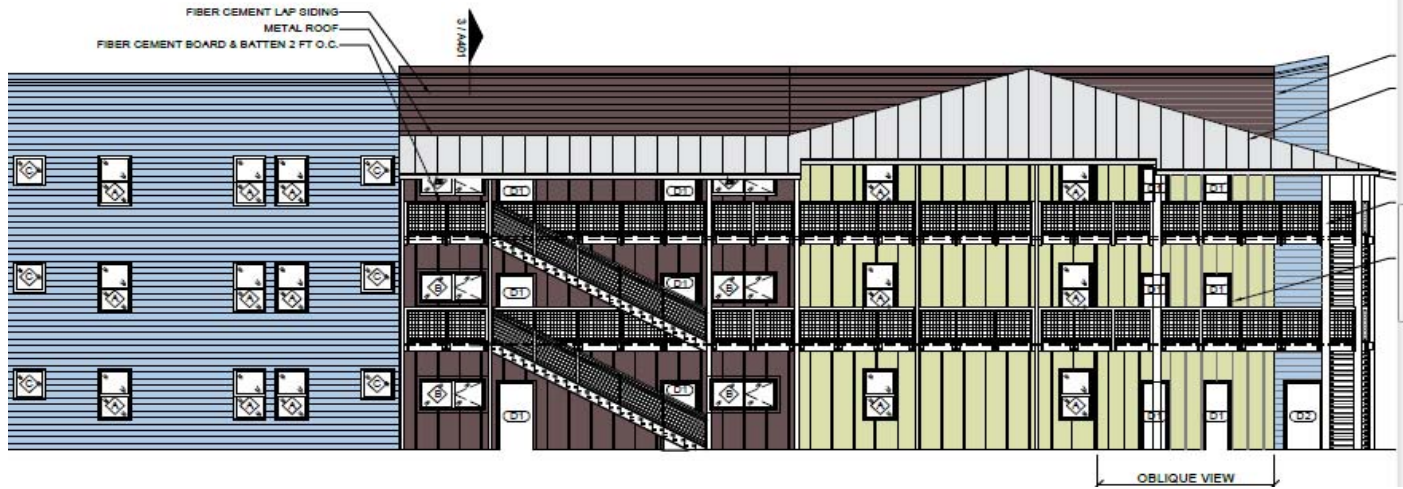


Parking	No Fee		Tenant-Paid		Total	
	Count	Rate	Count	Rate	Count	Rate
Open Surface	22	0.8/unit	0	--	22	0.8/unit
Carport	0	--	0	--	0	--
Garage	0	--	0	--	0	--
Car Share	0	--	1	0.0/unit	1	0.0/unit
<b>Total Parking</b>	<b>22</b>	<b>0.8/unit</b>	<b>0</b>	<b>--</b>	<b>23</b>	<b>0.8/unit</b>

Comments:

Total parking required is 44 spaces, but there are several reductions. There is a 20% reduction for urban core and per land development code section 25-6-478 there is a 20 space reduction for one car share, which is planned for this property. Total spaces required after all reductions is 15 spaces; 23 are provided. This averages 0.8 spaces/unit. All parking spaces must be in compliance with ADA & Fair Housing requirements.

### BUILDING ELEVATION



Comments:  
A single three-story walk up building with metal roof and cement board and batten.

### BUILDING CONFIGURATION

Building Type	1									Total Buildings
Floors/Stories	3									
Number of Bldgs	1									1
Units per Bldg	29									
<b>Total Units</b>	<b>29</b>									<b>29</b>
<b>Avg. Unit Size (SF)</b>		<b>597 sf</b>	<b>Total NRA (SF)</b>		<b>17,305</b>	<b>Common Area (SF)</b>		<b>605</b>		

### SITE AND ACQUISITION

**Site Acreage:** Development Site: 0.50 acres      Density: 58.0 units/acre  
**Site Control:** 0.5      **Site Plan:** 0.5      **Appraisal:** 0.5      **ESA:** 0.5

Control Type: Ground Lease      Contract Expiration: 12/1/2116

Development Site: 0.50 acres      Cost: \$915,000      \$31,552 per unit

Landlord LifeWorks Enterprises LLC

Tenant Lifeworks Affordable Housing Corporation

Related-Party Seller/Identity of Interest: Yes

Comments:  
99 year Ground Lease with average lease payment in first 15 years of \$57,251/year. Ground Lease payment schedule based on \$915,000 NPV, annual payment increase of 3%, and discount rate of 8%. Land appraised at \$1.07M.

On November 18, 2009, Youth and Family Alliance dba LifeWorks purchased 5.889 acres of vacant land for \$2,157,241. Works Phase I (2.421 acre) and the Sooch Youth and Family Resource Center (2.968 acres) are already on the site. Subject is 0.5 acre ground lease from the 2.968 acres that houses the Sooch Center. Works Phase I owns their 2.421 acres separately.

GENERAL INFORMATION

Flood Zone:	<u>Zone X</u>	Scattered Site?	<u>No</u>
Zoning:	<u>GR-MU-CO-NP</u>	Within 100-yr floodplain?	<u>No</u>
Re-Zoning Required?	<u>No</u>	Utilities at Site?	<u>Yes</u>
Year Constructed:	<u>N/A</u>	Title Issues?	<u>No</u>

Surrounding Uses:

Property north of the site is an access drive to Sooch Centre, parking, and Works Phase I. East of the site is the continued access drive followed by a drainage channel then residences. Property south of the site is Lyons Road followed by residences and Precision Auto Body. An office building/Sooch Center occupied by LifeWorks is located to the west of the site.

APPRAISED VALUE

Appraiser:	<u>Lone Star Appraisals &amp; Realty, Inc</u>	Date:	<u>9/28/2017</u>
Land as Vacant:	<u>0.51 acres</u>	<u>\$1,070,000</u>	Per Unit: <u>\$36,897</u>

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider:	<u>Terracon</u>	Date:	<u>12/30/2016</u>
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Recognized Environmental Conditions (RECs) and Other Concerns:

- Terracon identified Lyons Road adjoining the southern site boundary, North Pleasant Valley Road approximately 140 feet west of the site, and Webberville Road approximately 545 feet northwest of the site. Also, the Austin-Bergstrom International Airport is within 5 miles of the site and railroad tracks approximately 1,650 feet west of the site and 1,715 feet southeast of the site. Terracon recommends that a noise study be conducted.

Comments:

The Webberville-Govalle Landfill was identified approximately 950 feet north of the site and topographically up gradient relative to the site. A drainage channel (Tom Miller ditch) flows through the landfill property and continues to flow south east of the site (approximately 70 feet). Based on the distance from the site, observations made during the site and area reconnaissance, and prior subsurface investigation (4 groundwater monitoring wells/gas probes were installed on the 0.5 acre site, no issues found), the Webberville-Govalle Landfill does not appear to constitute a REC in connection with the site.

## MARKET ANALYSIS

Provider: Affordable Market Analysts

Date: 7/6/2017

Contact: Bob Coe

Phone: 281-387-7552

Primary Market Area (PMA): 20 sq. miles 3 mile equivalent radius

PMA consists of 23 census tracts around Austin. The PMA is bounded by Hwy 183 to the north and east, the Colorado River to the South, and I-35 the west.

### ELIGIBLE HOUSEHOLDS BY INCOME

#### Travis County Income Limits

HH size	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
	min	max	min	max	min	max	min	max
1	\$10,248	\$17,100	---	---	\$17,088	\$28,500	\$28,680	\$34,200
2	\$10,512	\$19,550	---	---	\$18,312	\$32,600	\$28,680	\$39,120
3	\$13,200	\$22,000	---	---	---	---	\$28,680	\$43,980

### AFFORDABLE HOUSING INVENTORY

#### Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
17427	Housing First Oak Springs	Yes	New	Supportive Hsg	30	50

#### Other Affordable Developments in PMA since 2012

17113	Mueller Apartments	New	General	n/a	132
17412	Pathways at Gaston Place	A/R	Elderly	n/a	100
16434	thinkEast	New	General	n/a	182
15410	Aldrich 51	New	General	n/a	240
15408	The Reserve at Springdale	New	General	n/a	292
16504	Gaston Place Accessible Apts	New	General	n/a	27
15412	Timbers Apartments	A/R	General	n/a	104

#### Stabilized Affordable Developments in PMA ( pre-2012 )

Total Units	1,670
Total Developments	12

#### Proposed, Under Construction, and Unstabilized Comparable Supply:

Housing First Oak Springs is an approved bond development located within one mile of the Subject. It is a 50 unit SRO (single room occupancy) property also targeting those coming out of homelessness. The 30 efficiency units at 30% AMI are included as comparables.

Market Analyst also included 25 comparable units from Gaston Place Accessible Apartments; Underwriter did not include these as they target, but cannot limit to, physically handicapped individuals.

OVERALL DEMAND ANALYSIS				
	Market Analyst		Underwriter	
Total Households in the Primary Market Area	36,354		36,896	
Potential Demand from the Primary Market Area	7,210		4,481	
Potential Demand from Other Sources	0		0	
<b>GROSS DEMAND</b>	<b>7,210</b>		<b>4,481</b>	
Subject Affordable Units	27		29	
Unstabilized Comparable Units	55		60	
<b>RELEVANT SUPPLY</b>	<b>82</b>		<b>89</b>	
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>	<b>1.1%</b>		<b>2.0%</b>	

<b>Population:</b>	<b>Supportive Housing</b>	<b>Market Area:</b>	<b>Urban</b>	<b>Maximum Gross Capture Rate:</b>	<b>30%</b>
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**Demand Analysis:**

The Market Analyst assumed a \$1,200 minimum income for the 30% units due to the assumption of vouchers. Per Applicant, there will be no vouchers at the units. Underwriter assumed the HTC 30% minimum eligible income of \$8,784. The Gross Capture Rate analysis is based on income eligible households that can meet a 50% rent/income ratio and includes all renter and owner households as specified in the REA rules for supportive housing.

The unit mix has changed since the market study was completed. Market Analyst's mix includes three 2B 50% units instead of 30% units, and also has the two 80% AMI units broken out. Underwriter combined the 2B 60% and 80% units, as the 60% and 80% units are only restricted by Applicant, not a funding source.

All capture rates are well below the maximum thresholds.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
Unit Type	Market Analyst				Underwriter			
	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
0 BR/30%	866	6	10	2%	251	4	10	6%
0 BR/50%	198	3	20	12%	295	5	20	8%
1 BR/30%	1,393	3	4	1%	633	5	0	1%
1 BR/50%	1,253	8	11	2%	806	6	0	1%
2 BR/30%					413	3	0	1%
2 BR/50%	1,427	3	10	1%				
2 BR/60%	1,631	4	0	0%	192	6	0	3%
2 BR/80%	579	2	0	0%				

**Market Analyst Comments:**

±57.03% of the households living in the primary market area earn less than \$50,000 per year, with ±42.03% earning less than \$35,000 per year, and ±31.65% earning less than \$25,000 per year. Approximately 19.18% of the primary market area households earn less than \$15,000 per year. (p.38)

The HTC properties in the central Austin MSA area report attaining close to or at HTC maximums. The existing Supportive Housing properties in the Austin area also reported attaining at or near max rents unless they purposely limit rents to below the maximum levels. (p. 63)

The average occupancy for apartments in the subject's primary market area was reported at 95.69%. (p. 44)

**Underwriter Comments:**

Average occupancy of the HTC properties still monitored is 98%. Works at Pleasant Valley I remains 100% occupied as most supportive housing properties do in Austin.

**OPERATING PRO FORMA**

SUMMARY- AS UNDERWRITTEN (TDHCA Pro Forma)					
NOI:	\$27,884	Avg. Rent:	\$674	Expense Ratio:	87.4%
Debt Service:	\$0	B/E Rent:	\$588	Controllable Expenses:	\$3,599
Net Cash Flow:	\$27,884	UW Occupancy:	92.5%	Property Taxes/Unit:	\$203
Aggregate DCR:		B/E Occupancy:	80.9%	Program Rent Year:	2017

TDHCA's Pro Forma is used; Applicant assumes \$7,300 higher R&M expense, which is 42% higher than Underwriter's estimate. In a project this small, it along with other small differences create a greater than 5% variance in NOI.

Per REA rules, supportive housing does not have to meet DCR, expense ratio, or other feasibility indicators due to deeply restricted rents.

12 units are restricted to 30% AMI per MDL loan; 23 units are restricted to 50% LH and below by the AHFC grant, and the remaining six units are unrestricted. Applicant assumed 60% AMI rents on four of the units and 80% AMI rents on two of the units. Underwriter assumed 60% AMI rents on all six of the unrestricted units.

Works I is currently achieving full 30% rents, but not all 50% rents. The LifeWorks Affordable Housing Corp's board of directors guarantee to provide funds for operational feasibility throughout the 15-year affordability period. LifeWorks Enterprises, LLC, as land owner, commits that all ground lease payments will be made from cashflow only and can be waived for operational feasibility, if necessary.

Breakeven rent is underwritten at \$87 below average rent. Property is underwritten at 2 units vacant. Works I achieved 100% occupancy within three months of construction and has maintained 100% occupancy since then.

Underwriting includes 50% tax exemption as confirmed on Works I.

As underwritten, 15 year cumulative cash flow is \$256k; there is no deferred developer fee to pay. If we assume no ground lease payments, the 15 year cumulative cash flow increases to \$1.1M.

Revisions to Rent Schedule:	3
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Revisions to Annual Operating Expenses:	1
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## DEVELOPMENT COST EVALUATION

### SUMMARY- AS UNDERWRITTEN (TDHCA's Costs)

Acquisition	\$/ac	\$69/unit	\$2,000	Contractor Fee	\$385,173
Off-site + Site Work		\$15,274/unit	\$442,953	Soft Cost + Financing	\$392,815
Building Cost	\$152.01/sf	\$90,708/unit	\$2,630,541	Developer Fee	\$240,995
Contingency	0.72%	\$764/unit	\$22,148	Reserves	\$61,326
<b>Total Development Cost</b>		\$144,067/unit	<b>\$4,177,951</b>	<b>Rehabilitation Cost</b>	<b>N/A</b>
<b>Qualified for 30% Basis Boost?</b>		Not Qualified			

**Acquisition:**

None. 99 year ground lease treated as operating expense.

**Site Work:**

Site work is \$13,500/unit which is lower than average due to the small 0.5 acre size and small number of units.

**Building Cost:**

Building cost is high at \$164/sf. Underwriter costed the development at \$152/sf and made upward adjustments for metal framing, stairs, decorative railings, metal roof, continuous exterior sheathing, etc. Cost factor also added for small unit sizes and small number of units.

Applicant's building cost based on current bid from contractor.

**Contingency:**

Applicant assumes 3.5% contingency, Underwriter assumes 5%.

**Reserves:**

Reserves include 2 months rent up reserve and 2 months operating reserve.

Revisions to Development Cost Schedule:	2
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## UNDERWRITTEN CAPITALIZATION

### INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
TDHCA-MDL Forgivable	(Soft Repayment)	\$1,500,000	0.00%	34%
Austin Housing Finance Corp	Multiple Fund Sources	\$1,810,000	0.00%	40%
Capital One, National Association	Construction Loan	\$500,000	4.48%	11%
LifeWorks Cash Contribution	Grant	\$314,674	0.00%	7%
General Contractor Contribution	Fee Waivers	\$271,265	0.00%	6%
Local Foundations	Direct Loan Match	\$75,000	0.00%	2%
<b>\$4,470,939</b>			<b>Total Sources</b>	

**Comments:**

Capital One is providing a \$500k construction loan at 4.48%. AHFC will provide grants to total \$1.81M: \$1M in HOME funds, \$416,600 in General Obligation Funds, and \$393,400 in Housing Trust Fund funds. Lifeworks will contribute \$314,674 or whatever amount is needed to balance the sources. Other sources are fee waivers and Meadows Foundation \$75k grant money already paid to Lifeworks.

The \$1M assumed HOME Funds from AHFC have not been awarded yet and will not be confirmed until December 14, 2017.

TDHCA MDL loan (\$1.5M) is a deferred forgivable loan, with payments from cash flow.



**PERMANENT SOURCES**

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Austin Housing Finance Corp	\$1,810,000	0.00%	0	99	\$1,810,000	0.00%	0	99	43%
TDHCA-MDL Forgivable	\$1,500,000	0.00%	0	30	\$1,500,000	0.00%	0	30	36%
LifeWorks Cash Contribution	\$814,674	0.00%	0	0	\$814,674	0.00%	0	0	19%
General Contractor Contribution	\$271,265	0.00%	0	0	\$271,265	0.00%	0	0	6%
Local Foundations	\$75,000	0.00%	0	0	\$75,000	0.00%	0	0	2%
<b>Total</b>	<b>\$4,470,939</b>				<b>\$4,470,939</b>				

Comments:

All permanent sources of funds are forgivable soft debt or grants.

The property, Lot 1, Block A, of the LifeWorks Subdivision is owned by LifeWorks Enterprises L.L.C., a Texas limited liability company. This includes the unsubdivided 0.5-acre site of the proposed Works at Pleasant Valley Phase II. As part of a New Market Tax Credit transaction executed in November 2011, Capital One Community Renewal Fund, LLC, TX CDE IV LLC, and Capital One, N.A. have liens on the whole Lot 1, Block A. On November 1, 2018, the New Markets Tax Credit deal will "unwind" and LifeWorks Enterprises L.L.C. will repay the loans to Capital One Community Renewal Fund, LLC, and TX CDE IV LLC. Subsequent to these actions the only remaining lien will be held by Capital One, N.A. with a balance of approximately \$722,000.

As conditioned above, Capital One must agree that regardless of their lien on the Lot 1, Block A, the 0.5 acre leased for Lifeworks Ph II will remain income restricted by the LURA for at least 30 years.

Revisions to Sources Schedule:	4
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**CONCLUSIONS**

Recommended Financing Structure:

	Amount	Interest Rate	Amort	Term	Lien
TDHCA Multifamily Direct Loan	\$1,500,000				Deferred Forgivable

Deferred Developer Fee  (% deferred)

Underwriter:	<u>Jeanna Rolsing</u>
Manager of Real Estate Analysis:	<u>Thomas Cavanagh</u>
Director of Real Estate Analysis:	<u>Brent Stewart</u>

UNIT REPORT DOLLAR

Works at Pleasant Valley Phase II, Austin, MDL #17500

LOCATION DATA	
UNIT:	Austin
PROJECT:	Travis
Area Median Income	\$77,800
PROGRAM RATIO:	7

UNIT DISTRIBUTION						
Bed	Unit	Total	Allocated	Income	Unit	Total
Eff	9	31.0%	9	30%	12	41.4%
1	11	37.9%	11	40%	-	0.0%
2	9	31.0%	3	50%	11	37.9%
3	-	0.0%	0	60%	-	0.0%
4	-	0.0%	0	MR	6	20.7%
<b>TOTAL</b>	<b>39</b>	<b>100.0%</b>	<b>39</b>	<b>TOTAL</b>	<b>39</b>	<b>100.0%</b>

Applicable Program
Direct Loan

Performance Metrics	
Revenue Profit	2.00%
Expense Profit	3.00%
Final Audit	
Available Fraction	72.92%
Asset Acquisition	
Asset Construction	0.00%
Average Unit Size	597 sf

UNIT MONTHLY REPORT DOLLAR

TD Direct Loan Program		Available Unit						Available Loan Program			Available Unit					TD Direct Loan Program		Market Rent			
Time	Rent	Time	Rent	Unit	Bed	Bath	RA	Rent	Allow	Market Rent	Delta to Market	Rent	Per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent	Delta to Market	Underwritten	Market Analysis	
30%/30%	\$427	LH/50%	\$712	4	0	1	436	\$427	\$40	\$387	\$0	\$0.89	\$387	\$8	\$8	\$387	\$0.89	\$0	\$995	\$2.28	\$995
		LH/50%	\$712	2	0	1	436	\$712	\$40	\$672	\$0	\$1.54	\$672			\$672	\$1.54	\$0	\$995	\$2.28	\$995
		LH/50%	\$712	3	0	1	443	\$712	\$40	\$672	\$0	\$1.52	\$672			\$672	\$1.52	\$0	\$995	\$2.25	\$995
30%/30%	\$458	LH/50%	\$763	5	1	1	572	\$458	\$46	\$412	\$0	\$0.72	\$412			\$412	\$0.72	\$0	\$1,100	\$1.92	\$1,100
		LH/50%	\$763	3	1	1	565	\$763	\$46	\$717	\$0	\$1.27	\$717			\$717	\$1.27	\$0	\$1,100	\$1.95	\$1,100
		LH/50%	\$763	1	1	1	572	\$763	\$46	\$717	\$0	\$1.25	\$717			\$717	\$1.25	\$0	\$1,100	\$1.92	\$1,100
		LH/50%	\$763	2	1	1	602	\$763	\$46	\$717	\$0	\$1.19	\$717			\$717	\$1.19	\$0	\$1,100	\$1.83	\$1,100
30%/30%	\$550	LH/50%	\$916	1	2	1	691	\$550	\$64	\$486	(\$1)	\$0.70	\$485	\$8	\$8	\$486	\$0.70	\$0	\$1,250	\$1.81	\$1,250
	0			2	2	1	691	\$0	\$64		NA	\$1.50	\$1,035			\$1,250	\$1.81	NA	\$1,250	\$1.81	\$1,250
30%/30%	\$550	LH/50%	\$916	2	2	1	826	\$550	\$64	\$486	(\$1)	\$0.59	\$485			\$486	\$0.59	\$0	\$1,345	\$1.63	\$1,345
	0			2	2	1	826	\$0	\$64		NA	\$1.25	\$1,035			\$1,345	\$1.63	NA	\$1,345	\$1.63	\$1,345
	0			2	2	1	826	\$0	\$64		NA	\$1.70	\$1,402	\$8		\$1,345	\$1.63	NA	\$1,345	\$1.63	\$1,345
<b>TOTAL Available:</b>													\$8		\$8						

<b>ANNUAL TOTAL REPORT:</b>																					
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**TOTAL BUDGET FOR WORKS**

**Works at Pleasant Valley Phase II, Austin, MDL #17500**

**TOTAL BUDGET FOR WORKS**

COMPARISON	DATE	UNIT	APPLICABLE				TOTAL				VARIANCE		
			UNIT	PER UNIT	AMOUNT	AMOUNT	PER UNIT	PER UNIT	UNIT	AMOUNT			
<b>TOTAL BUDGET</b>													
Application fees, late fees, Damages													
Total Secondary Income													
<b>TOTAL BUDGET</b>													
Vacancy & Collection Loss													
<b>TOTAL BUDGET</b>													

General & Administrative	\$11,684	\$403/Unit	9,469	\$327	5.97%	\$0.77	\$459	\$13,310	\$11,684	\$403	\$0.68	5.27%	13.9%	1,626
Management	\$11,983	5.3% EGI	10,595	\$365	8.71%	\$1.12	\$670	\$19,420	\$18,852	\$650	\$1.09	8.50%	3.0%	568
Payroll & Payroll Tax	\$32,735	\$1,129/Unit	26,393	\$910	20.27%	\$2.61	\$1,559	\$45,214	\$45,214	\$1,559	\$2.61	20.39%	0.0%	-
Repairs & Maintenance	\$25,377	\$875/Unit	10,044	\$346	11.09%	\$1.43	\$853	\$24,723	\$17,400	\$600	\$1.01	7.85%	42.1%	7,323
Electric/Gas	\$5,390	\$186/Unit	3,664	\$126	2.87%	\$0.37	\$221	\$6,403	\$6,403	\$221	\$0.37	2.89%	0.0%	-
Water, Sewer, & Trash	\$22,305	\$769/Unit	20,745	\$715	10.62%	\$1.37	\$817	\$23,680	\$23,680	\$817	\$1.37	10.68%	0.0%	-
Property Insurance	\$9,724	\$0.56 /sf	7,293	\$251	3.33%	\$0.43	\$256	\$7,429	\$7,429	\$256	\$0.43	3.35%	0.0%	-
Property Tax (@ 50%) 2.2140	\$17,526	\$604/Unit	4,452	\$154	2.63%	\$0.34	\$203	\$5,875	\$5,875	\$203	\$0.34	2.65%	0.0%	-
Reserve for Replacements	\$9,920	\$342/Unit		\$0	3.90%	\$0.50	\$300	\$8,700	\$8,700	\$300	\$0.50	3.92%	0.0%	-
Supportive Services			-	\$0	0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
MDL Compliance Fees			-	\$0	0.18%	\$0.02	\$14	\$408	\$408	\$14	\$0.02	0.18%	0.0%	-
Security			-	\$0	0.94%	\$0.12	\$72	\$2,088	\$2,088	\$72	\$0.12	0.94%	0.0%	-
Ground Lease Payment			-	\$0	20.70%	\$2.67	\$1,592	\$46,172	\$46,172	\$1,592	\$2.67	20.82%	0.0%	-
<b>TOTAL BUDGET</b>														
<b>TOTAL BUDGET</b>														

CONTROLLABLE EXPENSES		\$3,908/Unit		\$3,599/Unit
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**ALLOCATION TOTAL DEVELOPMENT COST DEDUCTIBLE AREA**

**Works at Pleasant Valley Phase II, Austin, MDL #17500**

DEBT PORTFOLIO														
APPLICABLE ROYALTY TRUSTS							APPROPRIATE DEBT PORTFOLIO TRUSTS							
APPROXIMATE DEBT PORTFOLIO Fee	Cumulative D/R		Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Rate	Rate	Cumulative	
	Rate	Term											D/R	LT
Austin Housing Finance Corp			0.00%	0	99	\$1,810,000	\$1,810,000	99	0	0.00%				43.3%
TDA MDL Contribution			0.00%	0	30	\$1,500,000	\$1,500,000	30	0	0.00%				35.9%
LifeWorks Cash Contribution			0.00%	0	0	\$814,674	\$814,674	0	0	0.00%				19.5%
General Contractor Contribution			0.00%	0	0	\$271,265	\$271,265	0	0	0.00%				6.5%
Local Foundations			0.00%	0	0	\$75,000	\$75,000	0	0	0.00%				1.8%
<b>TOTAL DEBT PORTFOLIO</b>													<b>107.0%</b>	

TOTAL APPROXIMATE	\$27,884	\$19,601	TOTAL APPROPRIATE	88	88	TOTAL APPROXIMATE
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DEFERRED DEVELOPER FEES											
APPLICABLE ROYALTY TRUSTS						APPROPRIATE DEFERRED DEVELOPER FEES TRUSTS					
DEFERRED DEVELOPER FEES	Port	Annual Credit	Credit Rate	Amount	Amount	Credit Rate	Annual Credit	Port	Annual Credit	Allocation Method	
Additional (Excess) Funds Req'd	Deferred Developer Fees	0.0%	(0% Deferred)	\$0		(0% Deferred)	0.0%	Total Developer Fee:			
<b>TOTAL DEFERRED DEVELOPER FEES</b>		0.0%		\$0	\$0		0.0%				

<b>TOTAL ALLOCATION</b>										
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DEVELOPMENT COST DEDUCTIBLE AREA											
APPLICABLE COST ALLOCATION				TDA COST ALLOCATION				COST AREA			
Acquisition	Development	Total Cost	Total Cost	Acquisition	Development	Total Cost	Total Cost	%	\$		
										Rate	Rate
Land Acquisition		\$ / Unit	\$0	\$ / Unit				0.0%	\$0		
Closing costs & acq. legal fees		\$2,000	\$2,000						\$0		
Off-Sites		\$ / Unit	\$0	\$ / Unit				0.0%	\$0		
Site Work		\$0	\$13,530 / Unit	\$392,381	\$392,381	\$13,530 / Unit	\$0	0.0%	\$0		
Site Amenities		\$0	\$1,744 / Unit	\$50,572	\$50,572	\$1,744 / Unit	\$0	0.0%	\$0		
Building Cost		\$0	\$163.76 /sf	\$97,723/Unit	\$2,833,953	\$2,630,541	\$90,708/Unit	\$152.01 /sf	7.7%	\$203,412	
Contingency		\$0	3.41%	\$111,724	\$22,148	0.72%	\$0	404.5%	\$89,576		
Contractor Fees		\$0	11.37%	\$385,173	\$385,173	12.44%	\$0	0.0%	\$0		
Soft Costs	0	\$0	\$11,966 / Unit	\$347,000	\$347,000	\$11,966 / Unit	\$0	0.0%	\$0		
Financing	0	\$0	\$1,580 / Unit	\$45,815	\$45,815	\$1,580 / Unit	\$0	0.0%	\$0		
Developer Fee	\$0	\$0	7.11%	\$240,995	\$240,995	7.78%	\$0	0.0%	\$0		
Reserves		\$2,115 / Unit	\$61,326	\$61,326	\$2,115 / Unit			0.0%	\$0		
<b>TOTAL DEVELOPMENT COST DEDUCTIBLE AREA</b>			\$154,170 / Unit			\$144,067 / Unit			<b>88</b>		
Acquisition Cost	\$0		\$0								
Development		\$0									
Contractor Fee		\$0									
Interim Interest		\$0									
Developer Fee	\$0	\$0		\$0							
Reserve		\$0		\$0							
<b>ADJUSTED AREA</b>			\$154,170/unit			\$144,067/unit			<b>88</b>		

TOTAL DEVELOPMENT COST DEDUCTIBLE AREA are not included in TDA estimate.

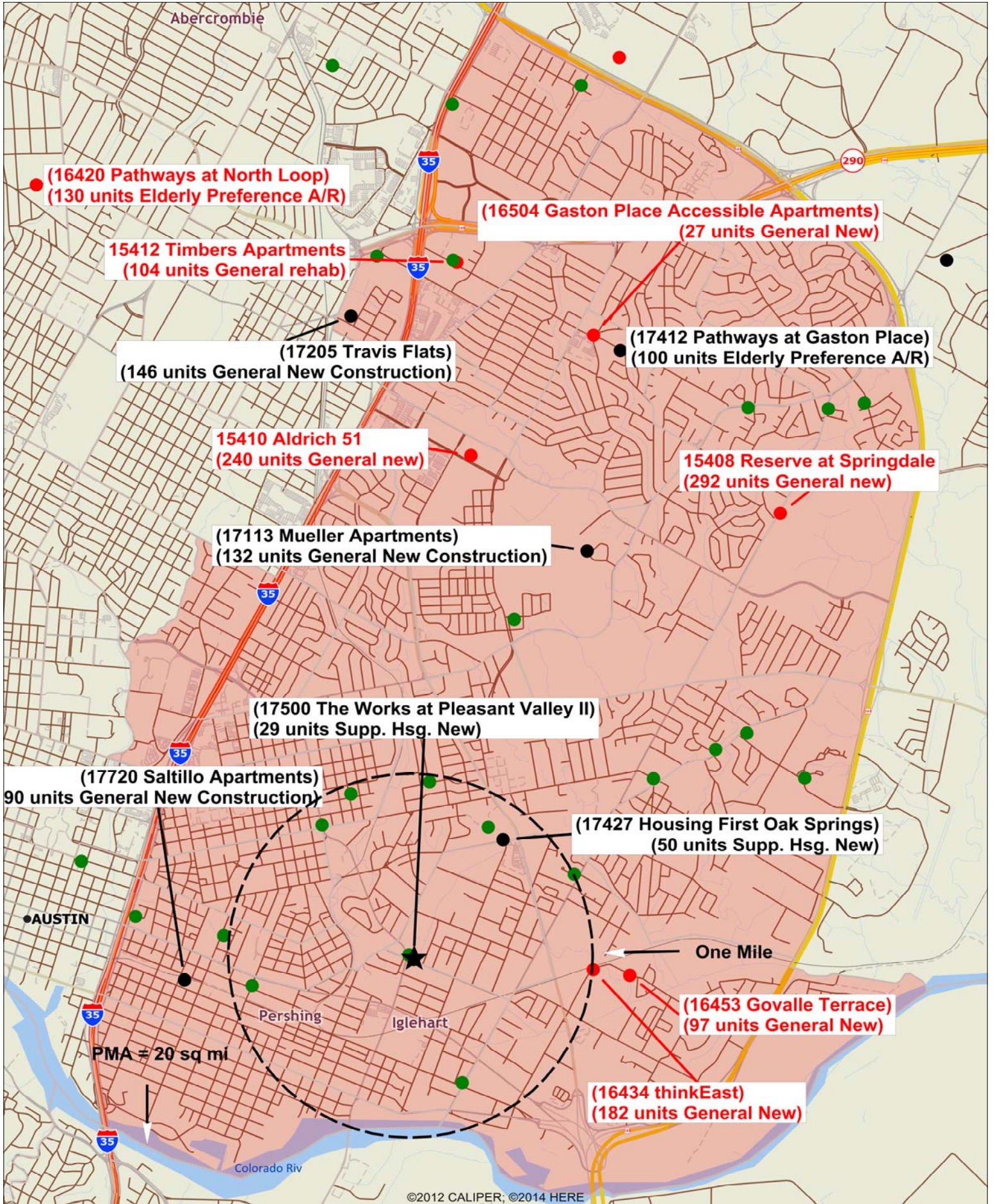
BUILDING COST ESTIMATE				
ITEM OR	FACTOR	UNIT	PRICE	
Base Cost:	Combination	17,305 SF	\$95.67	1,655,590
Adjustments				
Exterior Wall Finish	0.00%		0.97	\$16,764
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		2.87	49,668
Metal Roof Adjustment(s)			15.25	263,901
Subfloor			(0.15)	(2,653)
Floor Cover			2.56	44,301
Breezeways	\$41.57	2,642	6.35	109,828
Metal Framing	\$0.00	0	5.32	92,000
Plumbing Fixtures	\$990	0	0.00	0
Rough-ins	\$485	29	0.81	14,065
Built-In Appliances	\$1,725	29	5.03	87,000
Exterior Metal Stairs and Railings		8	14.01	242,500
Heating/Cooling			4.32	74,733
Enclosed Corridors	\$78.32	0	0.00	0
Carports	\$11.94	0	0.00	0
Garages		0	0.00	0
Comm &/or Aux Bldgs	\$86.77	605	3.03	52,497
Green Building			20.35	352,118
Other: Finishes			21.13	365,600
Fire Sprinklers	\$2.47	20,552	5.24	90,600
<b>TOTAL</b>				<b>8</b>
Current Cost Multiplier	1.01		2.03	35,085
Local Multiplier	0.87		(26.36)	(456,106)
<b>TOTAL BUILDING COST</b>			<b>8</b>	<b>8</b>
Plans, specs, survey, bldg permits	3.30%		(5.89)	(\$101,887)
Contractor's OH & Profit	11.50%		(20.52)	(355,061)
<b>TOTAL BUILDING COST</b>		\$90,708/unit	\$152.01/sf	\$2,630,541

**Long Term Pro Forma**

**Works at Pleasant Valley Phase II, Austin, MDL #17500**

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
EFFECTIVE GROSS INCOME	2.00%	\$221,789	\$226,225	\$230,749	\$235,364	\$240,072	\$265,059	\$292,646	\$323,105	\$356,734	\$393,863
General & Administrative Management	9%	\$11,684	\$12,035	\$12,396	\$12,768	\$13,151	\$15,245	\$17,674	\$20,489	\$23,752	\$27,535
Payroll & Payroll Tax		\$18,852	\$19,229	\$19,614	\$20,006	\$20,406	\$22,530	\$24,875	\$27,464	\$30,322	\$33,478
Repairs & Maintenance		\$45,214	46,570	47,968	49,407	50,889	58,994	68,390	79,283	91,911	106,550
Electric/Gas		\$17,400	17,922	18,460	19,013	19,584	22,703	26,319	30,511	35,371	41,004
Water, Sewer, & Trash		\$6,403	6,595	6,793	6,997	7,207	8,354	9,685	11,228	13,016	15,089
Property Insurance		\$23,680	24,390	25,122	25,876	26,652	30,897	35,818	41,523	48,137	55,803
Property Tax		\$7,429	7,652	7,881	8,118	8,361	9,693	11,237	13,027	15,102	17,507
Reserve for Replacements		\$5,875	6,051	6,233	6,420	6,612	7,666	8,886	10,302	11,943	13,845
Cable TV		\$8,700	8,961	9,230	9,507	9,792	11,352	13,160	15,256	17,685	20,502
Supportive Services		\$0	0	0	0	0	0	0	0	0	0
MDL Compliance Fees		\$0	0	0	0	0	0	0	0	0	0
TDHCA Bond Compliance Fee		\$408	420	433	446	459	532	617	715	829	961
Security		\$0	0	0	0	0	0	0	0	0	0
Ground Lease Payment		\$2,088	2,151	2,215	2,282	2,350	2,724	3,158	3,661	4,244	4,921
describe		\$46,172	47,557	48,984	50,453	51,967	60,244	69,839	80,963	93,858	108,807
TOTAL EXPENSES	3.00%	\$0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES		\$193,905	\$199,534	\$205,328	\$211,291	\$217,430	\$250,935	\$289,659	\$334,421	\$386,170	\$446,003
OPERATING INCOME		\$28,884	\$26,691	\$25,421	\$24,073	\$22,642	\$14,124	\$8,967	\$18,684	\$17,014	\$14,860
EXPENSE/INCOME RATIO		87.4%	88.2%	89.0%	89.8%	90.6%	94.7%	99.0%	103.5%	108.3%	113.2%
<b>MONTHLY DEBT SERVICE</b>											
TOTAL DEBT SERVICE		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>ANNUAL AVAILABLE CASH FLOW</b>											
Deferred Developer Fee Balance		\$27,884	\$54,574	\$79,996	\$104,069	\$126,710	\$215,313	\$253,672	\$227,087	\$117,817	(\$95,471)
MONTHLY AVAILABLE CASH FLOW		\$27,884	\$54,574	\$79,996	\$104,069	\$126,710	\$215,313	\$253,672	\$227,087	\$117,817	(\$95,471)

# 17500 Works at Pleasant Valley Ph II PMA Map



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Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.



**2017-1 Multifamily Direct Loan Program - Application Log - December 7, 2017**

Per 2017-1 Multifamily Direct Loan Notice of Funding Availability published in the Texas Register on 12/30/2016 and First, Second, Third, and Fourth Amendments to NOFA

The following data was compiled using information submitted by each applicant. While this data has been reviewed or verified by the Department, errors may still be present. Those reviewing the log are advised to use caution in reaching any definitive conclusions based on this information alone. Where Applications are layered with 9% or 4% Tax credits, the Applications are also subject to evaluation under the Department criteria for those fund sources. Applicants are encouraged to review 10 TAC §511.1(b) and 10.2(a) concerning Due Diligence and Applicant Responsibility, along with 10 TAC Subchapter C related to Application Submission Requirements, Ineligibility Criteria, Board Decisions and Waiver of Rules for Applications. This log will be updated periodically as staff completes application reviews and as more applications are received. The Multifamily Direct Loan Program - Application Log is presented for informational use only, and does not represent a conclusion or judgment by TDHCA, its staff or Board. Applicants that identify an error in the log should contact Andrew Sinnott at andrew.sinnott@tdhca.state.tx.us as soon as possible. Identification of an error early does not guarantee that the error can be addressed administratively.

Applications sorted by date received within set-aside.

TCAP RF \$4,000,000  
NHTF \$4,310,529  
**Total Set Aside Funding Level: \$8,310,529**

**Supportive Housing/ Soft Repayment**

TDHCA Application #	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/ Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17501	Live Oak Trails	Austin	Travis	7	NC	\$ 600,000	Supportive Housing	58	10	9%	1/9/2017	Recommended for TCAP RF award at 7/13/17 Board meeting
17502	Freedom's Path at Kerrville	Kerrville	Kerr	9	NC	\$ 300,000	Supportive Housing	49	13	9%	1/9/2017	To be recommended for award at 12/14/17 Board meeting
17423	Palladium Glenn Heights	Glenn Heights	Ellis	3	NC	\$ 800,000	General	270	7	4%	4/20/2017	Recommended for TCAP RF award at 9/7/17 Board meeting
17500	Works at Pleasant Valley Phase II	Austin	Travis	7	NC	\$ 1,500,000	Supportive Housing	12	29		7/13/2017	To be recommended for award at 12/14/17 Board meeting
17028	The Vineyard on Lancaster	Fort Worth	Tarrant	3	NC	\$ 1,100,000	Supportive Housing	104	0	9%	10/27/2017	Previously received 9% HTC allocation at 7/27/17 Board meeting
17511	AHA! at Briarcliff	Austin	Travis	7	NC	\$ 1,296,926	General	27	10		10/27/2017	
17445	The Nightingale at Goodnight Ranch	Austin	Travis	7	NC	\$ 1,500,000	Elderly Preference	174	16	4%	10/27/2017	
17512	Housing First Oak Springs	Austin	Travis	7	NC	\$ -	Supportive Housing	50	50	4%	10/31/2017	Withdrawn
<b>Total Amount Requested Under SH/SR Set Aside</b>						<b>\$ 7,096,926</b>	<b>Total Units</b>	<b>744</b>	<b>135</b>			
<b>Total Amount Awarded Under SH/SR Set Aside (TCAP RF)</b>						<b>\$ 1,400,000</b>	<b>Total Units</b>	<b>328</b>	<b>17</b>			
<b>Total Amount Remaining Under SH/SR Set Aside (TCAP RF)</b>						<b>\$ 2,600,000</b>						
<b>Total Amount Remaining Under SH/SR Set Aside (NHTF)</b>						<b>\$ 4,310,529</b>						

**CHDO (HOME funds only)**

Total Set Aside Funding Level: **\$4,723,589**

TDHCA#	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/ Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17505	Merritt Monument	Midland	Midland	12	NC	\$ -	General	104	34	9%	3/30/2017	Withdrawn
17504	Merritt Heritage	Georgetown	Williamson	7	NC	\$ -	Elderly Limitation	244	34	9%	3/30/2017	Withdrawn
17509	Poesta Creek Apartments	Beeville	Bee	10	R	\$ 2,000,000	General	50	50		3/31/2017	To be recommended for award at 12/14/17 Board meeting
17738	Las Casitas De Azucar	Santa Rosa	Cameron	11	NC	\$ -	General	50	27	9%	4/3/2017	Withdrawn
17165	Merritt Headwaters	Dripping Springs	Hays	7	NC	\$ -	General	80	20	9%	4/3/2017	Terminated
17508	Casitas San Miguel	San Elizario	El Paso	13	NC	\$ -	General	24	24		4/12/2017	Withdrawn
17510	Brook Haven Supportive Housing	Rockdale	Milam	8	NC	\$ 2,500,000	Supportive Housing	30	30		7/7/2017	
17436	Boyce Lane Apartment Homes	Austin ETJ	Travis	7	NC	\$ -	General	280	42	4%	10/25/2017	Withdrawn
<b>Total Amount Requested Under CHDO Set Aside</b>						<b>\$ 4,500,000</b>	<b>Total Units</b>	<b>862</b>	<b>261</b>			
<b>Total Amount Awarded Under CHDO Set Aside</b>						<b>\$ -</b>	<b>Total Units</b>	<b>0</b>	<b>0</b>			
<b>Total Amount Remaining Under CHDO Set Aside</b>						<b>\$ 4,723,589</b>						

HOME (available in non-PJs) \$6,240,000  
NSP1 PI (available statewide) \$7,000,000  
TCAP RF (available statewide) \$10,799,235

**General**

Total General Set Aside Funding Level: **\$24,039,235**

TDHCA#	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/ Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17503	The Reserve at Dry Creek	Hewitt	McLennan	8	NC	\$ 1,450,000	Elderly Limitation	113	12	9%	1/9/2017	Recommended for HOME award at 5/25/17 Board meeting
17402	Harris Ridge Apartments	Austin	Travis	7	NC	\$ 3,000,000	General	324	50	4%	1/9/2017	Recommended for TCAP RF award at 5/25/17 Board meeting
17403	Lord Road Apartments	San Antonio	Bexar	9	NC	\$ -	General	324	50	4%	1/9/2017	Terminated
17404	Commons at Goodnight	Austin	Travis	7	NC	\$ 3,000,000	General	304	23	4%	2/3/2017	To be recommended for award at 12/14/17 Board meeting
17405	Bridge at Cameron	Austin	Travis	7	NC	\$ 2,590,000	General	263	22	4%	2/3/2017	Recommended for TCAP RF award at 10/12/17 Board meeting
17409	Bridge at Canyon View	Austin	Travis	7	NC	\$ 2,900,000	General	264	21	4%	3/7/2017	Previously submitted application for 4% HTC/Bonds under app. 16449



17401	Primrose Village	Weslaco	Hidalgo	11	NC	\$ 1,100,000	General	242	21	4%	3/10/2017	Recommended for NSP1 PI award at 10/12/17 Board meeting
17507	Easterling Culeba Apartments	San Antonio	Bexar	9	NC	\$ -	General	90	50	9%	3/23/2017	Withdrawn
17506	Tuscany Park at Arcola	Arcola	Fort Bend	6	NC	\$ 2,020,000	General	96	50	9%	3/24/2017	Recommended for TCAP RF award at 10/12/17 Board meeting
17107	The Residence at Wolfforth	Wolfforth	Lubbock	1	NC	\$ 500,000	Elderly Limitation	49	6	9%	4/3/2017	Returned HOME award after being recommended for award 7/27/17
17273	The Residence at Lamar	Wichita Falls	Wichita	2	ADR	\$ 950,000	Elderly Limitation	30	9	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17281	The Residence at Arbor Grove	Arlington	Tarrant	3	NC	\$ 1,250,000	Elderly Limitation	126	11	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17012	Secretariat Apartments	Arlington	Tarrant	3	NC	\$ 3,000,000	Elderly Limitation	74	50	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17076	Sphinx at Throckmorton Villas	McKinney	Collin	3	NC	\$ -	General	124	21	9%	4/3/2017	Terminated
17372	Sunset Trails	Bullard	Cherokee	4	NC	\$ 740,000	Elderly Limitation	48	7	9%	4/3/2017	Not recommended for 9% HTC
17208	Waverly Village	New Waverly	Walker	6	R	\$ 300,000	General	50	5	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17007	Magnolia Station	Winnie	Chambers	6	NC	\$ 1,220,000	General	44	11	9%	4/3/2017	Not recommended for 9% HTC
17204	Vista Bella	Lago Vista	Travis	7	NC	\$ 1,935,000	General	72	40	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17179	The Nightingale at Goodnight Ranch	Austin	Travis	7	NC	\$ -	Elderly Limitation	174	54	9%	4/3/2017	Withdrawn and resubmitted as 4%/ Direct Loan application (17445)
17205	Travis Flats	Austin	Travis	7	NC	\$ 3,000,000	General	146	53	9%	4/3/2017	Not recommended for 9% HTC
17290	Golden Trails	West	McLennan	8	NC	\$ 2,055,000	Elderly Limitation	45	17	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17013	Rio Lofts	San Antonio	Bexar	9	NC	\$ 3,000,000	General	81	50	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17026	10715 Bandera Apartments	San Antonio	Bexar	9	NC	\$ -	General	84	50	9%	4/3/2017	Withdrawn
17042	Huntington at Paseo de la Resaca	Brownsville	Cameron	11	NC	\$ 2,500,000	Elderly Limitation	132	42	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17094	Catalon at Paseo de la Resaca	Brownsville	Cameron	11	NC	\$ 2,500,000	General	128	42	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17258	Village at Henderson	Corpus Christi	Nueces	10	NC	\$ 1,000,000	General	88	8	9%	4/3/2017	CHDO Set Aside requested
17069	Arlinda Gardens Supportive Housing	Bryan	Brazos	8	NC	\$ -	Supportive Housing	100	30	9%	4/3/2017	Terminated
17416	Manchaca Commons	Austin	Travis	7	NC	\$ 3,000,000	General	240	20	4%	4/4/2017	
<b>Total Amount Requested Under General Set Aside: Development Sites in non-PJs</b>						\$ 8,200,000	<b>Total Units</b>	545	119			
<b>Total Amount Requested Under General Set Aside: Development Sites in PJs</b>						\$ 34,810,000	<b>Total Units</b>	3,310	706			
<b>Total Amount Requested Under General Set Aside: TOTAL</b>						\$ 43,010,000	<b>Total Units</b>	3,855	825			
<b>Total Amount Awarded Under General Set Aside (HOME)</b>						\$ 5,740,000	<b>Total Units</b>	280	74			
<b>Total Amount Awarded Under General Set Aside (TCAP RF)</b>						\$ 7,610,000	<b>Total Units</b>	683	122			
<b>Total Amount Awarded Under General Set Aside (NSP1 PI)</b>						\$ 1,100,000	<b>Total Units</b>	242	21			
<b>Total Amount Remaining Under General Set Aside (HOME)</b>						\$ 500,000						
<b>Total Amount Remaining Under General Set Aside (TCAP RF)</b>						\$ 3,189,235						
<b>Total Amount Remaining Under General Set Aside (NSP1 PI)</b>						\$ 5,900,000						

1 = Housing Activity: New Construction=NC, Rehabilitation=R, ADR = Adaptive Reuse

2 = Layering of Other Department Funds: 9%+9% Competitive Tax Credits, 4%+4% Tax Credit Program

3 = Date Received: The date that the application, all required 3rd Party Reports, Application Fees (if applicable), and Certificate of Reservation (if applicable) were received.

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**DECEMBER 14, 2017**

Presentation, discussion, and possible action regarding an award of Direct Loan funds from the 2017-1 Multifamily Direct Loan Notice of Funding Availability

**RECOMMENDED ACTION**

**WHEREAS**, the Department has received a total of 44 applications for Multifamily Direct Loan funds under the 2017-1 Multifamily Direct Loan Notice of Funding Availability (“2017-1 NOFA” or “NOFA”);

**WHEREAS**, Application 17509, which is requesting \$2,000,000 in Direct Loan funds for Poesta Creek Apartments, is a Priority 1 application under the Community Housing Development Organization (“CHDO”) set-aside that has received complete reviews for compliance with program and underwriting requirements;

**WHEREAS**, the requested amount of Direct Loan funds was recommended by the Executive Award and Review Advisory Committee (“EARAC”); and

**WHEREAS**, this Application has previously received a waiver in accordance with 10 TAC §10.207(a)(2) for the 20 percent owner equity requirement and “as completed” appraisal requirement found in 10 TAC §13.8(c)(5);

**NOW, therefore, it is hereby**

**RESOLVED**, that an award of \$2,000,000 in HOME funds for the development and \$50,000 in HOME funds for CHDO Operating Expenses from the NOFA for Poesta Creek Apartments and TG 306, Inc., respectively, is hereby approved in the form presented at this meeting; and

**FURTHER RESOLVED**, that the Board’s approval is conditioned upon satisfaction of all conditions of underwriting and the 811 PRA Program, and completion of any other reviews required to assure compliance with the applicable rules and requirements.

**BACKGROUND**

On December 15, 2016, the Board approved the 2017-1 Multifamily Direct Loan NOFA with \$32,549,905 in funds with up to \$4,000,000 in the Supportive Housing/ Soft Repayment Set-Aside, \$4,723,589, in the CHDO Set-Aside, and \$23,826,316 in the General Set-Aside. The NOFA has since been amended four times in the past several months to include \$2,299,235 in additional TCAP Repayment Funds, \$7,000,000 in NSP1 Program Income, and a reduction of \$9,086,316 in HOME funds, all of which occurred under the General Set-Aside, thereby increasing the General Set-Aside slightly to \$24,039,235. Additionally, \$4,310,528 in National Housing Trust Fund was added to the

Supportive Housing/Soft Repayment set-aside. The overall NOFA amount has consequently increased to \$37,073,353.

Staff and EARAC are recommending the Board's approval of Poesta Creek Apartments application (17509) for HOME funds totaling \$2,000,000 under the CHDO Set-Aside. The recommended applications and award amounts are outlined in the attached award recommendations log.

Poesta Creek Apartments is proposing rehabilitation of 50 units serving a General population in Beeville in Bee County. All 50 units will be HOME-restricted units, with 11 units available to households earning up to 50% AMI, 35 units available to households earning up to 60% AMI, and the remaining 4 units will be available to households earning up to 80% AMI. The Applicant – TG 306, Inc. – already owns the property and will continue to own the property once the rehab is complete. TG 306, Inc. has been certified as a CHDO and will receive a CHDO Operating Expenses Grant award of \$50,000 in accordance with 10 TAC §13.4(a)(1)(B) and 24 CFR §92.300(f).

As required in 10 TAC §13.11(m) of the Multifamily Direct Loan Rule, the Department's Governing Board must establish a hard closing deadline at the time of award. As such, staff recommends that closing on the Direct Loan must occur no later than April 30, 2018. Moreover, as a result of 10 TAC §10.204(16), the applicant has committed Lexington Manor Apartments for inclusion in the Department's Section 811 Project Rental Assistance Program. The Department has approved it for participation in the Section 811 PRA Program and staff recommends that the 811 Owner Participation Agreement be signed before closing on the Direct Loan award.

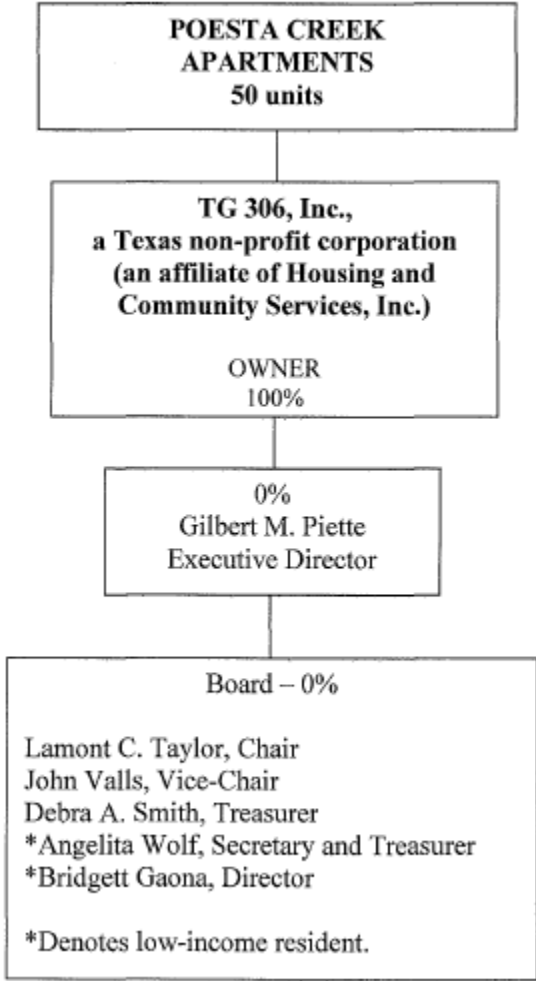
This application has been underwritten and determined to meet the Real Estate Analysis rules and requirements and has received a previous participation review.

Should the recommended award, as well as the other Direct Loan award recommendations on the agenda today, be approved, \$14,723,353 will remain available under the NOFA with \$2,723,589 remaining available under the CHDO Set-Aside, of which, \_\_\_ applications requesting a total of \$\_\_\_ within the set-aside are still under review. Subsequent award recommendations for applications undergoing staff reviews may appear on future Board agendas.

The Application and Award Recommendations Log is attached.

*Organizational Structure and Previous Participation:* The borrower is TG 306, Inc. and includes entities and principals as indicated in the organization chart below. At the time of the Previous Participation Review, the applicant was an Extra Large Category 2 portfolio.

*Public Comment:* There have been no letters of support or opposition received by the Department.



# 17509 Poesta Creek - Application Summary

REAL ESTATE ANALYSIS DIVISION

December 5, 2017

PROPERTY IDENTIFICATION		RECOMMENDATION				
Application #	17509	TDHCA Program	Request	Recommended		
Development	Poesta Creek					
City / County	Beeville / Bee	Multifamily Direct Loan (Repayable)	Amount	Rate	Amort	Term
Region/Area	10 / Rural		\$2,000,000	3.25%	30	30
Population	General					
Set-Aside	Rural	CHDO Expenses	\$50,000			
Activity	Rehabilitation (Built in 1980)					

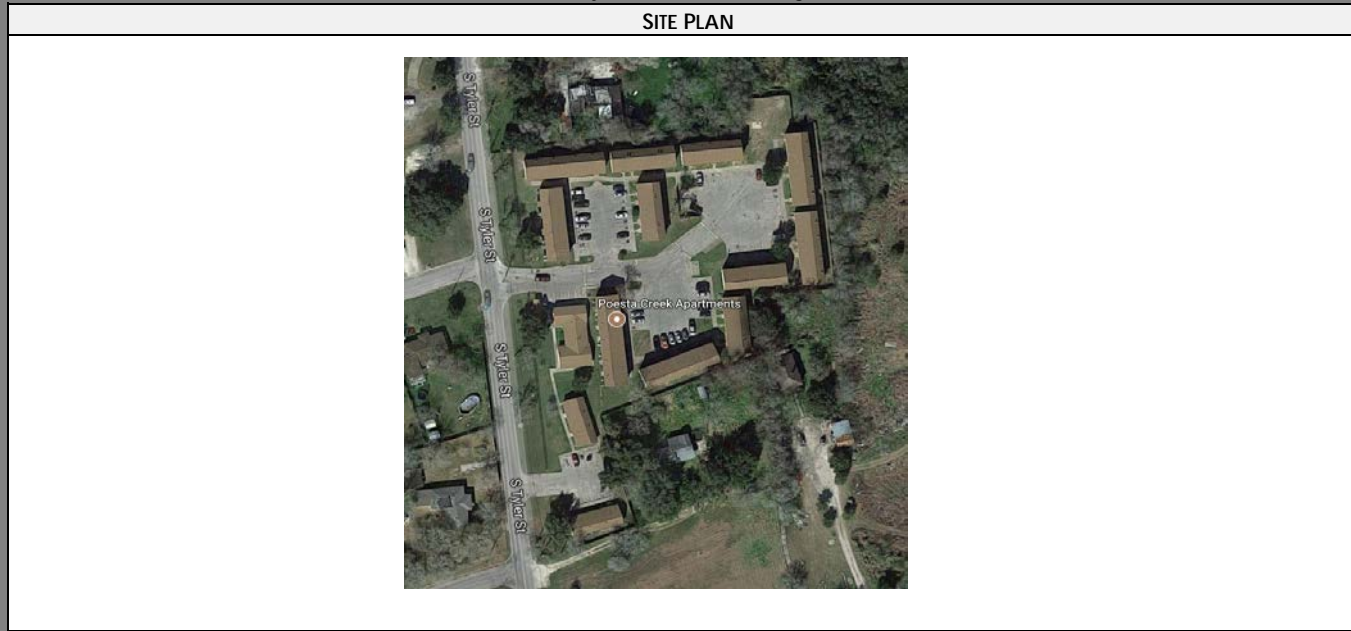
KEY PRINCIPAL / SPONSOR		
Prospera HCS TG 306, Inc Gilbert Piette Raymond Lucas		
Related-Parties	Contractor - No	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	11	22%
1	4	8%	40%	35	70%
2	26	52%	50%	4	8%
3	20	40%	60%	-	0%
4	-	0%	MR	-	0%
<b>TOTAL</b>	<b>50</b>	<b>100%</b>	<b>TOTAL</b>	<b>50</b>	<b>100%</b>

**PRO FORMA FEASIBILITY INDICATORS**

Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	✓ 1.35	Expense Ratio	✗ 66.3%
Breakeven Occ.	✓ 86.8%	Breakeven Rent	\$815
Average Rent	\$894	B/E Rent Margin	✓ \$79
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$6,868/unit	Controllable	\$4,385/unit



**MARKET FEASIBILITY INDICATORS**

Gross Capture Rate (30% Maximum)	✓ 2.3%
Highest Unit Capture Rate	✓ 22% 3 BR/50% 2
Dominant Unit Cap. Rate	✓ 15% 2 BR/80% 25
Premiums (↑60% Rents)	N/A N/A
Rent Assisted Units	50 100% Total Units

**DEVELOPMENT COST SUMMARY**

Costs Underwritten		TDHCA's Costs - Based on PCA	
Avg. Unit Size	963 SF	Density	13.2/acre
Acquisition		\$28K/unit	\$1,417K
Building Cost	\$27.62/SF	\$27K/unit	\$1,330K
Hard Cost		\$35K/unit	\$1,752K
Total Cost		\$78K/unit	\$3,899K
Developer Fee	\$70K (0% Deferred)	Paid Year:	1
Contractor Fee	\$223K	30% Boost	Yes

**REHABILITATION COSTS / UNIT**

Site Work	\$4K 11%	Finishes/Fixtures	\$15K 43%
Building Shell	\$8K 22%	Amenities	\$2K 4%
HVAC	\$2K 7%	Total Exterior	\$13K 37%
Appliances	\$1K 4%	Total Interior	\$19K 54%

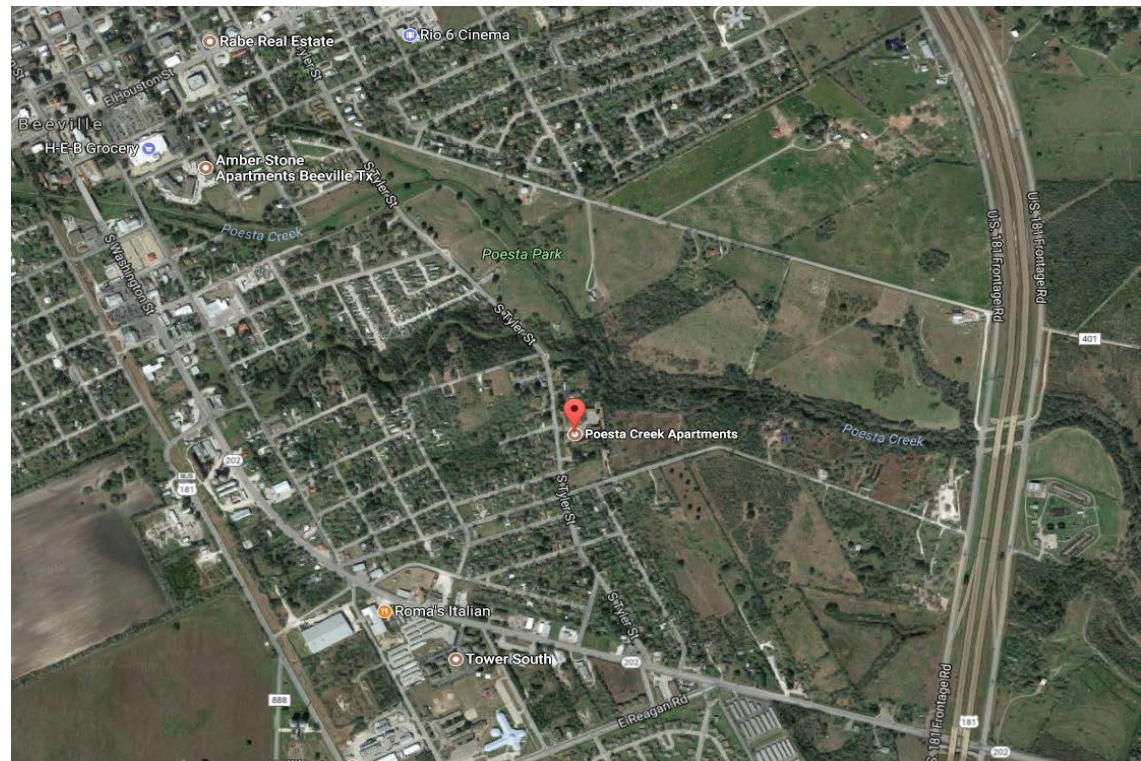
DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
TDHCA	30/30	3.25%	\$2,000,000	1.67	Prospera Housing	0/0	0.00%	\$934,926	1.35	Prospera Housing	\$161,285
Prospera Housing	30/30	5.50%	\$371,012	1.35	City of Beeville 4B grant	0/0	0.00%	\$50,000	1.35		
					TG 306, Inc - Rehab Cash	0/0	0.00%	\$150,000	1.35		
					TG 306, Inc. - Escrow and Reserves	0/0	0.00%	\$131,468	1.35		
<b>TOTAL DEBT (Must Pay)</b>			<b>\$2,371,012</b>		<b>CASH FLOW DEBT / GRANTS</b>			<b>\$1,366,394</b>		<b>TOTAL EQUITY SOURCES</b>	<b>\$161,285</b>
										<b>TOTAL DEBT SOURCES</b>	<b>\$3,737,406</b>
										<b>TOTAL CAPITALIZATION</b>	<b>\$3,898,691</b>

**CONDITIONS**

- Receipt and acceptance before Direct Loan Closing
  - a: Substantially final construction contract with Schedule of Values.
  - b: Updated term sheets with substantially final terms from all lenders
  - c: Substantially final draft of limited partnership agreement.
  - d: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
  - e: Certification that if any buildings remain in the 100-year floodplain when placed in service, the finished ground floor elevation of the buildings will be at least one foot above the floodplain and that all drives, parking and amenities will be no more than 6 inches below the floodplain; and that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property until such time that the site is officially designated to be no longer in the floodplain.
  - f: Documentation from PCA provider stating a budget expected in order to make the playground ADA accessible as per 2010 ADA requirements of 240.2 and 1008.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

**AERIAL PHOTOGRAPH(S)**



**RISK PROFILE**

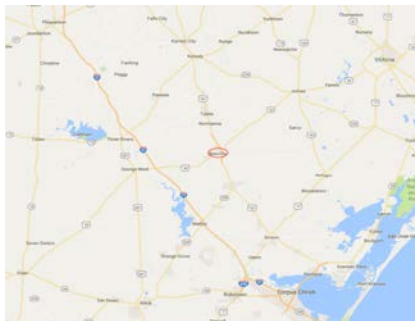
STRENGTHS/MITIGATING FACTORS

- Experienced Developer
- 1.35 first year DCR
- 100% units covered by Section 8 vouchers
- 98% occupancy

WEAKNESSES/RISKS

- 66.28% expense to income ratio

**AREA MAP**





**DEVELOPMENT IDENTIFICATION**

TDHCA Application #: **17509** Program(s): **MDL**

**Poesta Creek**

Address/Location: 1301 South Tyler Street

City: Beeville County: Bee Zip: 78102

Population: General Program Set-Aside: Rural Area: Rural

Activity: Rehabilitation Building Type: Garden (Up to 4-story) Region: 10

Analysis Purpose: New Application - Initial Underwriting

**ALLOCATION**

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
Multifamily Direct Loan (Repayable)	\$2,000,000	3.25%	30	30	\$2,000,000	3.25%	30	30	1
CHDO Expenses	\$50,000				\$50,000				

**CONDITIONS**

- Receipt and acceptance before Direct Loan Closing
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Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

**SET-ASIDES**

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	11
60% of AMFI	High HOME	35
80% of AMFI	High HOME	4

**DEVELOPMENT SUMMARY**

Poesta Creek Apartments is an affordable, multi-family, rental property consisting of 11 two-story and 2 one-story apartment buildings containing 50 one-, two-, and three-bedroom apartment units. The property also has a stand-alone leasing office/clubhouse building. The two single-story buildings includes total of 4 one-bedroom units. The remaining buildings contain two- and three-bedroom townhouse units. The units will be rehabbed with new cabinets, countertops, flooring, microwaves and new exterior to give it a more modern look.

**RISK PROFILE**

STRENGTHS/MITIGATING FACTORS	
▫	Experienced Developer
▫	1.35 first year DCR
▫	100% units covered by Section 8 vouchers
▫	98% occupancy

WEAKNESSES/RISKS	
▫	66.28% expense to income ratio
▫	
▫	
▫	



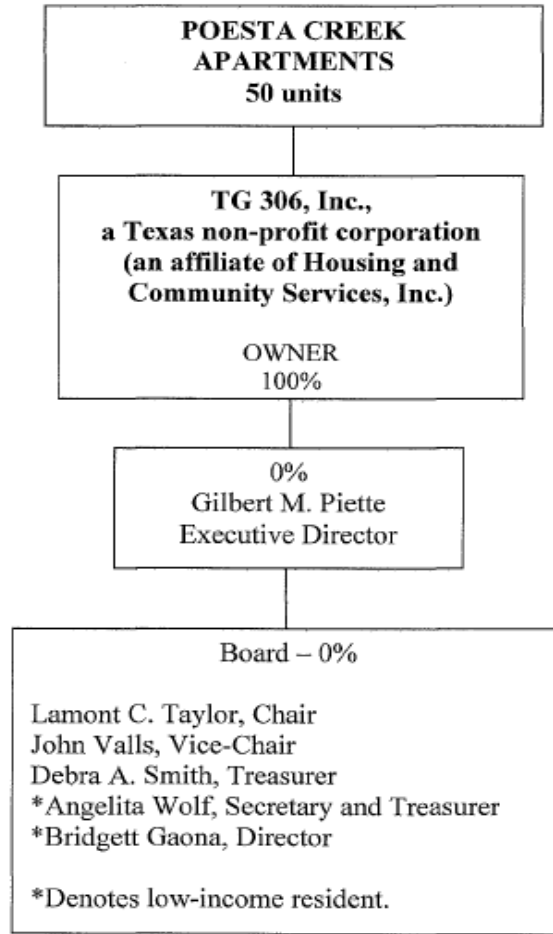
**DEVELOPMENT TEAM**

PRIMARY CONTACTS

Name: Roger Canales  
Phone: (210) 821-4300  
Relationship: Applicant

Name: Bradford McMurray  
Phone: (210) 821-4300  
Relationship: Applicant

OWNERSHIP STRUCTURE



▫ Applicant, Developer, Property Manager and Supportive Services Provider are related entities.

# DEVELOPMENT SUMMARY

## SITE PLAN



Comments:

Development will provided 104 spaces (2.1/unit), city regulations require 100 spaces (2.0/unit).

BUILDING ELEVATION



RELOCATION PLAN

Applicant has completed numerous rehabilitation projects in the past 15 years with seven completed recently. Relocation work will be done in phases within a 12 month time frame and with the tenants either in place or moved temporarily to a vacant unit. Applicant has not planned any relocation expenses for this rehabilitation. The relocation is expected to be similar to the relocation of Houston House Apartments, a 50 unit project in Victoria, Tx that did not incur any relocation costs. Any incurrence of relocation expenses will be covered by Propsera Housing from their own budget if savings are not realized elsewhere in the rehabilitation.

BUILDING CONFIGURATION

Building Type	I	Ih	II	Iih	III	IV	V	VI					Total Buildings
Floors/Stories	1	1	1	1	1	1	1	1					13
Number of Bldgs	1	1	4	1	1	1	3	1					50
Units per Bldg	2	2	4	5	5	3	4	5					
<b>Total Units</b>	<b>2</b>	<b>2</b>	<b>16</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>12</b>	<b>5</b>					<b>50</b>
<b>Avg. Unit Size (SF)</b>	<b>963 sf</b>		<b>Total NRA (SF)</b>				<b>48,145</b>	<b>Common Area (SF)</b>			<b>2,516</b>		

SITE AND ACQUISITION

**Site Acreage:** Development Site: 3.79 acres Density: 13.2 units/acre  
**Site Control:** 3.79 **Site Plan:** 3.79 **Appraisal:** 3.79 **ESA:** 3.79

Control Type: Deed of Trust Initial Contract Date 7/30/2003  
 Development Site: 3.79 acres Cost: \$0 \$0 per unit

Comments:  
 Applicant originally obtained this project in 2003. There is no change of ownership with this rehabilitation. As part of the rehabilitation, the Applicant will pay off the current senior debt balance of \$482,297 and replace it with a loan to themselves to allow for the TDHCA Direct Loan to be in first lien.

GENERAL INFORMATION

Flood Zone:	<u>A &amp; AE</u>	Scattered Site?	<u>No</u>
Zoning:	<u>R3</u>	Within 100-yr floodplain?	<u>Yes</u>
Re-Zoning Required?	<u>No</u>	Utilities at Site?	<u>Yes</u>
Year Constructed:	<u>1980</u>	Title Issues?	<u>No</u>

Surrounding Uses:  
 Site is on the outskirts of a small town. There is Poesta Park located to the North and East of the site. Single family residential to the South and West of the project.

Other Observations:  
 The 100 year flood plain runs through the Northeast portion of the site. 7 of the 13 buildings reside in or on the flood plain, but site access is not within the flood plain which allows for emergency vehicles and residents to enter and exit in case of emergency.

**APPRAISED VALUE**

Appraiser: Butler Burgher Group, INC Date: 3/29/2017

Land as Vacant: 3.79 acres	<u>\$175,000</u>	Per Unit:	<u>\$3,500</u>
Existing Buildings: (as-is)	<u>\$2,595,000</u>	Per Unit:	<u>\$51,900</u>
Total Development: (as-is)	<u>\$2,770,000</u>	Per Unit:	<u>\$55,400</u>

**HIGHLIGHTS of ENVIRONMENTAL REPORTS**

Provider: Austex Environmental Services Date: 3/23/2017

Recognized Environmental Conditions (RECs) and Other Concerns:

- The City of Beeville water does not meet state and federal drinking water standards. A requested response to this item was submitted by the ESA provider stating that the violations occurred in 2016 because of the "Beeville Community Water System's failure to test the drinking water for these contaminants during the period indicated which prevented them from verifying the quality of drinking water during that time." An addendum to the ESA report states that there is currently no violation condition reported for the City of Beeville Public Water Source.
  
- "Due to multi-family residence construction date of 1981 it is possible asbestos could present and environmental concern." (p 6)

Comments:

Astex Environmental sent an update to the Environmental Report stating that "the updated public works data indicates the city of Beeville is in compliance with regard to lead in drinking water".

## MARKET ANALYSIS

Provider: Apartment MarketData, LLC

Date: 3/30/2017

Contact: Darrell G Jack

Phone: 210-530-0040

Primary Market Area (PMA): 893 sq. miles 17 mile equivalent radius

The PMA consists of seven census tracts surrounding Beeville, which lies about 50 miles southwest of Victoria, TX. Hwy 59 runs diagonally through the PMA and Hwy 181 runs vertically. West of the PMA, I-37 runs parallel.

ELIGIBLE HOUSEHOLDS BY INCOME								
Bee County Income Limits								
HH size	30% of AMI		40% of AMI		50% of AMI		80% of AMI	
	min	max	min	max	min	max	min	max
1	---	---	---	---	\$17,417	\$19,000	\$22,457	\$30,350
2	---	---	---	---	\$17,417	\$21,700	\$22,457	\$34,700
3	---	---	---	---	\$20,914	\$24,400	\$28,389	\$39,050
4	---	---	---	---	---	---	\$24,171	\$43,350
5	---	---	---	---	\$28,389	\$29,300	\$24,171	\$46,850
6	---	---	---	---	---	---	---	---

**Comments:**

Income gaps for households between 50% AMI maximums and 80% AMI minimum average \$3,700 as those households within the 60% AMI income ranges do not qualify for occupancy.

AFFORDABLE HOUSING INVENTORY						
Competitive Supply (Proposed, Under Construction, and Unstabilized)						
File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None				0	
Other Affordable Developments in PMA since 2012						
13119	Emma Finke Villas		Adapt	Genreal	n/a	76
Stabilized Affordable Developments in PMA ( pre-2012 )				Total Units		146
				Total Developments		3

OVERALL DEMAND ANALYSIS				
	Market Analyst		Underwriter	
Total Households in the Primary Market Area	9,682		9,682	
Potential Demand from the Primary Market Area	2,121		2,156	
Potential Demand from Other Sources	0		0	
<b>GROSS DEMAND</b>	2,121		2,156	
Subject Affordable Units	50		50	
Unstabilized Comparable Units	16		0	
<b>RELEVANT SUPPLY</b>	66		50	
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>	<b>3.1%</b>		<b>2.3%</b>	

<b>Population:</b>	<b>General</b>	<b>Market Area:</b>	<b>Rural</b>	<b>Maximum Gross Capture Rate:</b>	<b>30%</b>
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**Demand Analysis:**

Capture rate limits do not apply to existing affordable housing that is at least 80% occupied and that provides a leasing preference to existing tenants. Property is currently 98% occupied and covered by a HAP contract, making the lowest qualifying income, \$1. All capture rates are acceptable.

Market Analyst included 16 comparable units from Emma Finke Villas (#13119) reuse; Underwriter did not include these as Emma Finke is 97% occupied and Subject will extend leasing preference to current tenants.

Unit mix provided to Market Analyst is different from the final mix; this is the difference in unit capture rates.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
Unit Type	Market Analyst				Underwriter			
	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/50%	578	1	14	3%	48	2	0	4%
1 BR/ 80%	183	3	0	2%	143	2	0	1%
2 BR/50%	368	4	2	2%	92	1	0	1%
2 BR/80%	253	22	0	9%	166	25	0	15%
3 BR/50%	130	2	0	2%	9	2	0	22%
3 BR/80%	103	18	0	17%	106	18	0	17%

**Market Analyst Comments:**

The overall occupancy reported in the market is 96.7%. (p. 10)

"Affordable" rents are between 9% and 14% below market rents currently offered in the marketplace. (p. 14)

**Underwriter Comments:**

Affordable properties in the PMA are 99% occupied.

## OPERATING PRO FORMA

### SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)

NOI:	\$174,672	Avg. Rent:	\$894	Expense Ratio:	66.3%
Debt Service:	\$129,728	B/E Rent:	\$815	Controllable Expenses:	\$4,385
Net Cash Flow:	\$44,943	UW Occupancy:	95.0%	Property Taxes/Unit:	\$0
Aggregate DCR:	1.35	B/E Occupancy:	86.8%	Program Rent Year:	2017

All units covered by project based Section 8 vouchers, therefore rents will be determined by HUD. Applicant's rents as shown are what was approved for Poesta Creek in 2016. Applicant has not projected an increase in the rents. Rents are 9.5% to 15% below market rents so there is room for growth to offset some feasibility risks.

Pro forma assumes 5% vacancy [permitted in developments with 100% project-based rental assistance per 2017 Multifamily Uniform Rules(\$10.302(d)(1)(C))].

Breakeven occupancy occurs with 6 units vacant (underwritten at 2).

High expense ratio of 66.3% is mitigated by the 1.35 DCR. Development is 100% Section 8 vouchers which allows them to be exempted from this feasibility rule for expense ratios above 65%.

There is not a change of ownership and the current owner has not paid any property taxes on this project, property taxes are not expected to be a risk for the property.

Loan from HUD will be cash flow only, if the loan were considered hard debt, then the DCR would deteriorate to 1.05 times.

Revisions to Rent Schedule:	0
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Revisions to Annual Operating Expenses:	0
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## DEVELOPMENT COST EVALUATION

### SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on PCA)

Acquisition	\$127,255/ac	\$28,344/unit	\$1,417,223	Contractor Fee	\$223,043
Off-site + Site Work		\$5,266/unit	\$263,300	Soft Cost + Financing	\$304,466
Building Cost	\$27.62/sf	\$26,597/unit	\$1,329,874	Developer Fee	\$70,000
Contingency	10.00%	\$3,186/unit	\$159,317	Reserves	\$131,468
<b>Total Development Cost</b>	\$77,974/unit		<b>\$3,898,691</b>	<b>Rehabilitation Cost</b>	<b>\$31,863/unit</b>

<b>Qualified for 30% Basis Boost?</b>	
---------------------------------------	--

**Acquisition:**

No transfer of ownership will take place. Acquisition cost is indicated to balance sources and uses and account for the value of the property represented by the existing debt.

Acquisition cost is a combination of the \$482K senior debt from Berkadia and a \$934K loan originally provided by HUD but assigned to the Applicant. The Applicant will pay off the Berkadia loan while the HUD loan will continue to be paid from available cash flow. Appraised value of \$2.77M for the development after rehab.

**Site Work:**

The PCA identifies site-related costs for parking and driveway repairs, utilities, bumpers & re-striping, landscaping, fencing, and trash collection facilities.

**Building Cost:**

Scope of rehab work will include, but not be limited to: replace vinyl siding, doors, windows, gutters, bathroom fixtures, appliances, lighting, countertops, and sinks, installing new dumpsters and picnic tables, repairing and replacing water cutoffs, insulation, and bathroom hardware, and other ADA accessibility modifications as needed.

PCA identified direct construction costs of \$1.32M supporting Applicant's figures.

### REHABILITATION COSTS / UNIT / % HARD COST

Site Work	\$186,800	\$3,736/unit	11%	Finishes/Fixtures	\$756,374	\$15,127/unit	43%
Building Shell	\$384,500	\$7,690/unit	22%	HVAC	\$119,000	\$2,380/unit	7%
Amenities	\$76,500	\$1,530/unit	4%	Appliances	\$70,000	\$1,400/unit	4%
<b>Total Exterior</b>	<b>\$647,800</b>	<b>\$12,956/unit</b>	<b>37%</b>	<b>Total Interior</b>	<b>\$945,374</b>	<b>\$18,907/unit</b>	<b>54%</b>

**Contingency:**

Applicant included a 10% construction contingency. \$79K of repayable developer fee is available for deferral as additional contingency for any cost overruns.

**Comments:**

Applicant's hard cost estimates confirmed by the PCA provider.

**Credit Allocation Supported by Costs:**

<b>Total Development Cost</b>	<b>Adjusted Eligible Cost</b>	<b>Credit Allocation Supported by Eligible Basis</b>
<b>\$3,898,691</b>	<b>\$2,350,000</b>	<b>\$0</b>

Revisions to Development Cost Schedule:	0
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## UNDERWRITTEN CAPITALIZATION

INTERIM SOURCES				
Funding Source	Description	Amount	Rate	LTC
TDHCA	(Repayable)	\$2,000,000	3.25%	67%
Prospera Housing	Conventional/FHA	\$371,012	5.50%	13%
Prospera Housing	Private Grant	\$161,285	0.00%	5%
City of Beeville 4B grant	Direct Loan Match	\$50,000	0.00%	2%
GNB, Inc. -Architect fee waiver	Direct Loan Match	\$50,000	0.00%	2%
Lucas & Associates, LP - Fee waiver	Direct Loan Match	\$50,000	0.00%	2%
TG 306, Inc - Rehab Cash	Rehab Cash	\$150,000	0.00%	5%
Replacement Cash	Escrow and RFR Cash	\$131,468	0.00%	4%
		<b>\$2,963,765</b>	<b>Total Sources</b>	

## PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
TDHCA	\$2,000,000	3.25%	30	30	\$2,000,000	3.25%	30	30	51%
Prospera Housing	\$371,012	5.50%	30	30	\$371,012	5.50%	30	30	10%
Prospera Housing	\$934,926	0.00%	0	0	\$934,926	0.00%	0	0	24%
City of Beeville 4B grant	\$50,000	1.00%	0	0	\$50,000	0.00%	0	0	1%
GNB, Inc. -Architect fee waiver	\$50,000	0.00%	0	0	\$50,000	0.00%	0	0	1%
Lucas & Associates, LP - Fee waiver	\$50,000	0.00%	0	0	\$50,000	0.00%	0	0	1%
TG 306, Inc - Rehab Cash	\$150,000	0.00%	0	0	\$150,000	0.00%	0	0	4%
TG 306, Inc. - Escrow and Reserves for Replacement Cash	\$131,468	0.00%	0	0	\$131,468	0.00%	0	0	3%
<b>Total</b>	<b>\$3,737,406</b>				<b>\$3,737,406</b>				

**Comments:**

Applicant originally owed a loan to themselves that was assigned by HUD for the amount of \$1,309,697. This is a cash flow loan and the current debt balance is \$934,926.

Applicant is paying off the current senior debt of \$482,297 and adding in \$50,000 in funding for the project for a total of \$532,297. Applicant will originate a loan of \$371,012 at 5.5% to themselves to achieve the 1.35 DCR and then donate \$161,285 in owner equity to match the total of \$532,297 in uses.

Equity & Deferred Fees	PROPOSED			UNDERWRITTEN			
	Amount	Rate	% Def	Amount	Rate	% TC	% Def
Prospera Housing	\$161,285			\$161,285		4%	
<b>Total</b>	<b>\$161,285</b>			<b>\$161,285</b>			
				<b>\$3,898,691</b>	<b>Total Sources</b>		

Revisions to Sources Schedule:	0
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## CONCLUSIONS

**Recommended Financing Structure:**

Gap Analysis:	
Total Development Cost	\$3,898,691
Permanent Sources	\$3,737,406
Gap in Permanent Financing	\$161,285

	Amount	Interest Rate	Amort	Term	Lien
<b>TDHCA Multifamily Direct Loan</b>	<b>\$2,000,000</b>	<b>3%</b>	<b>30</b>	<b>30</b>	<b>1</b>

Deferred Developer Fee	<b>\$0</b>	(% deferred)
Repayable in	N/A	

Comments:

The underwriting analysis supports the applicant's request for \$2,000,000 in Direct Loan Funds.

Underwriter:	<i>Duc Nguyen</i>
Reviewing Underwriter:	
Manager of Real Estate Analysis:	<i>Thomas Cavanagh</i>
Director of Real Estate Analysis:	<i>Brent Stewart</i>

UNIT MONTHLY RENT SCHEDULE

Poesta Creek, Beeville, MDL #17509

LOCATION DATA

City:	Beeville
County:	Bee
Area Median Income:	\$51,600
Population:	10

UNIT DISTRIBUTION

Eff	Unit	Total	Allocated	Rent/Income	Unit	Total
	-	0.0%	0	LH/50%	11	22.0%
1	4	8.0%	4	HH/60%	35	70.0%
2	26	52.0%	26	HH/80%	4	8.0%
3	20	40.0%	20			0.0%
4	-	0.0%	0			0.0%
<b>TOTAL</b>				<b>TOTAL</b>		

Applicable Program

Direct Loan

FORMA AMT

Revenue	2.00%
Expense	3.00%
Capital Adjust	130%
Allocation	100%
Acquisition	3.39%
Construction	3.39%
Average Unit	963 sf

UNIT MONTHLY RENT SCHEDULE

Type	TD Direct Loan Program		Rent Allocation		UNIT MI				ALLOA LORAM			ALLOA T				TD A				MART R		
	Type	Pro Rent	Type	Pro Rent	Unit	Eff	Att	RA	Pro Rent	Utilit Allo	Maxet Pro Rent	Delta to Max	Rent	Net Rent per Unit	Total Mont Rent	Total Mont Rent	Rent per Unit	Rent	Delta to Max	Underwritten	Net Anal	
TC 00%	LH/50%	\$508	Section 8	\$825	2	1	1	689	\$726	\$0	\$726	\$0	\$1.05	\$726			\$726	\$1.05	\$0	\$795	\$1.15	\$795
TC 00%	HH/60%	\$655	Section 8	\$825	1	1	1	680	\$726	\$0	\$726	\$0	\$1.07	\$726			\$726	\$1.07	\$0	\$795	\$1.17	\$795
TC 00%	HH/80%	\$655	Section 8	\$825	1	1	1	876	\$726	\$0	\$726	\$0	\$0.83	\$726			\$726	\$0.83	\$0	\$795	\$0.91	\$795
TC 00%	LH/50%	\$610	Section 8	\$960	1	2	1	954	\$835	\$0	\$835	\$0	\$0.88	\$835	8	8	\$835	\$0.88	\$0	\$925	\$0.97	\$925
TC 00%	LH/50%	\$610	Section 8	\$960	3	2	2	876	\$835	\$0	\$835	\$0	\$0.95	\$835			\$835	\$0.95	\$0	\$925	\$1.06	\$925
TC 00%	HH/60%	\$828	Section 8	\$960	20	2	2	876	\$835	\$0	\$835	\$0	\$0.95	\$835			\$835	\$0.95	\$0	\$925	\$1.06	\$925
TC 00%	HH/80%	\$828	Section 8	\$960	2	2	2	876	\$835	\$0	\$835	\$0	\$0.95	\$835			\$835	\$0.95	\$0	\$925	\$1.06	\$925
TC 00%	LH/50%	\$705	Section 8	\$1,149	1	3	2	1,400	\$1,004	\$0	\$1,004	\$0	\$0.72	\$1,004			\$1,004	\$0.72	\$0	\$1,165	\$0.83	\$1,165
TC 00%	LH/50%	\$705	Section 8	\$1,149	4	3	2	1,103	\$1,004	\$0	\$1,004	\$0	\$0.91	\$1,004			\$1,004	\$0.91	\$0	\$1,165	\$1.06	\$1,165
TC 00%	HH/60%	\$974	Section 8	\$1,149	14	3	2	1,103	\$1,004	\$0	\$1,004	\$0	\$0.91	\$1,004			\$1,004	\$0.91	\$0	\$1,165	\$1.06	\$1,165
TC 00%	HH/80%	\$974	Section 8	\$1,149	1	3	2	1,103	\$1,004	\$0	\$1,004	\$0	\$0.91	\$1,004			\$1,004	\$0.91	\$0	\$1,165	\$1.06	\$1,165
<b>TOTAL ARA:</b>								8						8			8					

ANNUAL TOTAL RENT:

8 8

**TA ILI D R O RMA**

**Poesta Creek, Beeville, MDL #17509**

TA ILI D R O RMA												
OM ARA L			A LI A T				TD A				A RIA	
Date	Other		Per Unit	Per Unit	Amount	Amount	Per Unit	Per Unit				
<b>TOTAL RO R T</b>			\$0.93	\$894	\$536,328	\$536,328	\$894	\$0.93			0.0%	\$0
tenant charges and fees				\$15.00	\$9,000							
				\$0.00	\$0							
				\$0.00	\$0							
Total Secondary Income				\$15.00	\$9,000	\$9,000	\$15.00				0.0%	\$0
<b>TOTAL RO I OM</b>					\$545,328	\$545,328					0.0%	\$0
Vacancy & Collection Loss				5.0% PGI	(27,266)	(27,266)	5.0% PGI				0.0%	-
Rental Concessions					-	-					0.0%	-
<b>TOTAL RO I OM</b>					\$518,062	\$518,062					0.0%	\$0

General & Administrative	\$23,752	\$475/Unit	35,120	\$702	5.33%	\$0.57	\$552	\$27,600	\$27,600	\$552	\$0.57	5.33%	0.0%	-
Management	\$28,629	6.9% EGI	31,107	\$622	5.83%	\$0.63	\$604	\$30,200	\$31,107	\$622	\$0.65	6.00%	-2.9%	(907)
Payroll & Payroll Tax	\$54,483	\$1,090/Unit	81,453	\$1,629	17.37%	\$1.87	\$1,800	\$90,000	\$90,000	\$1,800	\$1.87	17.37%	0.0%	-
Repairs & Maintenance	\$35,848	\$717/Unit	90,427	\$1,809	8.33%	\$0.90	\$863	\$43,140	\$35,000	\$700	\$0.73	6.76%	23.3%	8,140
Electric/Gas	\$16,778	\$336/Unit	9,556	\$191	1.56%	\$0.17	\$162	\$8,100	\$9,556	\$191	\$0.20	1.84%	-15.2%	(1,456)
Water, Sewer, & Trash	\$30,663	\$613/Unit	54,794	\$1,096	9.73%	\$1.05	\$1,008	\$50,400	\$54,794	\$1,096	\$1.14	10.58%	-8.0%	(4,394)
Property Insurance	\$23,029	\$0.48 /sf	51,203	\$1,024	9.27%	\$1.00	\$960	\$48,000	\$47,874	\$957	\$0.99	9.24%	0.3%	126
Property Tax (@ 0%)	\$22,998	\$460/Unit	-	\$0	0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements	\$22,765	\$455/Unit	-	\$0	6.55%	\$0.71	\$679	\$33,950	\$33,950	\$679	\$0.71	6.55%	0.0%	-
Supportive Services			-	\$0	1.93%	\$0.21	\$200	\$10,000	\$10,000	\$200	\$0.21	1.93%	0.0%	-
TDHCA LIHTC/HOME Compliance Fees			-	\$0	0.39%	\$0.04	\$40	\$2,000	\$1,700	\$34	\$0.04	0.33%	17.6%	300
<b>TOTAL</b>							<b>8</b>		<b>8</b>					<b>8</b>
<b>TOTAL RATIO I OM "OI"</b>									<b>8</b>					<b>8</b>

CONTROLLABLE EXPENSES		\$4,385/Unit		\$4,339/Unit	
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**APPLICATIO DEVELOPMENT OUTPOST ITMIDAIM**

Poesta Creek, Beeville, MDL #17509

**REDIT ALIATION OALIIDA**

	Applicant		TDIA	
	Acquisition	Construction Re-a-ilitation	Acquisition	Construction Re-a-ilitation
ADTTDA	\$0	\$2,350,000	\$0	\$2,350,000
Deduction of Federal Grants	\$0	\$0	\$0	\$0
<b>TOTAL ALIIDA</b>	\$0	\$2,350,000	\$0	\$2,350,000
High Cost Area Adjustment		130%		130%
<b>TOTAL ADTTDA</b>	\$0	\$3,055,000	\$0	\$3,055,000
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
<b>TOTAL ALIIDA</b>	\$0	\$3,055,000	\$0	\$3,055,000
Applicable Percentage	3.39%	3.39%	3.39%	3.39%
<b>ALALR DIT OAI</b>	\$0	\$103,565	\$0	\$103,565
<b>R DIT OALIIDA</b>		\$103,565		\$103,565


**Development Outpost**

	Applicant	TDIA
Acquisition Hard Cost	\$65.84	\$41.03
Hard Cost	\$36.40	\$41.03
Buildin Cost	\$27.62	\$27.62
<b>Total Point Claimed:</b>		0

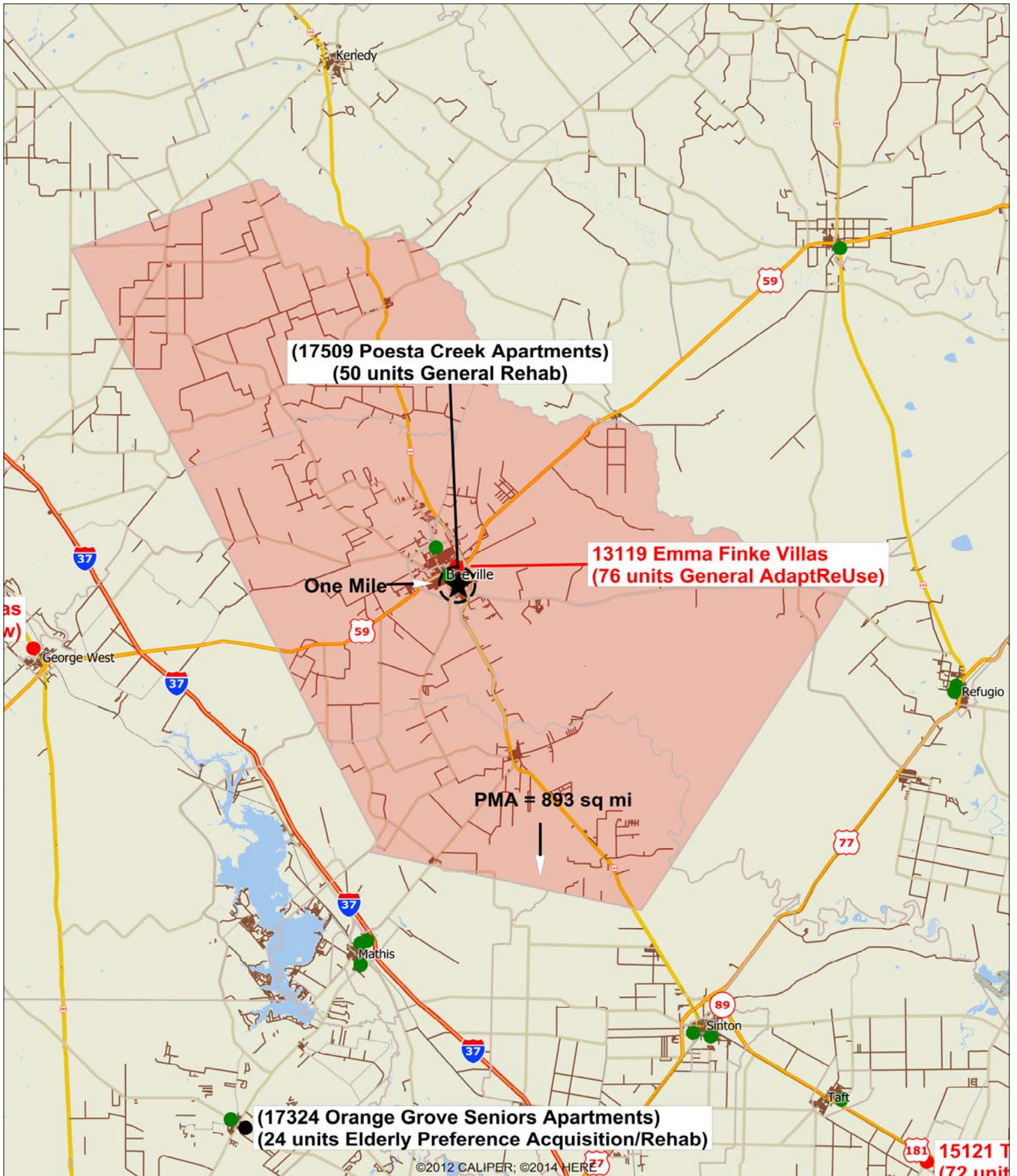
**Long Term Pro Forma**

**Poesta Creek, Beeville, MDL #17509**

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
EFFECTIVE GROSS INCOME	2.00%	\$518,062	\$528,423	\$538,991	\$549,771	\$560,767	\$619,132	\$683,571	\$754,718	\$833,270	\$919,997
TOTAL EXPENSES	3.00%	\$343,390	\$353,390	\$363,683	\$374,280	\$385,188	\$444,734	\$513,576	\$593,176	\$685,226	\$791,683
<b>TOTAL RATIO</b>				<b>8</b>			<b>8</b>			<b>8</b>	<b>8</b>
EXPENSE/INCOME RATIO		66.3%	66.9%	67.5%	68.1%	68.7%	71.8%	75.1%	78.6%	82.2%	86.1%
<b>MONTHLY ADJUSTMENTS</b>											
TDHCA		\$104,450	\$104,450	\$104,450	\$104,450	\$104,450	\$104,450	\$104,450	\$104,450	\$104,450	\$104,450
Prospera Housing		\$25,279	\$25,279	\$25,279	\$25,279	\$25,279	\$25,279	\$25,279	\$25,279	\$25,279	\$25,279
Adjustment to Debt Per §10.302(c)(2)											
TOTAL DEBT SERVICE		\$129,728	\$129,728	\$129,728	\$129,728	\$129,728	\$129,728	\$129,728	\$129,728	\$129,728	\$129,728
DEBT COVERAGE RATIO		1.35	1.35	1.35	1.35	1.35	1.34	1.31	1.25	1.14	0.99
<b>ANNUAL ADJUSTMENTS</b>											
Deferred Developer Fee Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>MONTHLY TOTAL ADJUSTMENTS</b>		\$44,943	\$90,248	\$135,828	\$181,591	\$227,442	\$454,293	\$665,876	\$843,655	\$964,469	\$999,615



# 17509 Poesta Creek Apartments PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.



**2017-1 Multifamily Direct Loan Program - Application Log - December 7, 2017**

Per 2017-1 Multifamily Direct Loan Notice of Funding Availability published in the Texas Register on 12/30/2016 and First, Second, Third, and Fourth Amendments to NOFA

The following data was compiled using information submitted by each applicant. While this data has been reviewed or verified by the Department, errors may still be present. Those reviewing the log are advised to use caution in reaching any definitive conclusions based on this information alone. Where Applications are layered with 9% or 4% Tax credits, the Applications are also subject to evaluation under the Department criteria for those fund sources. Applicants are encouraged to review 10 TAC §511.1(b) and 10.2(a) concerning Due Diligence and Applicant Responsibility, along with 10 TAC Subchapter C related to Application Submission Requirements, Ineligibility Criteria, Board Decisions and Waiver of Rules for Applications. This log will be updated periodically as staff completes application reviews and as more applications are received. The Multifamily Direct Loan Program - Application Log is presented for informational use only, and does not represent a conclusion or judgment by TDHCA, its staff or Board. Applicants that identify an error in the log should contact Andrew Sinnott at andrew.sinnott@tdhca.state.tx.us as soon as possible. Identification of an error early does not guarantee that the error can be addressed administratively.

Applications sorted by date received within set-aside.

TDHCA Application #	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17501	Live Oak Trails	Austin	Travis	7	NC	\$ 600,000	Supportive Housing	58	10	9%	1/9/2017	Recommended for TCAP RF award at 7/13/17 Board meeting
17502	Freedom's Path at Kerrville	Kerrville	Kerr	9	NC	\$ 300,000	Supportive Housing	49	13	9%	1/9/2017	To be recommended for award at 12/14/17 Board meeting
17423	Palladium Glenn Heights	Glenn Heights	Ellis	3	NC	\$ 800,000	General	270	7	4%	4/20/2017	Recommended for TCAP RF award at 9/7/17 Board meeting
17500	Works at Pleasant Valley Phase II	Austin	Travis	7	NC	\$ 1,500,000	Supportive Housing	12	29		7/13/2017	To be recommended for award at 12/14/17 Board meeting
17028	The Vineyard on Lancaster	Fort Worth	Tarrant	3	NC	\$ 1,100,000	Supportive Housing	104	0	9%	10/27/2017	Previously received 9% HTC allocation at 7/27/17 Board meeting
17511	AHA! at Briarcliff	Austin	Travis	7	NC	\$ 1,296,926	General	27	10		10/27/2017	
17445	The Nightingale at Goodnight Ranch	Austin	Travis	7	NC	\$ 1,500,000	Elderly Preference	174	16	4%	10/27/2017	
17512	Housing First Oak Springs	Austin	Travis	7	NC	\$ -	Supportive Housing	50	50	4%	10/31/2017	Withdrawn
<b>Total Amount Requested Under SH/SR Set Aside</b>						<b>\$ 7,096,926</b>	<b>Total Units</b>	<b>744</b>	<b>135</b>			
<b>Total Amount Awarded Under SH/SR Set Aside (TCAP RF)</b>						<b>\$ 1,400,000</b>	<b>Total Units</b>	<b>328</b>	<b>17</b>			
<b>Total Amount Remaining Under SH/SR Set Aside (TCAP RF)</b>						<b>\$ 2,600,000</b>						
<b>Total Amount Remaining Under SH/SR Set Aside (NHTF)</b>						<b>\$ 4,310,529</b>						

TCAP RF \$4,000,000  
NHTF \$4,310,529  
Total Set Aside Funding Level: **\$8,310,529**

**CHDO (HOME funds only)**

TDHCA#	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17505	Merritt Monument	Midland	Midland	12	NC	\$ -	General	104	34	9%	3/30/2017	Withdrawn
17504	Merritt Heritage	Georgetown	Williamson	7	NC	\$ -	Elderly Limitation	244	34	9%	3/30/2017	Withdrawn
17509	Poesta Creek Apartments	Beeville	Bee	10	R	\$ 2,000,000	General	50	50		3/31/2017	To be recommended for award at 12/14/17 Board meeting
17738	Las Casitas De Azucar	Santa Rosa	Cameron	11	NC	\$ -	General	50	27	9%	4/3/2017	Withdrawn
17165	Merritt Headwaters	Dripping Springs	Hays	7	NC	\$ -	General	80	20	9%	4/3/2017	Terminated
17508	Casitas San Miguel	San Elizario	El Paso	13	NC	\$ -	General	24	24		4/12/2017	Withdrawn
17510	Brook Haven Supportive Housing	Rockdale	Milam	8	NC	\$ 2,500,000	Supportive Housing	30	30		7/7/2017	
17436	Boyce Lane Apartment Homes	Austin ETJ	Travis	7	NC	\$ -	General	280	42	4%	10/25/2017	Withdrawn
<b>Total Amount Requested Under CHDO Set Aside</b>						<b>\$ 4,500,000</b>	<b>Total Units</b>	<b>862</b>	<b>261</b>			
<b>Total Amount Awarded Under CHDO Set Aside</b>						<b>\$ -</b>	<b>Total Units</b>	<b>0</b>	<b>0</b>			
<b>Total Amount Remaining Under CHDO Set Aside</b>						<b>\$ 4,723,589</b>						

Total Set Aside Funding Level: **\$4,723,589**

HOME (available in non-PJs) \$6,240,000  
NSP1 PI (available statewide) \$7,000,000  
TCAP RF (available statewide) \$10,799,235

**General**

TDHCA#	Property Name	Property City	Property County	Region	Housing Activity <sup>1</sup>	Multifamily Direct Loan Request/Award	Target Population	Total Units	MF Direct Loan Units	Layering <sup>2</sup>	Date Received <sup>3</sup>	Comments
17503	The Reserve at Dry Creek	Hewitt	McLennan	8	NC	\$ 1,450,000	Elderly Limitation	113	12	9%	1/9/2017	Recommended for HOME award at 5/25/17 Board meeting
17402	Harris Ridge Apartments	Austin	Travis	7	NC	\$ 3,000,000	General	324	50	4%	1/9/2017	Recommended for TCAP RF award at 5/25/17 Board meeting
17403	Lord Road Apartments	San Antonio	Bexar	9	NC	\$ -	General	324	50	4%	1/9/2017	Terminated
17404	Commons at Goodnight	Austin	Travis	7	NC	\$ 3,000,000	General	304	23	4%	2/3/2017	To be recommended for award at 12/14/17 Board meeting
17405	Bridge at Cameron	Austin	Travis	7	NC	\$ 2,590,000	General	263	22	4%	2/3/2017	Recommended for TCAP RF award at 10/12/17 Board meeting
17409	Bridge at Canyon View	Austin	Travis	7	NC	\$ 2,900,000	General	264	21	4%	3/7/2017	Previously submitted application for 4% HTC/Bonds under app. 16449

Total General Set Aside Funding Level: **\$24,039,235**

17401	Primrose Village	Weslaco	Hidalgo	11	NC	\$ 1,100,000	General	242	21	4%	3/10/2017	Recommended for NSP1 PI award at 10/12/17 Board meeting
17507	Easterling Culeba Apartments	San Antonio	Bexar	9	NC	\$ -	General	90	50	9%	3/23/2017	Withdrawn
17506	Tuscany Park at Arcola	Arcola	Fort Bend	6	NC	\$ 2,020,000	General	96	50	9%	3/24/2017	Recommended for TCAP RF award at 10/12/17 Board meeting
17107	The Residence at Wolfforth	Wolfforth	Lubbock	1	NC	\$ 500,000	Elderly Limitation	49	6	9%	4/3/2017	Returned HOME award after being recommended for award 7/27/17
17273	The Residence at Lamar	Wichita Falls	Wichita	2	ADR	\$ 950,000	Elderly Limitation	30	9	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17281	The Residence at Arbor Grove	Arlington	Tarrant	3	NC	\$ 1,250,000	Elderly Limitation	126	11	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17012	Secretariat Apartments	Arlington	Tarrant	3	NC	\$ 3,000,000	Elderly Limitation	74	50	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17076	Sphinx at Throckmorton Villas	McKinney	Collin	3	NC	\$ -	General	124	21	9%	4/3/2017	Terminated
17372	Sunset Trails	Bullard	Cherokee	4	NC	\$ 740,000	Elderly Limitation	48	7	9%	4/3/2017	Not recommended for 9% HTC
17208	Waverly Village	New Waverly	Walker	6	R	\$ 300,000	General	50	5	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17007	Magnolia Station	Winnie	Chambers	6	NC	\$ 1,220,000	General	44	11	9%	4/3/2017	Not recommended for 9% HTC
17204	Vista Bella	Lago Vista	Travis	7	NC	\$ 1,935,000	General	72	40	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17179	The Nightingale at Goodnight Ranch	Austin	Travis	7	NC	\$ -	Elderly Limitation	174	54	9%	4/3/2017	Withdrawn and resubmitted as 4%/ Direct Loan application (17445)
17205	Travis Flats	Austin	Travis	7	NC	\$ 3,000,000	General	146	53	9%	4/3/2017	Not recommended for 9% HTC
17290	Golden Trails	West	McLennan	8	NC	\$ 2,055,000	Elderly Limitation	45	17	9%	4/3/2017	Recommended for HOME award at 7/27/17 Board meeting
17013	Rio Lofts	San Antonio	Bexar	9	NC	\$ 3,000,000	General	81	50	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17026	10715 Bandera Apartments	San Antonio	Bexar	9	NC	\$ -	General	84	50	9%	4/3/2017	Withdrawn
17042	Huntington at Paseo de la Resaca	Brownsville	Cameron	11	NC	\$ 2,500,000	Elderly Limitation	132	42	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17094	Catalon at Paseo de la Resaca	Brownsville	Cameron	11	NC	\$ 2,500,000	General	128	42	9%	4/3/2017	Recommended for 9% HTC without Direct Loan funds
17258	Village at Henderson	Corpus Christi	Nueces	10	NC	\$ 1,000,000	General	88	8	9%	4/3/2017	CHDO Set Aside requested
17069	Arlinda Gardens Supportive Housing	Bryan	Brazos	8	NC	\$ -	Supportive Housing	100	30	9%	4/3/2017	Terminated
17416	Manchaca Commons	Austin	Travis	7	NC	\$ 3,000,000	General	240	20	4%	4/4/2017	
<b>Total Amount Requested Under General Set Aside: Development Sites in non-PJs</b>						\$ 8,200,000	<b>Total Units</b>	545	119			
<b>Total Amount Requested Under General Set Aside: Development Sites in PJs</b>						\$ 34,810,000	<b>Total Units</b>	3,310	706			
<b>Total Amount Requested Under General Set Aside: TOTAL</b>						\$ 43,010,000	<b>Total Units</b>	3,855	825			
<b>Total Amount Awarded Under General Set Aside (HOME)</b>						\$ 5,740,000	<b>Total Units</b>	280	74			
<b>Total Amount Awarded Under General Set Aside (TCAP RF)</b>						\$ 7,610,000	<b>Total Units</b>	683	122			
<b>Total Amount Awarded Under General Set Aside (NSP1 PI)</b>						\$ 1,100,000	<b>Total Units</b>	242	21			
<b>Total Amount Remaining Under General Set Aside (HOME)</b>						\$ 500,000						
<b>Total Amount Remaining Under General Set Aside (TCAP RF)</b>						\$ 3,189,235						
<b>Total Amount Remaining Under General Set Aside (NSP1 PI)</b>						\$ 5,900,000						

1 = Housing Activity: New Construction=NC, Rehabilitation=R, ADR = Adaptive Reuse

2 = Layering of Other Department Funds: 9%+9% Competitive Tax Credits, 4%+4% Tax Credit Program

3 = Date Received: The date that the application, all required 3rd Party Reports, Application Fees (if applicable), and Certificate of Reservation (if applicable) were received.