



Real Estate Analysis Division

July 17, 2023

Addendum to Underwriting Report

TDHCA Application #: **23712_22297** Program(s): **9% HTC / HOME ARP**

Lapiz Flats

Address/Location: NEC IH 30 and Duncan Perry Rd

City: Grand Prairie County: Tarrant Zip: 75050

APPLICATION HISTORY	
Report Date	PURPOSE
07/17/23	Home ARP Award Memo
07/21/22	Original Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
HOME ARP Fully Amortized	\$0	0.00%	0	0	\$1,506,500	0.25%	40	18	2nd
LIHTC (9% Credit)	\$1,366,000				\$1,366,000				

* Multifamily Direct Loan Terms:

* Pursuant to 10 TAC §13.8(a), the term of a Multifamily Direct Loan should match the term of any superior loan (within 6 months).

* Lien position after conversion to permanent. The Department's lien position during construction may vary.

CONDITIONS STATUS

- 1 Receipt and acceptance before HOME ARP Contract:
 - Developer must provide final environmental clearance.
- 2 Receipt and acceptance before HOME ARP Closing
 - a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.
 - 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: Senior loan documents (and/or partnership documents) must contain a provision(s) that any stabilization resizing on the senior debt includes the debt service on the TDHCA HOME ARP loan at a minimum 1.15 DCR.
- 3 Receipt and acceptance by Cost Certification:
 - Architect certification that a noise assessment was completed, and that all 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 HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	7
50% of AMI	50% of AMI	26
60% of AMI	60% of AMI	30

TDHCA SET-ASIDES for HOME ARP LURA			
Federal Affordability Period		Remaining State Affordability Period	
Income Limit	Number of Units	Income Limit	Number of Units
QP	7	TC 20%	0
Low HOME (50% AMFI)	0	TC 30%	6
High HOME(60% AMFI)	3	TC 40%	0
		TC 50%	1
		TC 60%	3

ANALYSIS

Lapiz Flats received a \$1.366M LIHTC award from TDHCA in July 2022. Due to increasing costs, the Applicant has submitted a request for \$1,506,500 in HOME ARP funds to bridge the gap caused by the increased construction costs and finance restructuring.

Operating Pro Forma

The Development includes 8.7% unrestricted units. Per 2022 TDHCA rules, the units were underwritten to HTC 60% Gross Rent. Seven units are now restricted as HOME ARP Qualified Population (QP units) and three units are restricted to High Home (60%AMI). **QP rents are assumed at \$0 for the first 15 years. In year sixteen, 6 QP units will be restricted to 30% HTC rent levels and 1 QP unit will be restricted to 50% HTC rent levels per the HOME ARP program. All rents are 2023 program rent levels.**

Underwriter increased non rental income to \$30.00 per unit/month (late fees, app fees, and retained deposits) for cash flow purposes. Without this increase, the 15-Yr Cash Flow after Deferred Fee was negative.

Development Cost

Applicant's Building Costs have increased \$1,588,869M and Total Housing Development Costs have decreased \$55,856.

Site work costs are now \$22,561 per unit. A letter was provided from Tidwell Group that asserts they have reviewed and determined the costs should be included in the eligible basis calculation.

Developer fee did not increase from previous underwriting.

Sources of Funds

The permanent loan has decreased by \$1M; however, the interest rate increased from 3.50% to 6.50%. In addition, the permanent lender changed from Mason Joseph to Amegy Bank; **the loan is now conventional instead of FHA 221(d)(4).**

The equity contribution decreased by \$723,908 and the credit price decreased from \$0.91 to \$0.857.

The Deferred Developer Fee increased by \$161,718. Deferred fee pays off in **13** years with a projected **cash flow of \$176K.**

The Applicant has included \$1,506,500 of HOME ARP loan funds at 0.25%.

Underwriter recommends an annual tax credit allocation of \$1,366,000 as previously awarded.

Underwriter recommends \$1,506,500 in HOME ARP Loan Funds as a second lien with an 18-year term amortized over 40 years at 0.25%. This generates an annual debt service payment of \$39,581. Construction term is 30 months; co-terminous with senior construction loan.

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

UNIT MIX/RENT SCHEDULE

Lapiz Flats, Grand Prairie, 9% HTC #23712_22297

LOCATION DATA	
CITY:	Grand Prairie
COUNTY:	Tarrant
Area Median Income	\$97,700
PROGRAM REGION:	3
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION			
# Beds	# Units	% Total	ARP
Eff	-	0.0%	0
1	45	65.2%	7
2	24	34.8%	3
3	-	0.0%	0
4	-	0.0%	0
5	-	0.0%	0
TOTAL	69	100.0%	10

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	90.94%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	721 sf

	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
53% Average Income	# Units	-	7	-	26	30	-	-	6	69
	% Total	0.0%	10.1%	0.0%	37.7%	43.5%	0.0%	0.0%	8.7%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE

HTC	Type	Gross Rent	HOME ARP Units		UNIT MIX			APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS			TDHCA PRO FORMA RENTS			MARKET RENTS		
			Type	Gross Rent	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Net Rent per Unit	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst	
TC 30%	\$538	QP	\$0	1	1	1	651	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
TC 50%	\$897	QP	\$897	17	1	1	651	\$897	\$78	\$819	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
TC 50%	\$897	QP	\$0	1	1	1	651	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
TC 60%	\$1,077		\$1,077	18	1	1	651	\$1,077	\$78	\$999	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
TC 60%	\$1,077	HH/60%	\$1,146	2	1	1	651	\$1,077	\$78	\$999	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
MR				3	1	1	651	\$0	\$78	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,077	\$1.65	\$1,229
TC 30%	\$646			1	2	2	851	\$646	\$103	\$543	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
TC 30%	\$646	QP	\$0	2	2	2	851	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
TC 50%	\$1,077			8	2	2	851	\$1,077	\$103	\$974	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
TC 60%	\$1,293			9	2	2	851	\$1,293	\$103	\$1,190	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
TC 60%	\$1,293	HH/60%	\$1,377	1	2	2	851	\$1,293	\$103	\$1,190	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
MR				3	2	2	851	\$0	\$103	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,293	\$1.52	\$1,484
TOTALS/AVERAGES:				69			49,719										\$1,152	\$1.60	\$1,318

ANNUAL POTENTIAL GROSS RENT:

\$734,976

\$734,976

STABILIZED PRO FORMA

Lapiz Flats, Grand Prairie, 9% HTC #23712_22297

STABILIZED FIRST YEAR PRO FORMA															
	COMPARABLES			APPLICANT			PRIOR REPORT			TDHCA			VARIANCE		
	Database	Tarrant County		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF		% EGI	%
POTENTIAL GROSS RENT															
late fees, app fees, retained deposits					\$1.23	\$888	\$734,976	\$654,552	\$654,507	\$734,976	\$888	\$1.23		0.0%	\$0
Total Secondary Income					\$30.00	\$30.00	\$24,840	12,420		\$24,840	\$30.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$759,816	\$666,972	\$666,927	\$759,816				0.0%	\$0
Vacancy & Collection Loss					7.5% PGI		(56,986)	(50,023)	(50,019)	(56,986)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME							\$702,830	\$616,949	\$616,907	\$702,830				0.0%	\$0

General & Administrative	\$36,508	\$529/Unit	\$38,165	3.81%	\$0.54	\$388	\$25,750	\$25,660	\$25,660	\$25,750	\$388	\$0.54	3.81%	0.0%	-
Management	\$31,992	5.2% EGI	\$37,756	4.92%	\$0.70	\$501	\$30,847	\$30,845	\$30,845	\$35,141	\$509	\$0.71	5.00%	-1.6%	(\$74)
Payroll & Payroll Tax	\$72,400	\$1,049/Unit	\$89,325	12.75%	\$1.80	\$1,299	\$89,600	\$84,618	\$84,618	\$89,600	\$1,299	\$1.80	12.75%	0.0%	-
Repairs & Maintenance	\$54,523	\$790/Unit	\$59,356	6.59%	\$0.93	\$671	\$48,016	\$44,850	\$44,850	\$44,850	\$650	\$0.90	6.38%	3.3%	1,475
Electric/Gas	\$16,762	\$243/Unit	\$12,986	1.47%	\$0.21	\$150	\$12,075	\$11,775	\$11,775	\$12,986	\$188	\$0.26	1.85%	-20.3%	(2,636)
Water, Sewer, & Trash	\$48,863	\$708/Unit	\$36,259	4.14%	\$0.59	\$422	\$32,550	\$48,863	\$48,863	\$36,259	\$525	\$0.73	5.16%	-19.7%	(7,159)
Property Insurance	\$37,634	\$0.76/sf	\$40,219	7.83%	\$1.11	\$797	\$41,400	\$37,634	\$37,634	\$55,000	\$797	\$1.11	7.83%	0.0%	-
Property Tax (@ 100%)	\$45,490	\$659/Unit	\$63,518	14.66%	\$2.07	\$1,493	\$103,000	\$91,735	\$91,735	\$102,047	\$1,479	\$2.05	14.52%	0.9%	953
Reserve for Replacements				2.45%	\$0.35	\$260	\$17,250	\$17,250	\$17,250	\$17,250	\$250	\$0.35	2.45%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)				0.36%	\$0.05	\$37	\$2,520	\$2,520	\$2,520	\$2,520	\$37	\$0.05	0.36%	0.0%	-
TDHCA MDL Compliance (\$34/MDL unit)				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TOTAL EXPENSES				58.97%	\$8.34	\$6,007	\$414,462	\$387,509	\$395,750	\$422,403	\$6,122	\$8.50	60.10%	-1.9%	(\$7,941)
NET OPERATING INCOME ("NOI")				41.03%	\$5.80	\$4,179	\$288,368	\$229,440	\$221,157	\$280,426	\$4,064	\$5.64	39.90%	2.8%	\$7,941

CONTROLLABLE EXPENSES							\$2,929/Unit				\$3,050/Unit				
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
 Lapiz Flats, Grand Prairie, 9% HTC #23712_22297

DEBT / GRANT SOURCES																
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE						AS UNDERWRITTEN DEBT/GRANT STRUCTURE										
DEBT (Must Pay)	Fee	App	Pmt	Rate	Term	Principal	TDHCA	Prior Underwriting Applicant	Amort	Term	Rate	Cumulative				
												DCR	LTC			
Amegy		1.44	200,226	6.50%	18	\$2,850,000	\$3,850,000	\$3,850,000	40	18	6.50%	\$200,226	1.44			
Adjustment to Debt Per §11.302(c)(2)	0.00%								40	18	6.50%		1.44			
TDHCA - HOME ARP		1.20	\$39,581	0.25%	18	\$1,506,500			40	18	0.25%	\$39,581	1.20			
CASH FLOW DEBT / GRANTS			\$239,807			\$4,356,500	\$3,850,000	\$3,850,000				\$239,807	1.20			
											TOTAL DEBT SERVICE	\$239,807	1.20	26.0%		
											APPLICANT NET OPERATING INCOME	\$288,368				
											NET CASH FLOW	\$40,618			\$48,561	NET CASH FLOW

EQUITY SOURCES																
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE										
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting Applicant	TDHCA	Prior Underwriting Applicant	TDHCA	Annual Credit	% Cost	Annual Credits per Unit				
												Allocation Method	Previous Allocation			
Hudson	LIHTC Equity	69.8%	\$1,366,000	\$0.857	\$1,705,449	\$12,428,357	\$12,429,357	\$12,428,357	\$12,429,357	\$0.857	69.8%	\$19,797	\$1,366,000			
Sagebrook Development	Deferred Developer Fees	4.3%	(40% Deferred)		\$717,688	\$556,135	\$555,989	\$717,687	(40% Deferred)		4.3%	Total Developer Fee:	\$1,816,418			
Additional (Excess) Funds Req'd		0.0%			\$0	\$0	\$0	\$0			0.0%					
TOTAL EQUITY SOURCES		74.0%			\$12,423,137	\$12,985,492	\$12,985,328	\$12,423,137			74.0%					
											TOTAL CAPITALIZATION	\$16,779,637	\$16,835,492	\$16,779,636	15-Yr. Cash Flow after Deferred Fee:	\$176,119

DEVELOPMENT COST / ITEMIZED BASIS														
APPLICANT COST / BASIS ITEMS						TDHCA COST / BASIS ITEMS								
Eligible Basis	Acquisition	New Const. Rehab.	Total Costs	Prior Underwriting Applicant	TDHCA	Total Costs	Prior Underwriting Applicant	TDHCA	Total Costs	New Const. Rehab.	Acquisition	COST VARIANCE		
												%	\$	
Land Acquisition	\$0		\$30,435 / Unit	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$30,435 / Unit		\$0	0.0%	\$0	
Building Acquisition			\$ / Unit	\$0	\$0	\$0	\$0	\$0	\$ / Unit		\$0	0.0%	\$0	
Off-Sites			\$ / Unit	\$0	\$0	\$0	\$0	\$0	\$ / Unit		\$0	0.0%	\$0	
Site Work			\$22,561 / Unit	\$1,639,000	\$1,639,000	\$1,556,700	\$1,639,000	\$1,556,700	\$22,561 / Unit		\$1,556,700	0.0%	\$0	
Site Amenities			\$2,417 / Unit	\$315,000	\$315,000	\$166,800	\$315,000	\$166,800	\$2,417 / Unit		\$166,800	0.0%	\$0	
Building Cost			\$99,720 / Unit	\$5,291,831	\$5,846,989	\$6,860,700	\$5,291,831	\$5,846,989	\$99,720 / Unit		\$6,860,700	0.0%	\$0	
Contingency			5.00%	\$507,208	\$507,208	\$430,210	\$507,208	\$430,210	5.00%		\$430,210	0.0%	\$0	
Contractor Fees			12.38%	\$1,085,425	\$1,085,425	\$1,118,700	\$1,085,425	\$1,118,700	12.38%		\$1,118,700	0.0%	\$0	
Soft Costs			\$21,548 / Unit	\$2,173,173	\$2,173,173	\$1,486,832	\$2,173,173	\$1,486,832	\$21,548 / Unit		\$1,372,930	0.0%	\$0	
Financing			\$12,985 / Unit	\$895,971	\$1,629,256	\$695,971	\$1,629,256	\$695,971	\$12,985 / Unit		\$583,416	0.0%	\$0	
Developer Fee			13.83%	\$1,830,721	\$1,830,721	\$1,816,418	\$1,830,721	\$1,816,418	13.85%		\$1,675,197	0.0%	\$0	
Reserves			6 Months	\$327,305	\$263,878	\$327,305	\$263,878	\$327,305	6 Months		\$327,305	0.0%	\$0	
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	\$0	\$13,784,653	\$243,183 / Unit	\$16,779,636	\$17,389,594	\$16,779,636	\$16,779,636	\$16,779,636	\$243,183 / Unit	\$13,784,653	\$0	0.0%	\$0	
Acquisition Cost	\$0	\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
Contingency		\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
Contractor's Fee		\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
Financing Cost		\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
Developer Fee		\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
Reserves		\$0		\$0	\$0	\$0	\$0	\$0			\$0		\$0	
ADJUSTED BASIS / COST	\$0	\$13,784,653	\$243,183 / Unit	\$16,779,636	\$17,389,594	\$16,779,636	\$16,779,636	\$16,779,636	\$243,183 / Unit	\$13,784,653	\$0	0.0%	\$0	
											TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):	\$16,779,636		

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Lapiz Flats, Grand Prairie, 9% HTC #23712_22297

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$13,784,653	\$0	\$13,784,653
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$13,784,653	\$0	\$13,784,653
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$17,920,048	\$0	\$17,920,048
Applicable Fraction	90.94%	90.94%	91%	91%
TOTAL QUALIFIED BASIS	\$0	\$16,295,966	\$0	\$16,295,966
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$1,466,637	\$0	\$1,466,637
CREDITS ON QUALIFIED BASIS	\$1,466,637		\$1,466,637	

Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION	
	Annual Credits	Proceeds	Credit Price \$0,8569	Variance to Request
Eligible Basis	\$1,466,637	\$12,567,821	Credit Allocation	Proceeds
Needed to Fill Gap	\$1,449,752	\$12,423,136	-----	-----
Previous Allocation	\$1,366,000	\$11,705,449	-----	-----
			\$1,366,000	\$0

Long-Term Pro Forma

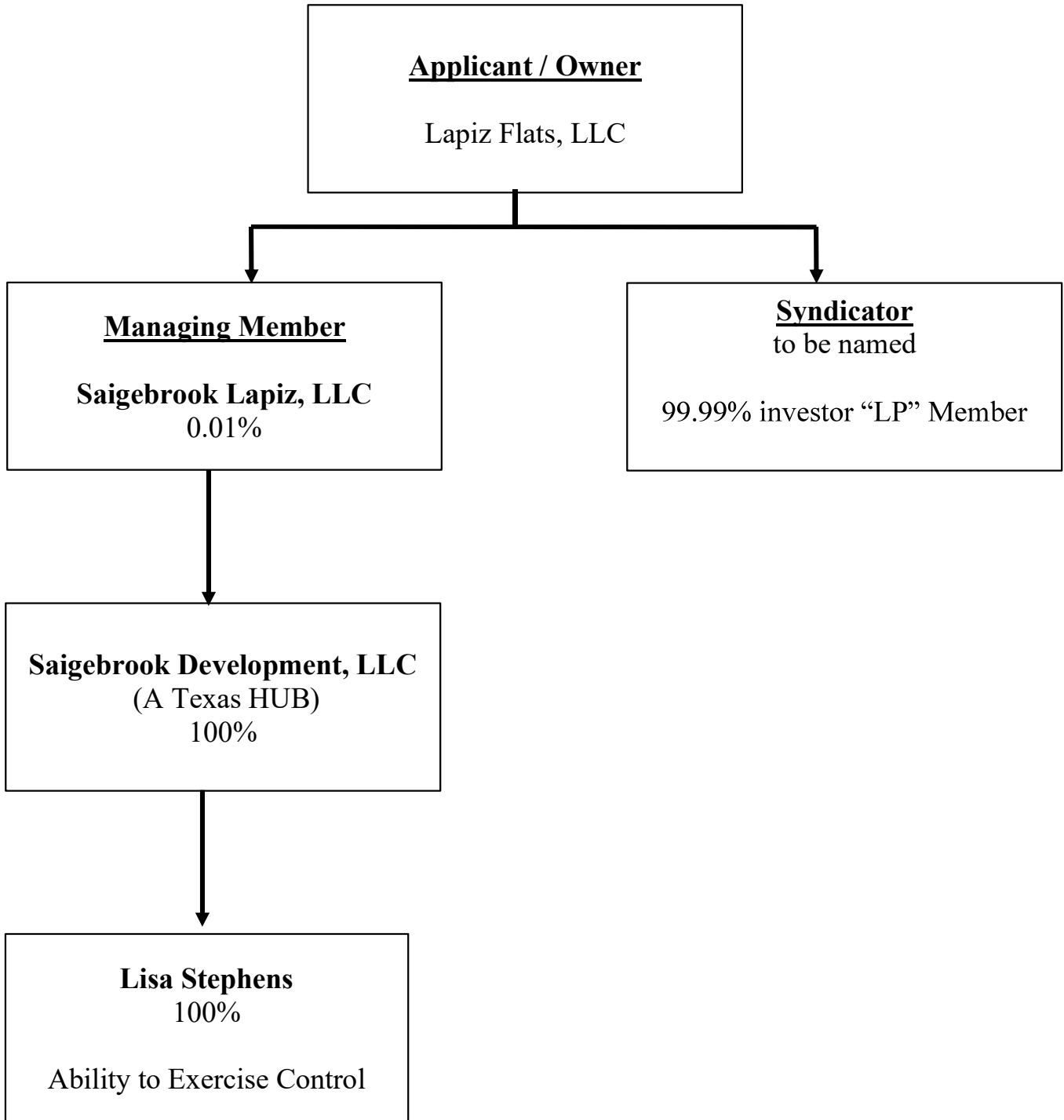
Lapiz Flats, Grand Prairie, 9% HTC #23712_22297

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	\$702,830	\$716,886	\$731,224	\$745,849	\$760,766	\$839,947	\$927,369	\$1,089,359	\$1,202,740	\$1,327,922	\$1,466,133	\$1,618,730
TOTAL EXPENSES	\$414,462	\$426,550	\$438,994	\$451,804	\$464,992	\$536,988	\$620,236	\$719,726	\$831,402	\$960,558	\$1,109,945	\$1,282,751
NET OPERATING INCOME ("NOI")	\$288,368	\$290,336	\$292,230	\$294,044	\$295,774	\$302,959	\$307,133	\$369,633	\$371,338	\$367,364	\$356,188	\$335,979
EXPENSE/INCOME RATIO	59.0%	59.5%	60.0%	60.6%	61.1%	63.9%	66.9%	66.1%	69.1%	72.3%	75.7%	79.2%
MUST -PAY DEBT SERVICE												
Amegy	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226	\$200,226
TDHCA - HOME ARP	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581	\$39,581
TOTAL DEBT SERVICE	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807	\$239,807
DEBT COVERAGE RATIO	1.20	1.21	1.22	1.23	1.23	1.26	1.28	1.54	1.55	1.53	1.49	1.40
ANNUAL CASH FLOW	\$48,561	\$50,529	\$52,423	\$54,237	\$55,967	\$63,152	\$67,326	\$129,826	\$131,531	\$127,557	\$116,381	\$96,171
Deferred Developer Fee Balance	\$669,126	\$618,597	\$566,174	\$511,937	\$455,970	\$153,538	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW	\$0	\$0	\$0	\$0	\$0	\$0	\$176,119	\$814,551	\$1,470,795	\$2,119,082	\$2,726,560	\$3,251,859

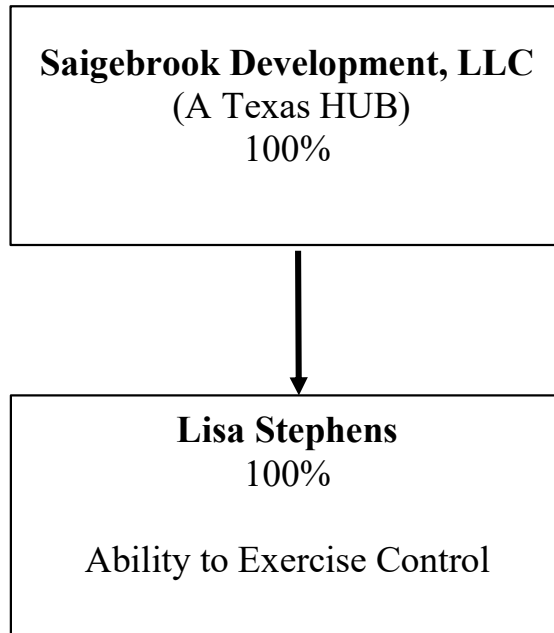
Lapid Flats

ORGANIZATIONAL CHART

APPLICANT / OWNER



Lapiz Flats
ORGANIZATIONAL CHART
DEVELOPER



Lapid Flats
ORGANIZATIONAL CHART
GUARANTOR

