



Addendum to Underwriting Report

TDHCA Application #: 22039_23804 Program(s): 9% HTC

Avanti Legacy Rosewood

Address/Location: SWQ of International Blvd. & Springfield Ave.

City: Laredo County: Webb Zip: 78045

APPLICATION HISTORY	
Report Date	PURPOSE
03/26/24	Amendment
08/05/22	Original Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$2,000,000				\$2,000,000				

CONDITIONS STATUS

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 HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	9
50% of AMI	50% of AMI	18
60% of AMI	60% of AMI	59

ANALYSIS

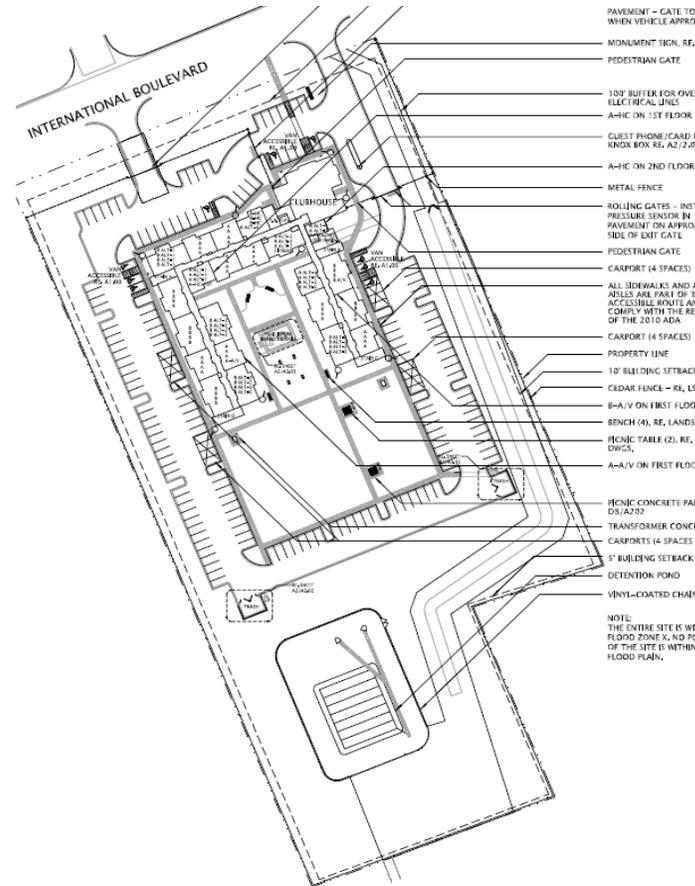
The Applicant received a 9% tax credit allocation of \$2M in August 2022. Due to increasing construction costs, interest rates, and new debt reserves, the total deal costs have increased to well over underwriting. Because of these increases, the deal will no longer be feasible without a modification to the structure. The Applicant is also requesting to add the City of Laredo as a General Partner of the Application, which will be included in the same Board action as these changes.

The Applicant is requesting a material amendment to remove the three market rate units and 10 affordable units, reducing the total number of units from 99 to 86. The overall building design has also been modified, leading to a change in unit sizes. Removing these units will lower development costs and make the deal feasible once again.

Original Site Plan



Updated Site Plan



Operating Pro Forma

Rents have been updated to 2023 Program Rents.

From the previous application, total income has decreased by \$5,883 and expenses by \$50,941, while NOI has increased by \$45K. The Applicant's insurance expenses have doubled.

Without the 100% property tax exemption achieved through the City of Laredo's participation in the General Partnership, which is still pending Board approval, the deal becomes infeasible.

Development Cost

Building costs have increased by \$664K, while site work and site amenities have decreased by \$287K and \$650K. Total development costs have decreased by \$1.34M.

The pool has been removed from the development plan.

Underwriter has included base cost increases to account for the specific development parameters.

Sources of Funds

Regions is no longer providing debt or equity to the development. There will be two conventional loans; one by Churchill Stateside Group for \$16,391,000 at 7.15% interest rate during the construction period and a 6.65% interest rate during the 18 year, 35-year amortization permanent period. The second loan will be provided by Raza Development Funds and will be for \$337,500 with a 4% interest rate and an 18 year, 40-year amortization during the permanent period.

RBC Capital Markets will now be providing the equity. They will be contributing \$16,998,300 and will be purchasing credits at \$0.85.

Raza Development Fund will also be providing a \$500K grant to the project.
The deferred developer fee has increased by \$108K.

The current underwriting analysis continues to support the originally recommended annual tax credit allocation of \$2,000,000.

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

UNIT MIX/RENT SCHEDULE
Avanti Legacy Rosewood, Laredo, 9% HTC #22039

LOCATION DATA	
CITY:	Laredo
COUNTY:	Webb
Area Median Income	\$62,200
PROGRAM REGION:	11
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	40	46.5%	0	0
2	46	53.5%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	86	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	811 sf

55%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	9	-	18	59	-	-	-	86
Income	% Total	0.0%	10.5%	0.0%	20.9%	68.6%	0.0%	0.0%	0.0%	100.0%

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%	\$405	3	1	1	668	\$405	\$75	\$330	\$0	\$0.49	\$330	\$990	\$990	\$330	\$0.49	\$0	\$1,042	\$1.56	\$1,042
TC 50%	\$676	9	1	1	668	\$676	\$75	\$601	\$0	\$0.90	\$601	\$5,409	\$5,409	\$601	\$0.90	\$0	\$1,042	\$1.56	\$1,042
TC 60%	\$811	20	1	1	668	\$811	\$75	\$736	\$0	\$1.10	\$736	\$14,720	\$14,720	\$736	\$1.10	\$0	\$1,042	\$1.56	\$1,042
TC 60%	\$811	4	1	1	697	\$811	\$75	\$736	\$0	\$1.06	\$736	\$2,944	\$2,944	\$736	\$1.06	\$0	\$1,047	\$1.50	\$1,047
TC 60%	\$811	3	1	1	696	\$811	\$75	\$736	\$0	\$1.06	\$736	\$2,208	\$2,208	\$736	\$1.06	\$0	\$1,047	\$1.50	\$1,047
TC 60%	\$811	1	1	1	707	\$811	\$75	\$736	\$0	\$1.04	\$736	\$736	\$736	\$736	\$1.04	\$0	\$1,047	\$1.48	\$1,047
TC 30%	\$486	6	2	2	922	\$486	\$99	\$387	\$0	\$0.42	\$387	\$2,322	\$2,322	\$387	\$0.42	\$0	\$1,219	\$1.32	\$1,219
TC 50%	\$811	9	2	2	922	\$811	\$99	\$712	\$0	\$0.77	\$712	\$6,408	\$6,408	\$712	\$0.77	\$0	\$1,219	\$1.32	\$1,219
TC 60%	\$973	24	2	2	922	\$973	\$99	\$874	\$0	\$0.95	\$874	\$20,976	\$20,976	\$874	\$0.95	\$0	\$1,219	\$1.32	\$1,219
TC 60%	\$973	7	2	2	973	\$973	\$99	\$874	\$0	\$0.90	\$874	\$6,118	\$6,118	\$874	\$0.90	\$0	\$1,279	\$1.31	\$1,279
TOTALS/AVERAGES:		86			69,728				\$0	\$0.90	\$731	\$62,831	\$62,831	\$731	\$0.90	\$0	\$1,142	\$1.41	\$1,142

ANNUAL POTENTIAL GROSS RENT:	\$753,972	\$753,972
-------------------------------------	------------------	------------------

STABILIZED PRO FORMA

Avanti Legacy Rosewood, Laredo, 9% HTC #22039

STABILIZED FIRST YEAR PRO FORMA														
COMPARABLES			APPLICANT				Original Underwriting		TDHCA				VARIANCE	
Database	Laredo Comps		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT			\$0.90	\$731	\$753,972	\$755,652	\$755,652	\$753,972	\$731	\$0.90			0.0%	\$0
App Fees, Deposit Forfeitures, Carports				\$30.00	\$30,960	35,640								
Total Secondary Income				\$30.00				35,640	\$30,960	\$30.00			0.0%	\$0
POTENTIAL GROSS INCOME					\$784,932	\$791,292	\$791,292	\$784,932					0.0%	\$0
Vacancy & Collection Loss				7.5% PGI	(58,870)	(59,347)	(59,347)	(58,870)	7.5% PGI				0.0%	-
EFFECTIVE GROSS INCOME					\$726,062	\$731,945	\$731,945	\$726,062					0.0%	\$0

General & Administrative	\$27,718	\$322/Unit	\$25,535	\$297	4.56%	\$0.47	\$385	\$33,100	\$32,650	\$31,277	\$25,535	\$297	\$0.37	3.52%	29.6%	7,565
Management	\$28,666	4.1% EGI	\$36,860	\$429	5.00%	\$0.52	\$422	\$36,303	\$36,597	\$36,597	\$36,303	\$422	\$0.52	5.00%	0.0%	(0)
Payroll & Payroll Tax	\$105,637	\$1,228/Unit	\$117,473	\$1,366	13.64%	\$1.42	\$1,152	\$99,060	\$99,060	\$99,060	\$99,060	\$1,152	\$1.42	13.64%	0.0%	-
Repairs & Maintenance	\$53,800	\$626/Unit	\$61,784	\$718	8.22%	\$0.86	\$694	\$59,707	\$55,729	\$64,350	\$55,900	\$650	\$0.80	7.70%	6.8%	3,807
Electric/Gas	\$15,627	\$182/Unit	\$9,395	\$109	2.01%	\$0.21	\$170	\$14,611	\$11,682	\$9,095	\$9,395	\$109	\$0.13	1.29%	55.5%	5,216
Water, Sewer, & Trash	\$54,576	\$635/Unit	\$70,779	\$823	4.66%	\$0.49	\$394	\$33,842	\$43,317	\$52,811	\$54,576	\$635	\$0.78	7.52%	-38.0%	(20,734)
Property Insurance	\$61,864	\$0.89 /sf	\$61,048	\$710	9.48%	\$0.99	\$800	\$68,800	\$39,600	\$39,600	\$68,800	\$800	\$0.99	9.48%	0.0%	-
Property Tax (@ 0%) 2.5742	\$61,207	\$712/Unit	\$17,878	\$208	0.00%	\$0.00	\$0	\$0	\$72,265	\$70,105	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					2.96%	\$0.31	\$250	\$21,500	\$24,750	\$24,750	\$21,500	\$250	\$0.31	2.96%	0.0%	-
Supportive Services					1.65%	\$0.17	\$140	\$12,002	\$13,816	\$13,816	\$12,002	\$140	\$0.17	1.65%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.47%	\$0.05	\$40	\$3,440	\$3,840	\$3,840	\$3,440	\$40	\$0.05	0.47%	0.0%	-
TOTAL EXPENSES					52.66%	\$5.48	\$4,446	\$382,365	\$433,306	\$445,302	\$386,511	\$4,494	\$5.54	53.23%	-1.1%	\$ (4,146)
NET OPERATING INCOME ("NOI")					47.34%	\$4.93	\$3,996	\$343,697	\$298,639	\$286,643	\$339,551	\$3,948	\$4.87	46.77%	1.2%	\$ 4,146

CONTROLLABLE EXPENSES							\$2,794/Unit						\$2,843/Unit			
-----------------------	--	--	--	--	--	--	--------------	--	--	--	--	--	--------------	--	--	--

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Avanti Legacy Rosewood, Laredo, 9% HTC #22039

		DEBT / GRANT SOURCES															
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							Original Underwriting		AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Applicant	TDHCA	Principal	Term	Amort	Rate	Pmt	Cumulative	
DEBT (Must Pay)	Fee	UW	App													DCR	LTC
Churchill Stateside Group, LLC	0.35%	1.28	1.29	265,460	6.65%	35	18	\$3,600,000	\$5,085,000	\$5,085,000	\$3,600,000	18	35	6.65%	\$278,060	1.24	16.1%
Raza Development Fund		1.20	1.22	\$16,927	4.00%	40	18	\$337,500	\$0	\$0	\$337,500	18	40	4.00%	\$16,927	1.17	1.5%
CASH FLOW DEBT / GRANTS																	
City of Laredo		1.20	1.22		0.00%	0	0	\$500	\$500	\$500	\$500	0	0	0.00%		1.17	0.0%
Raza Development Fund		1.20	1.22		0.00%	0	0	\$500,000	\$0	\$0	\$500,000	0	0	0.00%		1.17	2.2%
				\$282,387	TOTAL DEBT / GRANT SOURCES			\$4,438,000	\$5,085,500	\$5,085,500	\$4,438,000	TOTAL DEBT SERVICE			\$294,986	1.17	19.8%

NET CASH FLOW	\$57,164	\$61,310	APPLICANT NET OPERATING INCOME				\$343,697	\$48,711	NET CASH FLOW
----------------------	----------	----------	---------------------------------------	--	--	--	-----------	----------	----------------------

		EQUITY SOURCES													
		APPLICANT'S PROPOSED EQUITY STRUCTURE					Original Underwriting		AS UNDERWRITTEN EQUITY STRUCTURE						
		DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Applicant	TDHCA	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method	
EQUITY / DEFERRED FEES															
RBC Capital Markets		LIHTC Equity	75.9%	\$2,000,000	\$0.85	\$16,998,300	\$17,798,220	\$17,798,220	\$16,998,300	\$0.85	\$2,000,000	75.9%	\$23,256	Applicant Request	
Avanti Legacy Rosewood Development, LLC		Deferred Developer Fees	4.3%	(41% Deferred)		\$967,872	\$859,135	\$857,727	\$967,872	(41% Deferred)		4.3%	Total Developer Fee:	\$2,381,000	
Additional (Excess) Funds Req'd			0.0%				\$0	\$0				0.0%			
TOTAL EQUITY SOURCES			80.2%			\$17,966,172	\$18,657,355	\$18,655,947	\$18,655,947			83.3%			

TOTAL CAPITALIZATION	\$22,404,172	\$23,742,855	\$17,798,220	\$17,798,220	15-Yr Cash Flow after Deferred Fee:			\$112,759
-----------------------------	---------------------	---------------------	---------------------	---------------------	--	--	--	------------------

DEVELOPMENT COST / ITEMIZED BASIS																			
APPLICANT COST / BASIS ITEMS														TDHCA COST / BASIS ITEMS				COST VARIANCE	
Eligible Basis		Total Costs				Original Underwriting		Total Costs				Eligible Basis		%	\$				
Acquisition	New Const. Rehab				Applicant	TDHCA				New Const. Rehab	Acquisition								
Land Acquisition				\$36,558 / Unit	\$3,144,000	\$3,000,000	\$3,000,000	\$3,144,000	\$36,558 / Unit					0.0%	\$0				
Closing costs & acq. legal fees					\$20,436	\$30,000	\$30,000	\$20,436						0.0%	\$0				
Off-Sites		\$0		\$ / Unit	\$0	\$25,000	\$25,000	\$0	\$ / Unit	\$0				0.0%	\$0				
Site Work		\$1,281,797		\$15,689 / Unit	\$1,349,260	\$1,636,433	\$1,636,433	\$1,349,260	\$15,689 / Unit	\$1,281,797				0.0%	\$0				
Site Amenities		\$312,000		\$3,628 / Unit	\$312,000	\$962,317	\$962,317	\$312,000	\$3,628 / Unit	\$312,000				0.0%	\$0				
Building Cost		\$8,771,987		\$132.42 /sf	\$9,233,671	\$8,568,768	\$9,438,660	\$9,970,239	\$115,933/Unit	\$142.99 /sf	\$8,771,987			-7.4%	(\$736,568)				
Contingency		\$518,289	5.00%	5.00%	\$544,747	\$783,476	\$783,476	\$544,747	4.68%	5.00%	\$518,289			0.0%	\$0				
Contractor Fees		\$1,523,769	14.00%	14.00%	\$1,601,556	\$1,676,639	\$1,676,639	\$1,601,556	13.15%	14.00%	\$1,523,769			0.0%	\$0				
Soft Costs		\$0	\$1,568,860	\$19,264 / Unit	\$1,656,716	\$1,953,538	\$1,953,538	\$1,656,716	\$19,264 / Unit	\$1,568,860	\$0			0.0%	\$0				
Financing		\$0	\$1,343,544	\$21,261 / Unit	\$1,828,416	\$2,568,684	\$2,568,684	\$1,828,416	\$21,261 / Unit	\$1,343,544	\$0			0.0%	\$0				
Developer Fee		\$0	\$2,298,000	15.00%	15.00%	\$2,381,000	\$2,538,000	\$2,536,592	14.33%	15.00%	\$2,298,000	\$0		0.0%	\$0				
Reserves				6 Months	\$332,376	\$0	\$0	\$332,376	6 Months					0.0%	\$0				
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0	\$17,618,246	\$260,514 / Unit	\$22,404,178	\$23,742,855	\$24,611,339	\$23,140,746	\$269,078 / Unit	\$17,618,246	\$0			-3.2%	(\$736,568)				
Acquisition Cost		\$0			\$0	\$0	\$0												
Contingency			\$0		\$0	\$0	\$0												
Contractor's Fee			\$0		(\$1)	\$0	\$0												
Financing Cost			\$0																
Developer Fee		\$0	\$0		\$0	(\$1,408)	\$0												
Reserves					\$0	\$0	\$0												
ADJUSTED BASIS / COST		\$0	\$17,618,246	\$260,514/unit	\$22,404,177	\$23,741,447	\$24,611,339	\$23,140,746	\$269,078/unit	\$17,618,246	\$0			-3.2%	(\$736,569)				
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):							\$22,404,177												

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Avanti Legacy Rosewood, Laredo, 9% HTC #22039

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$17,618,246	\$0	\$17,618,246
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$17,618,246	\$0	\$17,618,246
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$22,903,720	\$0	\$22,903,720
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$22,903,720	\$0	\$22,903,720
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$2,061,335	\$0	\$2,061,335
CREDITS ON QUALIFIED BASIS	\$2,061,335		\$2,061,335	

Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price	Variance to Request	
			\$0.8499	Credits	Proceeds
Eligible Basis	\$2,061,335	\$17,519,594	----	----	----
Needed to Fill Gap	\$2,113,879	\$17,966,177	----	----	----
Applicant Request	\$2,000,000	\$16,998,300	\$2,000,000	\$0	\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Elevator Served	69,728 SF	\$111.62	7,783,164
Adjustments				
Exterior Wall Finish	2.40%		2.68	\$186,796
Elderly	3.00%		3.35	233,495
9-Ft. Ceilings	3.30%		3.68	256,844
Roof Adjustment(s)			(0.25)	(17,432)
Subfloor			0.30	20,570
Floor Cover			3.68	256,599
Breezeways	\$30.55	17,561	7.69	536,438
Balconies	\$0.00	0	0.00	0
Plumbing Fixtures	\$1,420	138	2.81	195,960
Rough-ins	\$700	172	1.73	120,400
Built-In Appliances	\$2,280	86	2.81	196,080
Exterior Stairs	\$3,550	16	0.81	56,800
Heating/Cooling			2.37	165,255
Storage Space	\$30.55		0.00	0
Carports	\$16.05	5,328	1.23	85,514
Garages		0	0.00	0
Common/Support Area	\$118.77	8,220	14.00	976,266
Elevators	\$150,400	2	4.31	300,800
Other: Maintenance room/Mail/Laundry	\$0	0	0.00	0
Fire Sprinklers	\$3.65	95,509	5.00	348,608
SUBTOTAL			167.83	11,702,158
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS			167.83	\$11,702,158
Plans, specs, survey, bldg permits	3.30%		(5.54)	(\$386,171)
Contractor's OH & Profit	11.50%		(19.30)	(1,345,748)
NET BUILDING COSTS		\$115.933/unit	\$142.99/sf	\$9,970,239

Long-Term Pro Forma

Avanti Legacy Rosewood, Laredo, 9% HTC #22039

	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%	\$726,062	\$740,583	\$755,395	\$770,503	\$785,913	\$867,711	\$958,024	\$1,057,735	\$1,167,825	\$1,289,374	\$1,423,573	\$1,571,739
TOTAL EXPENSES	3.00%	\$382,365	\$393,473	\$404,907	\$416,676	\$428,791	\$494,918	\$571,351	\$659,708	\$761,864	\$879,986	\$1,016,587	\$1,174,574
NET OPERATING INCOME ("NOI")		\$343,697	\$347,110	\$350,488	\$353,827	\$357,122	\$372,794	\$386,673	\$398,027	\$405,961	\$409,387	\$406,986	\$397,165
EXPENSE/INCOME RATIO		52.7%	53.1%	53.6%	54.1%	54.6%	57.0%	59.6%	62.4%	65.2%	68.2%	71.4%	74.7%
MUST -PAY DEBT SERVICE													
Churchill Stateside Group, LLC		\$278,060	\$277,966	\$277,865	\$277,758	\$277,643	\$276,940	\$275,960	\$274,596	\$272,695	\$270,046	\$266,356	\$265,460
TOTAL DEBT SERVICE		\$294,986	\$294,892	\$294,792	\$294,684	\$294,570	\$293,866	\$292,887	\$291,522	\$289,621	\$286,973	\$283,283	\$282,386
DEBT COVERAGE RATIO		1.17	1.18	1.19	1.20	1.21	1.27	1.32	1.37	1.40	1.43	1.44	1.41
ANNUAL CASH FLOW													
		\$48,711	\$52,218	\$55,697	\$59,142	\$62,552	\$78,927	\$93,786	\$106,505	\$116,340	\$122,415	\$123,703	\$114,779
Deferred Developer Fee Balance		\$919,166	\$866,948	\$811,251	\$752,109	\$689,557	\$327,176	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$112,759	\$620,839	\$1,184,188	\$1,785,810	\$2,403,887	\$3,000,746