

**Real Estate Analysis Division**

April 18, 2025

Addendum to Underwriting ReportTDHCA Application #: **18441**Program(s): **4% HTC****Lakeway Apartment Homes**Address/Location: FM 620 at Storm DriveCity: AustinCounty: TravisZip: 78734

	APPLICATION HISTORY
Report Date	PURPOSE
04/18/25	Amendment
11/29/18	Original Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (4% Credit)	\$1,196,981				\$2,994,778				

CONDITIONS STATUS

- Receipt and acceptance before Determination Notice:
- An updated letter from IBC clearly stating the amount and terms of the new Permanent bonds

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	27
60% of AMI	60% of AMI	153

ANALYSIS

18441 Lakeway received a \$1.2M LIHTC award from TDHCA in November 2018. Applicant has applied and received an allocation of tax-exempt volume cap in 2025. The cap is allocated under Priority 1B, which requires a change in income and rent targeting from 100% at 60% AMI to 85% at 60% AMI and 15% at 30% AMI. The applicant has submitted an amendment request to modify the income and rent targeting accordingly. Additionally, with the amendment request, Applicant has submitted \$33M in increased development costs and is requesting \$1.8M in additional 4% Housing Tax Credits.

Operating Pro Forma

27 of the 180 total units are being set aside at a 30% AMI level. Although these units have lower rent and income limits, the change from the initial underwriting using 2019 program rents to 2024 program rents increased overall income by \$783K(28%). Expenses increased by \$183K(20%) primarily due to a \$126K increase in insurance expense. The TDHCA Pro Forma was underwritten due to \$60K in variances including a \$34K difference in estimated General & Administrative costs and \$28K variance in estimated Repairs & Maintenance costs.

The 15-year residual cash flow is \$1.15M after deferred developer fee is paid off in year 14.

Development Cost

The Total Housing Development Cost has increased from \$30M to \$63M. TDHCA's estimated development costs were calculated based on the schedule of values in the Contractor's Application for Payment submitted 2/25/2025. TDHCA's total development cost estimate varied 1.8% from Applicant's budget, so Applicant's costs were used in the analysis.

Highlights of the applicant's costs are:

- Total Financing costs increased over \$5.4M
- Total Developer Fees increased from \$3.4M to \$7.3M
- Total Soft Costs increased from \$1.8M to \$5.3M with Impact Fees increasing 1666% to \$2.5M

Sources of Funds

Applicant applied for an increased allocation of tax exempt volume cap increasing the bond amount by \$9.5M to \$29M. Lenders and Equity providers remain unchanged. The interest rate decreased from 5.25% to 4.5% since the first underwriting report was issued in 2018

Underwriter is recommending the following adjustments to Eligible Basis:

- \$555K in financing costs
- \$86K in developer's fee

Eligible financing cost was limited to two years of interim construction interest per REA rules. The developer's fee was limited to 15%. These changes result in an overall annual tax credit allocation reduction of \$33,307. Sources from equity proceeds are adjusted \$1.2M, assuming a \$0.95 credit price. The adjustment increases the deferred developer fee which can still be paid in Year 14.

Underwriter recommends Applicant's request to change the Set Asides for the LIHTC income and rent limits from 100% at 60% of AMI to 85% at 60% AMI and 15% at 30% AMI.

The underwriter recommends an annual tax credit allocation of \$2,994,778 as determined by eligible basis

Underwriter:	<u>Beau Fannon</u>
Manager of Real Estate Analysis:	<u>Diamond Unique Thompson</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE									
Lakeway Apartment Homes, Austin, 4% HTC #18441									

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
Area Median Income	\$126,000
PROGRAM REGION:	7

UNIT DISTRIBUTION							
# Beds	# Units	% Total	Assisted	MDL	Income	# Units	% Total
Eff	43	23.9%	0	0	30%	27	15.0%
1	94	52.2%	0	0	40%	-	0.0%
2	30	16.7%	0	0	50%	-	0.0%
3	13	7.2%	0	0	60%	153	85.0%
4	-	0.0%	0	0	MR	-	0.0%
TOTAL	180	100.0%	-	-	TOTAL	180	100.0%

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	4.00%
Average Unit Size	785 sf

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 30%	\$661	6	0	1	560	\$661	\$42	\$619	\$0	\$1.11	\$619	\$3,714	\$3,714	\$619	\$1.11	\$0	\$1,323	\$2.36	\$1,323
TC 60%	\$1,323	37	0	1	560	\$1,323	\$42	\$1,281	\$0	\$2.29	\$1,281	\$47,397	\$47,397	\$1,281	\$2.29	\$0	\$1,323	\$2.36	\$1,323
TC 30%	\$708	14	1	1	725	\$708	\$56	\$652	\$0	\$0.90	\$652	\$9,128	\$9,128	\$652	\$0.90	\$0	\$1,417	\$1.95	\$1,417
TC 60%	\$1,417	80	1	1	725	\$1,417	\$56	\$1,361	\$0	\$1.88	\$1,361	\$108,880	\$108,880	\$1,361	\$1.88	\$0	\$1,417	\$1.95	\$1,417
TC 30%	\$850	5	2	2	1,080	\$850	\$71	\$779	\$0	\$0.72	\$779	\$3,895	\$3,895	\$779	\$0.72	\$0	\$1,701	\$1.58	\$1,701
TC 60%	\$1,701	25	2	2	1,080	\$1,701	\$71	\$1,630	\$0	\$1.51	\$1,630	\$40,750	\$40,750	\$1,630	\$1.51	\$0	\$1,701	\$1.58	\$1,701
TC 30%	\$982	2	3	2	1,281	\$982	\$88	\$894	\$0	\$0.70	\$894	\$1,788	\$1,788	\$894	\$0.70	\$0	\$1,965	\$1.53	\$1,965
TC 60%	\$1,965	11	3	2	1,281	\$1,965	\$88	\$1,877	\$0	\$1.47	\$1,877	\$20,647	\$20,647	\$1,877	\$1.47	\$0	\$1,965	\$1.53	\$1,965
TOTALS/AVERAGES:		180			141,283				\$0	\$1.67	\$1,312	\$236,199	\$236,199	\$1,312	\$1.67	\$0	\$1,481	\$1.89	\$1,481

ANNUAL POTENTIAL GROSS RENT:	\$2,834,388	\$2,834,388	
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STABILIZED PRO FORMA
Lakeway Apartment Homes, Austin, 4% HTC #18441

STABILIZED FIRST YEAR PRO FORMA															
COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
Database		Other		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$1.67	\$1,312	\$2,834,388	\$2,050,860	\$2,050,860	\$2,834,388	\$1,312	\$1.67		0.0%	\$0
pet fees, late fees, nsf, parking fines						\$15.00	\$32,400	54,000							
0						\$15.00	\$32,400	0							
0						\$0.00	\$0	0							
Total Secondary Income						\$30.00			43,200	\$64,800	\$30.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$2,899,188	\$2,104,860	\$2,094,060	\$2,899,188				0.0%	\$0
Vacancy & Collection Loss						7.5% PGI	(217,439)	(157,865)	(157,055)	(217,439)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME							\$2,681,749	\$1,946,996	\$1,937,006	\$2,681,749				0.0%	\$0

General & Administrative	\$72,101	\$401/Unit	\$84,345	\$469	1.40%	\$0.27	\$208	\$37,500	\$44,950	\$66,600	\$72,101	\$401	\$0.51	2.69%	-48.0%	(34,601)
Management	\$77,243	4.0% EGI	\$97,457	\$541	3.50%	\$0.66	\$521	\$93,861	\$79,143	\$77,480	\$93,861	\$521	\$0.66	3.50%	0.0%	-
Payroll & Payroll Tax	\$236,253	\$1,313/Unit	\$262,331	\$1,457	7.77%	\$1.47	\$1,157	\$208,250	\$214,200	\$214,200	\$208,250	\$1,157	\$1.47	7.77%	0.0%	-
Repairs & Maintenance	\$121,786	\$677/Unit	\$322,948	\$1,794	3.34%	\$0.63	\$497	\$89,500	\$69,500	\$108,000	\$117,000	\$650	\$0.83	4.36%	-23.5%	(27,500)
Electric/Gas	\$44,214	\$246/Unit	\$24,898	\$138	0.67%	\$0.13	\$100	\$18,000	\$24,000	\$33,255	\$24,898	\$138	\$0.18	0.93%	-27.7%	(6,898)
Water, Sewer, & Trash	\$145,064	\$806/Unit	\$259,650	\$1,442	5.41%	\$1.03	\$806	\$145,000	\$145,200	\$145,064	\$145,064	\$806	\$1.03	5.41%	0.0%	(64)
Property Insurance	\$52,608	\$0.37 /sf	\$88,968	\$494	6.71%	\$1.27	\$1,000	\$180,000	\$54,000	\$52,608	\$180,000	\$1,000	\$1.27	6.71%	0.0%	-
Property Tax (@ 0%) 2.0438	\$126,661	\$704/Unit	\$31,205	\$173	0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements	\$64,375	\$358/Unit	\$57,246	\$318	2.01%	\$0.38	\$300	\$54,000	\$45,000	\$45,000	\$45,000	\$250	\$0.32	1.68%	20.0%	9,000
TDHCA LIHTC/HOME Compliance Fees			-	\$0	0.27%	\$0.05	\$40	\$7,200	\$7,200	\$7,200	\$7,200	\$40	\$0.05	0.27%	0.0%	-
Trustee Fee			-	\$0	0.19%	\$0.04	\$28	\$5,000	\$7,500	\$7,500	\$5,000	\$28	\$0.04	0.19%	0.0%	-
TOTAL EXPENSES					31.26%	\$5.93	\$4,657	\$ 838,311	\$694,219	\$760,433	\$898,374	\$4,991	\$6.36	33.50%	-6.7%	\$ (60,063)
NET OPERATING INCOME ("NOI")					68.74%	\$13.05	\$10,241	\$1,843,438	\$1,252,777	\$1,176,572	\$1,783,375	\$9,908	\$12.62	66.50%	3.4%	\$ 60,063

CONTROLLABLE EXPENSES							\$2,768/Unit				\$3,152/Unit	
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Lakeway Apartment Homes, Austin, 4% HTC #18441

		DEBT / GRANT SOURCES															
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
											Cumulative DCR		Pmt	Rate	Amort	Term	Principal
DEBT (Must Pay)	Fee	UW	App	Applicant	TDHCA	DCR	LTC										
IBC	0.00%	1.13	1.17	1,575,951	4.50%	40	15	\$29,000,000	\$18,600,000	\$18,600,000	\$29,000,000	15	40	4.50%	\$1,564,479	1.14	45.9%
Adjustment to Debt Per §10.302(c)(2)										(\$1,511,000)	(\$200,000)	15	40	4.50%	(\$10,790)	1.15	-0.3%
				\$1,575,951	TOTAL DEBT / GRANT SOURCES			\$29,000,000			\$28,800,000	TOTAL DEBT SERVICE			\$1,553,689	1.15	45.6%
NET CASH FLOW		\$207,424	\$267,487	TDHCA NET OPERATING INCOME \$1,783,375 \$229,686 NET CASH FLOW													

EQUITY / DEFERRED FEES	EQUITY SOURCES												
	APPLICANT'S PROPOSED EQUITY STRUCTURE							AS UNDERWRITTEN EQUITY STRUCTURE					
	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
Applicant						TDHCA							
42 Equity Partners	LIHTC Equity	45.6%	\$3,028,085	0.95	\$28,766,085	\$10,966,518	\$10,762,054	\$28,449,583	\$0.9500	\$2,994,778	45.1%	\$16,638	Eligible Basis
RRC Development DDF Note	Deferred Developer Fees	7.0%	(58% Deferred)		\$4,405,594	\$0	\$2,575,599	\$5,870,552	(77% Deferred)		9.3%	Total Developer Fee: \$7,595,235	
Additional (Excess) Funds Req'd		0.0%					\$0	\$0			0.0%		
TOTAL EQUITY SOURCES		52.6%			\$33,171,679	\$10,966,518	\$13,337,653	\$34,320,135			54.4%		
TOTAL CAPITALIZATION					\$62,171,679	\$29,566,518	\$30,426,653	\$63,120,135			15-Yr Cash Flow after Deferred Fee:		\$632,467

DEVELOPMENT COST / ITEMIZED BASIS													
APPLICANT COST / BASIS ITEMS							TDHCA COST / BASIS ITEMS					COST VARIANCE	
Eligible Basis					Prior Underwriting					Eligible Basis			
Acquisition	New Const. Rehab				Applicant	TDHCA				New Const. Rehab	Acquisition		
Total Costs							Total Costs					%	\$
Land Acquisition				\$12,222 / Unit	\$2,200,000	\$1,875,000	\$1,875,000	\$2,200,000	\$12,222 / Unit			0.0%	\$0
Building Acquisition	\$0			\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit		\$0	0.0%	\$0
Closing costs & acq. legal fees					\$75,000	\$135,000	\$135,000	\$75,000					\$0
Site Work		\$3,750,000		\$20,833 / Unit	\$3,750,000	\$2,700,000	\$2,700,000	\$5,241,878	\$29,122 / Unit	\$3,750,000		-28.5%	(\$1,491,878)
Site Amenities		\$985,000		\$5,472 / Unit	\$985,000	\$1,125,000	\$1,125,000	\$1,058,919	\$5,883 / Unit	\$985,000		-7.0%	(\$73,919)
Building Cost		\$28,900,000	\$204.55 /sf	\$160,556/Unit	\$28,900,000	\$12,090,750	\$11,995,174	\$26,548,624	\$147,492/Unit	\$187.91 /sf	\$26,548,624	8.9%	\$2,351,376
Contingency		\$0	0.00%	0.00%	\$0	\$795,788	\$795,788	\$0	0.00%	0.00%	\$0	0.0%	\$0
Contractor Fees		\$4,708,900	14.00%	14.00%	\$4,708,900	\$2,339,615	\$2,326,235	\$4,598,919	14.00%	14.00%	\$4,379,707	2.4%	\$109,981
Soft Costs	0	\$5,281,000		\$29,478 / Unit	\$5,306,000	\$1,805,000	\$1,805,000	\$5,306,000	\$29,478 / Unit	\$5,281,000	\$0	0.0%	\$0
Financing	0	\$7,010,000		\$49,722 / Unit	\$8,950,000	\$3,560,000	\$3,560,000	\$8,950,000	\$49,722 / Unit	\$6,455,000	\$0	0.0%	\$0
Developer Fee	\$0	\$7,597,500	15.00%	15.00%	\$7,597,500	\$3,500,500	\$3,485,204	\$7,344,769	15.00%	15.00%	\$7,109,900	3.4%	\$252,731
Reserves				\$3,611 / Unit	\$650,000	\$500,000	\$500,000	\$650,000	\$3,611 / Unit			0.0%	\$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	\$0	\$58,232,400		\$350,680 / Unit	\$63,122,400	\$30,426,653	\$30,302,400	\$61,974,110	\$344,301 / Unit	\$54,509,232	\$0	1.9%	\$1,148,290
Acquisition Cost	\$0				\$0	\$0							
Contingency		\$0			\$0	\$0							
Contractor's Fee		\$0			\$0	\$0							
Financing Cost		(\$555,000)											
Developer Fee	\$0	(\$85,515)			(\$2,265)	\$0							
Reserves					\$0	\$0							
ADJUSTED BASIS / COST	\$0	\$57,591,885		\$350,667/unit	\$63,120,135	\$30,426,653	\$30,302,400	\$61,974,110	\$344,301/unit	\$54,509,232	\$0	1.8%	\$1,146,025
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):					\$63,120,135								

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Lakeway Apartment Homes, Austin, 4% HTC #18441

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$0	\$57,591,885	\$0	\$54,509,232
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$57,591,885	\$0	\$54,509,232
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$74,869,451	\$0	\$70,862,001
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$0	\$74,869,451	\$0	\$70,862,001
Applicable Percentage	4.00%	4.00%	4.00%	4.00%
ANNUAL CREDIT ON BASIS	\$0	\$2,994,778	\$0	\$2,834,480
CREDITS ON QUALIFIED BASIS	\$2,994,778		\$2,834,480	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price \$0.9500	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	\$2,994,778	\$28,449,583	\$2,994,778	(\$33,307)	(\$316,407)
Needed to Fill Gap	\$3,612,748	\$34,320,135	----	----	----
Applicant Request	\$3,028,085	\$28,765,990	----	----	----

50% Test for Bond Financing for 4% Tax Credits					
Tax-Exempt Bond Amount	\$40,000,000		Percent Financed by Tax-Exempt Bonds	Applicant	TDHCA
Aggregate Basis Limit for 50% Test	\$80,000,000			75.7%	77.8%
	Applicant	TDHCA			
Land Cost	\$2,200,000	\$2,200,000	amount aggregate basis can increase before 50% test fails	\$27,140,100	\$28,590,660
Depreciable Bldg Cost	\$50,659,900	\$49,209,340		51.3%	55.6%
Aggregate Basis for 50% Test	\$52,859,900	\$51,409,340			

BUILDING COST ESTIMATE					
CATEGORY		FACTOR	UNITS/SF	PER SF	
Base Cost:	Garden (Up to 4-story)		141,283 SF	\$71.58	10,113,713
Adjustments					
Exterior Wall Finish		2.63%		1.88	\$265,872
Elderly		0.00%		0.00	0
9-Ft. Ceilings		3.33%		2.38	336,645
Roof Adjustment(s)				1.27	180,000
Subfloor				0.20	28,640
Floor Cover				2.56	361,684
Enclosed Corridors		\$54.23	18,305	7.03	992,768
Balconies		\$28.59	18,833	3.81	538,360
Plumbing Fixtures		\$1,020	129	0.93	131,580
Rough-ins		\$500	360	1.27	180,000
Built-In Appliances		\$1,730	180	2.20	311,400
Exterior Stairs		\$2,280	29	0.47	66,120
Heating/Cooling				2.21	312,235
Storage Space		\$54.23	0	0.00	0
Carports		\$12.25	43,200	3.75	529,200
Garages			0	0.00	0
Comm &/or Aux Bldgs		\$79.26	10,753	6.03	852,282
Elevators		\$109,380	5	3.87	546,900
Other:		\$0		0.00	0
Fire Sprinklers		\$2.59	170,341	3.12	441,183
SUBTOTAL				114.58	16,188,583
Current Cost Multiplier		1.01		1.15	161,886
Local Multiplier		0.86		(16.04)	(2,266,402)
TOTAL BUILDING COSTS				99.69	\$14,084,067
Plans, specs, survey, bldg permits		3.30%		(3.29)	(\$464,774)
Contractor's OH & Profit		11.50%		(11.46)	(1,619,668)
NET BUILDING COSTS			\$66,665/unit	\$84.93/sf	\$11,999,625

Long-Term Pro Forma

Lakeway Apartment Homes, Austin, 4% HTC #18441

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$2,681,749	\$2,735,384	\$2,790,092	\$2,845,893	\$2,902,811	\$3,204,938	\$3,538,511	\$3,906,802	\$4,313,425	\$4,762,370	\$5,258,046	\$5,805,312
TOTAL EXPENSES	3.00%	\$898,374	\$924,236	\$950,856	\$978,255	\$1,006,457	\$1,160,355	\$1,338,182	\$1,543,688	\$1,781,214	\$2,055,787	\$2,373,224	\$2,740,264
NET OPERATING INCOME ("NOI")		\$1,783,375	\$1,811,148	\$1,839,236	\$1,867,638	\$1,896,355	\$2,044,583	\$2,200,328	\$2,363,114	\$2,532,211	\$2,706,583	\$2,884,822	\$3,065,048
EXPENSE/INCOME RATIO		33.5%	33.8%	34.1%	34.4%	34.7%	36.2%	37.8%	39.5%	41.3%	43.2%	45.1%	47.2%
MUST -PAY DEBT SERVICE													
TOTAL DEBT SERVICE		\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689	\$1,553,689
DEBT COVERAGE RATIO		1.15	1.17	1.18	1.20	1.22	1.32	1.42	1.52	1.63	1.74	1.86	1.97
ANNUAL CASH FLOW		\$229,686	\$257,458	\$285,546	\$313,949	\$342,665	\$490,894	\$646,639	\$809,425	\$978,522	\$1,152,894	\$1,331,133	\$1,511,359
Deferred Developer Fee Balance		\$5,640,866	\$5,383,408	\$5,097,861	\$4,783,912	\$4,441,247	\$2,286,310	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$632,467	\$4,351,329	\$8,903,400	\$14,317,267	\$20,615,245	\$27,811,234