



Real Estate Analysis Division

January 30, 2025

Addendum to Underwriting Report

TDHCA Application #: 24504\_23927\_21116 Program(s): 9% HTC / MDL

Sweetwater Station

Address/Location: 1105 E. Broadway Ave. & 212 Bawcom Street

City: Sweetwater County: Nolan Zip: 79556

	APPLICATION HISTORY
Report Date	PURPOSE
01/30/25	MDL Award - 2024-2 NOFA - HOME Funding
02/28/23	Supplemental Credit Memo
03/23/21	Initial Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
MF Direct Loan Const. to Perm. (Repayable)					\$5,000,000	2.00%	40	40	1
LIHTC (9% Credit)	\$1,035,000				\$1,035,000				

\* 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 Direct Loan Contract:

- The Department needs certification that all ground water contamination requirements have been met or resolved prior to HOME contract execution.

**Status:** To be cleared by program staff.

### 2 Receipt and acceptance before Direct Loan 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 **stating the Deferred Developer Fee is the first waterfall cash payment before any ground lease payment.**

e: Substantially final ground lease.

### 3 Receipt and acceptance by 10% test:

- Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.

**Status:** Cleared: 1/24/25 by REA.

Terracon performed a noise assessment on October 15, 2021. The roadway and airport noise contributions were lower compared to the railway noise. Accordingly, the noise levels would be greatest at the southern portion of the site and decrease with distance from the railway. Selection of appropriate noise attenuating exterior wall construction methods and materials can lower the interior noise levels to the HUD indoor noise criteria.

The applicant provided a letter dated January 17, 2025 from Rosemann & Associates, P.C., certifying that all recommendations from the Noise Assessment, dated October 15, 2021, are incorporated, or will be incorporated into the development plans as required.

### 4 Receipt and acceptance by Cost Certification:

a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.

b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.

c: 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 HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	15
60% of AMFI	High HOME	20

## ANALYSIS

The development originally received an annual 9% HTC allocation of \$900,000 in June 2021. In February 2023, supplemental credits of \$135,000 (a 15% increase) were awarded, resulting in a total annual allocation of \$1,035,000.

The applicant is now applying for a MDL 2024-2 HOME loan of \$5M to substitute for the prior \$1,950,000 in conventional debt and to help cover a \$3.7M increase in building costs. The MDL loan will have a lower interest rate of 2% and longer amortization period of 40 years allowing this Project to be feasible under DCR requirements.

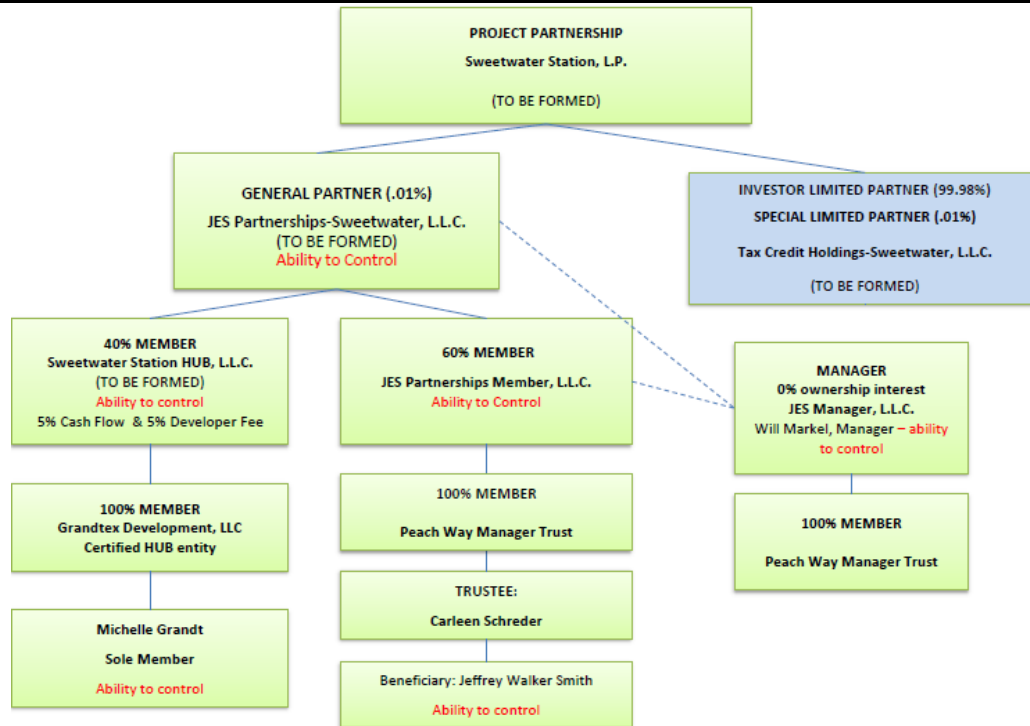
The organizational structure changed from previous underwriting. The applicant replaced the originally proposed general partner, JES Partnerships-Sweetwater, L.L.C., currently owned by Sweetwater Station HUB, L.L.C. and JES Partnerships Member, L.L.C., with a to-be-formed entity named THF Sweetwater Station GP, LLC, whose sole managing member is the THF Housing Development Corporation (THFHDC). THFHDC is a nonprofit corporation and an instrumentality of the Texas Housing Foundation (THF).

As a result of including the nonprofit in the organizational structure, the Applicant will be eligible for 100% property tax exemption.

The organizational structure changes were approved by TDHCA Asset Management. The deal, as presented at current underwriting is not feasible without the assumed 100% property tax exemption.

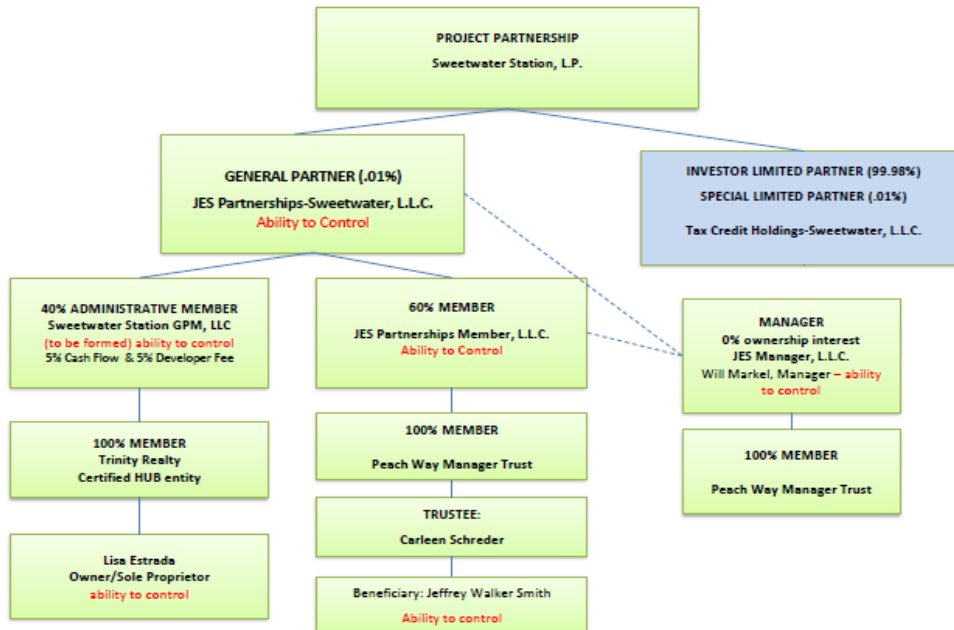
The property is identified as 1.55 acres in the survey, the portion of the site currently showing in the 3rd Street roadway will be deeded to the City with development of Sweetwater Station. The size of this area is estimated to reduce the overall site size to 1.48 acres. The LURA will encumber the entire 1.48 acres.

## Previous Ownership Structure



## New Ownership Structure

### Sweetwater Station Organizational Structure – Owner/Partnership



### **Operating Pro Forma**

Rents were updated to the most current 2024 limits.

The Utility Allowances (2024) for the one bedroom units increased by \$42 and the two bedroom units increased by \$42 from previous underwriting.

Effective Gross Income increased by \$53,957, Total Expenses decreased by \$24,691 and as a result, Net Operating Income (NOI) increased by \$78,648. Expense per unit decreased from \$4,980 to \$4,506.

A 99-year ground lease is contemplated with the Texas Housing Foundation (THF), who will be serving as the GP on this development. The initial Ground Lease payment will tie to the \$187K land price. The Ground Lessor shall be entitled to receive an annual lease payment under the Ground Lease on each January 1, commencing January 1, 2040 in the initial amount of \$20,000 and increasing by 3% annually.

The Application was submitted without the annual \$20,000 ground lease payment since it is contemplated to be paid from cash flow. The Applicant stated the annual lease payment shall be payable as the first item in the cash flow waterfall under the Partnership Agreement; however, the specific terms for the Development are still being negotiated.

The current underwriting does not include the \$20,000 annual cash flow payment; if it did, the DCR would be 1.10, and the deal would be financially infeasible. **At closing, the LPA must state that the Deferred Developer Fee is in first waterfall position, before any ground lease payment; otherwise we cannot show the deferred fee being repaid with the required 15 years.**

The contemplated ownership structure is expected to generate an ad valorem tax exemption for the Project. Feasibility is dependent on the tax exemption.

### **Development Cost**

The applicant's Building Costs have increased by \$2,811,476 and Total Housing Development Costs have increased by \$3,678,495.

There was no change to Developer Fee from previous underwriting.

### **Sources of Funds**

The construction loan lender did not change (Sterling Bank) but are now second lien. Construction loan decreased from \$7,456,973 to \$5,800,000 and the interest increased from 5.25% to 8.50%.

Application was submitted with MDL construction interest of 2% - per Multifamily Direct Loan rule 13.8(b)(2) "No interest will accrue during the construction term;"

Underwriter adjusted construction interest from 2% to 0%.

Applicant is now including \$5M MDL HOME loan construction to permanent loan 0% during construction and 2% in the permanent period.

The permanent loan amount increased from \$1,950,000 (Sterling Bank) to \$5M (TDHCA) and the interest rate decreased from 5.00% to 2.00% .

The Equity Investor is still Affordable Equity Partners, Inc. (AEP). The capital contribution increased by \$566,887 and the credit price decreased from \$0.88 to \$0.82.

The Deferred Developer Fee increased by \$61,608 and pays off in 6 years.

**Recommendation**

Underwriter recommends a first lien, fully amortized Multifamily Direct Loan of \$5,000,000 at 2.00% interest, 40 year term, and a 40 year amortization period. Under these terms, the annualized monthly debt service payment is \$181,695. The construction term is assumed at 24 months. The MDL funding is HOME funds.

In addition, Underwriter recommends that the 9% LIHTC allocation of \$1,035,000 remains the same.

Underwriter:	<u>Mario Castellanos</u>
Manager of Real Estate Analysis:	<u>Robert Castillo</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE
<i>Sweetwater Station, Sweetwater, 9% HTC / MDL #24504_23927_21116</i>

LOCATION DATA	
CITY:	Sweetwater
COUNTY:	Nolan
Area Median Income	\$62,900
PROGRAM REGION:	2
PROGRAM RENT YEAR:	2024

UNIT DISTRIBUTION				
# Beds	# Units	% Total	MDL Match	MDL
Eff	-	0.0%	0	0
1	16	30.8%	2	11
2	36	69.2%	2	24
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	52	100.0%	4	35

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	840 sf

56%	Income	20%	30%	40%	50%	60%	70%	80%	MR	TOTAL
Average	# Units	-	4	-	11	37	-	-	-	52
Income	% Total	0.0%	7.7%	0.0%	21.2%	71.2%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																						
HTC		TDHCA Direct Loan Program (HOME)		MDL Match	UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	Type	# 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%	\$435	LH/50%	\$703	0	1	1	1	750	\$435	\$86	\$349	\$0	\$0.47	\$349	\$349	\$349	\$349	\$0	\$0	\$985	\$1.31	\$985
TC 50%	\$726	LH/50%	\$703	0	3	1	1	750	\$703	\$86	\$617	\$0	\$0.82	\$617	\$1,851	\$1,851	\$617	\$1	\$0	\$985	\$1.31	\$985
TC 60%	\$871	HH/60%	\$750	0	7	1	1	750	\$750	\$86	\$664	\$0	\$0.89	\$664	\$4,648	\$4,648	\$664	\$1	\$0	\$985	\$1.31	\$985
TC 60%	\$871			2	5	1	1	750	\$871	\$86	\$785	\$0	\$1.05	\$785	\$3,925	\$3,925	\$785	\$1	\$0	\$985	\$1.31	\$985
TC 30%	\$522	LH/50%	\$843	0	3	2	1	880	\$522	\$113	\$409	\$0	\$0.46	\$409	\$1,227	\$1,227	\$409	\$0	\$0	\$1,125	\$1.28	\$1,125
TC 50%	\$871	LH/50%	\$843	0	8	2	1	880	\$843	\$113	\$730	\$0	\$0.83	\$730	\$5,840	\$5,840	\$730	\$1	\$0	\$1,125	\$1.28	\$1,125
TC 60%	\$1,045	HH/60%	\$942	0	13	2	1	880	\$942	\$113	\$829	\$0	\$0.94	\$829	\$10,777	\$10,777	\$829	\$1	\$0	\$1,125	\$1.28	\$1,125
TC 60%	\$1,045			2	12	2	1	880	\$1,045	\$113	\$932	\$0	\$1.06	\$932	\$11,184	\$11,184	\$932	\$1	\$0	\$1,125	\$1.28	\$1,125
TOTALS/AVERAGES:					52			43,680				\$0	\$0.91	\$765	\$39,801	\$39,801	\$765	\$0.91	\$0	\$1,082	\$1.29	\$1,082

ANNUAL POTENTIAL GROSS RENT:	\$477,612	\$477,612	
------------------------------	-----------	-----------	--

# STABILIZED PRO FORMA

Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116

STABILIZED FIRST YEAR PRO FORMA															
COMPARABLES				APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
Database	Taylor, Wichita counties			% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$0.91	\$765	\$477,612	\$419,280	\$419,280	\$477,612	\$765	\$0.91		0.0%	\$0
Late rent, forfeited deposits, app fees, vending							\$20.00	\$12,480	12,480						
Total Secondary Income							\$20.00		12,480	\$12,480	\$20.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$490,092	\$431,760	\$431,760	\$490,092				0.0%	\$0
Vacancy & Collection Loss					7.5% PGI	(36,757)	(32,382)	(32,382)	(36,757)	7.5% PGI				0.0%	-
Rental Concessions							-			-				0.0%	-
EFFECTIVE GROSS INCOME							\$453,335	\$399,378	\$399,378	\$453,335				0.0%	\$0

General & Administrative	\$33,114	\$637/Unit	\$25,701	\$494	5.88%	\$0.61	\$513	\$26,650	\$21,150	\$27,584	\$25,701	\$494	\$0.59	5.67%	3.7%	949
Management	\$18,747	5.9% EGI	\$18,026	\$347	5.51%	\$0.57	\$480	\$24,960	\$24,960	\$24,961	\$24,960	\$480	\$0.57	5.51%	0.0%	-
Payroll & Payroll Tax	\$54,373	\$1,046/Unit	\$68,212	\$1,312	15.07%	\$1.56	\$1,313	\$68,297	\$59,488	\$59,488	\$68,297	\$1,313	\$1.56	15.07%	0.0%	-
Repairs & Maintenance	\$28,331	\$545/Unit	\$34,205	\$658	7.46%	\$0.77	\$650	\$33,800	\$33,800	\$33,800	\$33,800	\$650	\$0.77	7.46%	0.0%	-
Electric/Gas	\$13,919	\$268/Unit	\$9,056	\$174	2.43%	\$0.25	\$212	\$11,000	\$11,000	\$10,356	\$13,919	\$268	\$0.32	3.07%	-21.0%	(2,919)
Water, Sewer, & Trash	\$25,671	\$494/Unit	\$27,950	\$537	6.62%	\$0.69	\$577	\$30,000	\$30,000	\$25,305	\$27,950	\$537	\$0.64	6.17%	7.3%	2,050
Property Insurance	\$18,552	\$0.42 /sf	\$30,763	\$592	5.10%	\$0.53	\$444	\$23,100	\$23,100	\$23,100	\$23,100	\$444	\$0.53	5.10%	0.0%	-
Property Tax (@ 0%) 2.6184	\$25,936	\$499/Unit	\$28,795	\$554	0.00%	\$0.00	\$0	\$0	\$39,000	\$30,990	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					2.87%	\$0.30	\$250	\$13,000	\$13,000	\$13,000	\$13,000	\$250	\$0.30	2.87%	0.0%	-
Cable TV					0.18%	\$0.02	\$15	\$800			\$800	\$15	\$0.02	0.18%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.46%	\$0.05	\$40	\$2,080	\$2,080	\$2,080	\$2,080	\$40	\$0.05	0.46%	0.0%	-
Security					0.13%	\$0.01	\$12	\$600	\$600	\$600	\$600	\$12	\$0.01	0.13%	0.0%	-
TOTAL EXPENSES					51.68%	\$5.36	\$4,506	\$ 234,287	\$258,978	\$252,064	\$234,207	\$4,504	\$5.36	51.66%	0.0%	\$ 80
NET OPERATING INCOME ("NOI")					48.32%	\$5.01	\$4,212	\$219,048	\$140,400	\$147,314	\$219,128	\$4,214	\$5.02	48.34%	0.0%	\$ (80)

CONTROLLABLE EXPENSES							\$3,264/Unit						\$3,263/Unit			
-----------------------	--	--	--	--	--	--	--------------	--	--	--	--	--	--------------	--	--	--



CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Sweetwater Station, Sweetwater, 9% HTC / MDL #24504 23927 21116

		DEBT / GRANT SOURCES															
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE								AS UNDERWRITTEN DEBT/GRANT STRUCTURE							
		Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting		Principal	Term	Amort	Rate	Pmt	Cumulative	
UW	App	Applicant	TDHCA						DCR	LTC							
DEBT (Must Pay)	Fee																
TDHCA MDL HOME		1.21	1.21	181,695	2.00%	40	40	\$5,000,000	\$1,950,000	\$1,950,000	\$5,000,000	40	40	2.00%	\$181,695	1.21	36.5%
CASH FLOW DEBT / GRANTS																	
City of Sweetwater - Fee Waiver		1.21	1.21		0.00%	0	0	\$0	\$250	\$250	\$0	0	0	0.00%		1.21	0.0%
JES Partnerships-Sweetwater, LLC - Owner Equity		1.21	1.21		0.00%	0	0	\$0	\$110	\$110	\$0	0	0	0.00%		1.21	0.0%
				\$181,695	TOTAL DEBT / GRANT SOURCES			\$5,000,000	\$1,950,360	\$1,950,360	\$5,000,000	TOTAL DEBT SERVICE			\$181,695	1.21	36.5%

<b>NET CASH FLOW</b>	\$37,433	\$37,353	<b>APPLICANT</b>				<b>NET OPERATING INCOME</b>	\$219,048	\$37,353	<b>NET CASH FLOW</b>
----------------------	----------	----------	------------------	--	--	--	-----------------------------	-----------	----------	----------------------

		EQUITY SOURCES												
		APPLICANT'S PROPOSED EQUITY STRUCTURE							AS UNDERWRITTEN EQUITY STRUCTURE					
									Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
Description	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price						
EQUITY / DEFERRED FEES						Applicant	TDHCA							
Affordable Equity Partners, Inc. (AEP)	LIHTC Equity	61.9%	\$1,035,000	0.82	\$8,485,303	\$7,918,416	\$7,918,416	\$8,485,303	\$0.82	\$1,035,000	61.9%	\$19,904	Previous Allocation	
JES Partnerships-Sweetwater, LLC	Equity Contribution	0.0%			\$110			\$110			0.0%		Total Developer Fee: \$1,222,347	
JES Dev Co, Inc.	Deferred Developer Fees	1.7%	(19% Deferred)		\$226,683	\$165,075	\$164,825	\$226,683	(19% Deferred)		1.7%			
Additional (Excess) Funds Req'd		0.0%					\$0	\$0			0.0%			
TOTAL EQUITY SOURCES		63.5%			\$8,712,096	\$8,083,491	\$8,083,241	\$8,712,096			63.5%			

<b>TOTAL CAPITALIZATION</b>	\$13,712,096	\$10,033,851	\$10,033,601	<b>\$13,712,096</b>	<b>15-Yr Cash Flow after Deferred Fee:</b>				<b>\$562,701</b>
-----------------------------	--------------	--------------	--------------	---------------------	--------------------------------------------	--	--	--	------------------

		DEVELOPMENT COST / ITEMIZED BASIS													
		APPLICANT COST / BASIS ITEMS							TDHCA COST / BASIS ITEMS					COST VARIANCE	
		Eligible Basis		Total Costs			Prior Underwriting		Total Costs			Eligible Basis			
		Acquisition	New Const. Rehab				Applicant	TDHCA				New Const. Rehab	Acquisition		
Land Acquisition				\$3,596 / Unit	\$187,000	\$187,000	\$187,000	\$187,000	\$3,596 / Unit			0.0%	\$0		
Building Acquisition		\$0		\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit		\$0	0.0%	\$0		
Off-Sites				\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit			0.0%	\$0		
Site Work			\$1,007,653	\$21,398 / Unit	\$1,112,687	\$945,628	\$945,628	\$1,112,687	\$21,398 / Unit	\$1,007,653		0.0%	\$0		
Site Amenities			\$123,750	\$2,380 / Unit	\$123,750	\$177,977	\$177,977	\$123,750	\$2,380 / Unit	\$123,750		0.0%	\$0		
Building Cost			\$7,692,812	\$176.12 /sf	\$147,939/Unit	\$7,692,812	\$4,881,336	\$5,262,598	\$7,692,812	\$147,939/Unit	\$176.12 /sf	\$7,692,812	0.0%	\$0	
Contingency			\$450,000	5.10%	5.04%	\$450,000	\$324,094	\$324,094	\$450,000	5.04%	5.10%	\$450,000	0.0%	\$0	
Contractor Fees			\$1,235,388	13.32%	13.33%	\$1,250,092	\$886,064	\$886,064	\$1,250,092	13.33%	13.32%	\$1,235,388	0.0%	\$0	
Soft Costs		\$0	\$677,276	\$17,351 / Unit	\$902,276	\$731,611	\$731,611	\$902,276	\$17,351 / Unit	\$677,276	\$0	0.0%	\$0		
Financing		\$0	\$555,576	\$12,888 / Unit	\$670,182	\$592,766	\$592,766	\$670,182	\$12,888 / Unit	\$555,576	\$0	0.0%	\$0		
Developer Fee		\$0	\$1,222,347	10.41%	10.32%	\$1,222,347	\$1,222,347	\$1,222,347	10.32%	10.41%	\$1,222,347	\$0	0.0%	\$0	
Reserves				3 Months	\$100,950	\$84,778	\$84,778	\$100,950	3 Months			0.0%	\$0		
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0	\$12,964,802	\$263,694 / Unit	\$13,712,096	\$10,033,601	\$10,414,863	\$13,712,096	\$263,694 / Unit	\$12,964,802	\$0	0.0%	\$0		
Acquisition Cost		\$0			\$0	\$0									
Contingency			\$0		\$0	\$0									
Contractor's Fee			\$0		\$0	\$0									
Financing Cost			\$0												
Developer Fee		\$0	\$0		\$0	\$0									
Reserves					\$0	\$0									
ADJUSTED BASIS / COST		\$0	\$12,964,802	\$263,694/unit	\$13,712,096	\$10,033,601	\$10,414,863	\$13,712,096	\$263,694/unit	\$12,964,802	\$0	0.0%	\$0		
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):					\$13,712,096										

<b>CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS</b>
<i>Sweetwater Station, Sweetwater, 9% HTC / MDL #24504_23927_21116</i>

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
<b>ADJUSTED BASIS</b>	\$0	\$12,964,802	\$0	\$12,964,802
Deduction of Federal Grants	\$0	\$0	\$0	\$0
<b>TOTAL ELIGIBLE BASIS</b>	\$0	\$12,964,802	\$0	\$12,964,802
High Cost Area Adjustment		130%		130%
<b>TOTAL ADJUSTED BASIS</b>	\$0	\$16,854,243	\$0	\$16,854,243
Applicable Fraction	100.00%	100.00%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>	\$0	\$16,854,243	\$0	\$16,854,243
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
<b>ANNUAL CREDIT ON BASIS</b>	0	\$1,516,882	\$0	\$1,516,882
<b>CREDITS ON QUALIFIED BASIS</b>	\$1,516,882		\$1,516,882	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price \$0.8198	Variance to Request	
Method			Credit Allocation	Credits	Proceeds
<b>Eligible Basis</b>	\$1,516,882	\$12,435,944	----	----	----
<b>Needed to Fill Gap</b>	\$1,062,650	\$8,711,986	----	----	----
<b>Previous Allocation</b>	\$1,035,000	\$8,485,303	<b>\$1,035,000</b>	<b>\$0</b>	<b>\$0</b>

## Long-Term Pro Forma

*Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116*

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$453,335	\$462,402	\$471,650	\$481,083	\$490,704	\$500,519	\$510,529	\$520,740	\$531,154	\$541,777	\$598,166	\$660,424	\$729,161	\$805,053	\$888,843	\$906,620	\$924,753	\$943,248	\$962,113	\$981,355
TOTAL EXPENSES	3.00%	\$234,287	\$241,066	\$248,043	\$255,225	\$262,617	\$270,225	\$278,056	\$286,117	\$294,414	\$302,954	\$349,560	\$403,418	\$465,665	\$537,618	\$620,800	\$638,935	\$657,603	\$676,822	\$696,608	\$716,976
NET OPERATING INCOME ("NOI")		\$219,048	\$221,336	\$223,606	\$225,858	\$228,088	\$230,293	\$232,473	\$234,623	\$236,741	\$238,824	\$248,606	\$257,005	\$263,496	\$267,435	\$268,043	\$267,686	\$267,149	\$266,425	\$265,505	\$264,378
EXPENSE/INCOME RATIO		51.7%	52.1%	52.6%	53.1%	53.5%	54.0%	54.5%	54.9%	55.4%	55.9%	58.4%	61.1%	63.9%	66.8%	69.8%	70.5%	71.1%	71.8%	72.4%	73.1%
<b>MUST -PAY DEBT SERVICE</b>																					
TOTAL DEBT SERVICE		\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695
DEBT COVERAGE RATIO		1.21	1.22	1.23	1.24	1.26	1.27	1.28	1.29	1.30	1.31	1.37	1.41	1.45	1.47	1.48	1.47	1.47	1.47	1.46	1.46
<b>ANNUAL CASH FLOW</b>																					
Deferred Developer Fee Balance		\$189,330	\$149,690	\$107,779	\$63,616	\$17,224	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$31,374	\$82,151	\$135,078	\$190,123	\$247,252	\$562,701	\$923,103	\$1,320,007	\$1,741,991	\$2,174,022	\$2,260,012	\$2,345,466	\$2,430,195	\$2,514,005	\$2,596,688



# Real Estate Analysis Division

February 28, 2023

## Addendum to Underwriting Report

TDHCA Application #: **23927\_21116** Program(s): **9% HTC**

### Sweetwater Station

Address/Location: **1105 E. Broadway Ave. & 212 Bawcom Street**

City: **Sweetwater** County: **Nolan** Zip: **79556**

	APPLICATION HISTORY
Report Date	PURPOSE
02/28/23	Supplemental Credit Memo
03/23/21	Initial Underwriting Report

## ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$900,000				\$1,035,000				

## CONDITIONS STATUS

- Receipt and acceptance by 10% test:
  - Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.
- Receipt and acceptance by Cost Certification:
  - Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
  - Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.
  - 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 HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37

**ANALYSIS**

The Development received a 9% HTC allocation in 2021 and is requesting a 15% increase in annual tax credit allocation consistent with the 2023 QAP Subchapter F, Supplement Housing Tax Credits. Tax credits will be calculated at cost certification based on actual eligible costs incurred. For Developments with previously awarded Multifamily Direct Loans (MDL's), tax credits and the MDL will be re-underwritten at MDL closing.

Per SubChapter F, the developer fee cannot increase from the previously published underwriting report, and the deferred developer fee cannot decrease from the previously published underwriting report.

The underwriter recommends a total annual credit allocation of \$1,035,000.

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

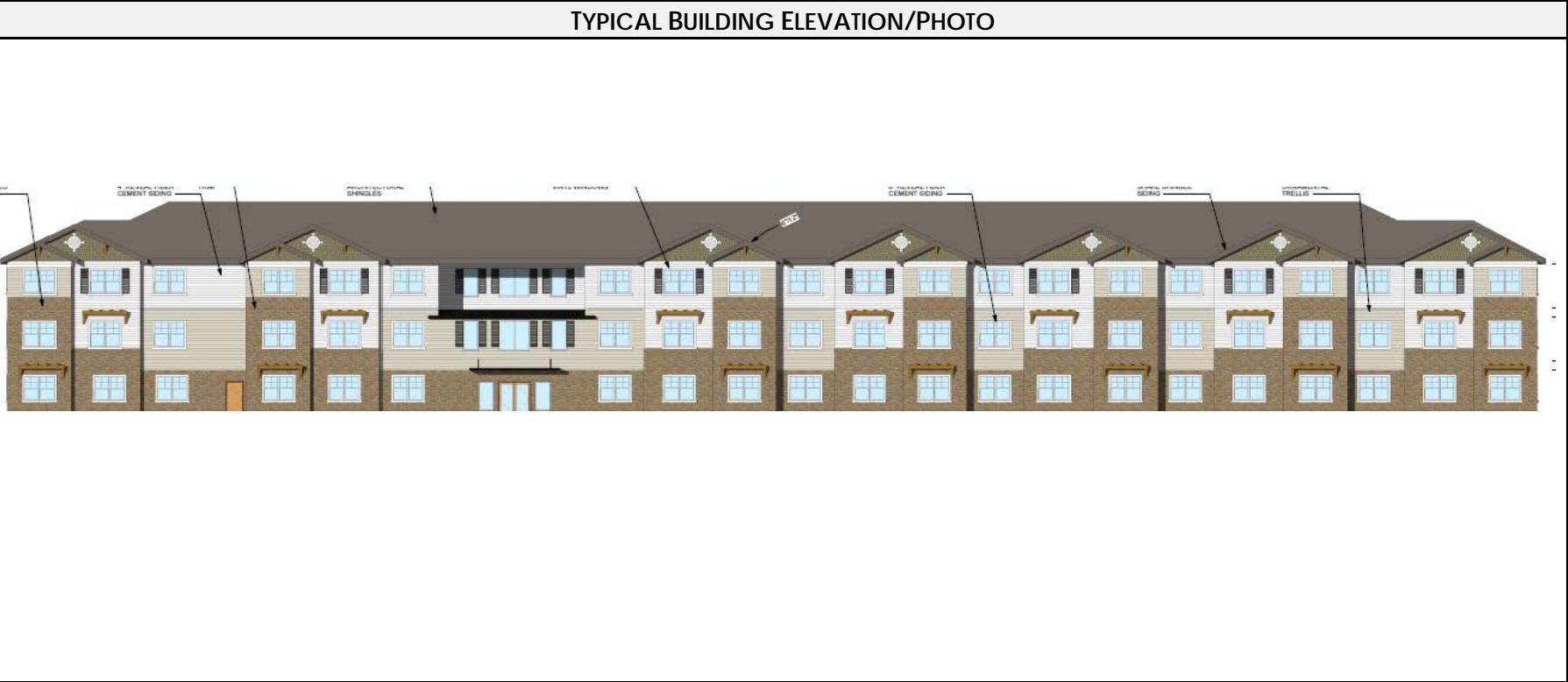
# 21116 Sweetwater Station - Application Summary

REAL ESTATE ANALYSIS DIVISION  
June 23, 2021

PROPERTY IDENTIFICATION	
Application #	21116
Development	Sweetwater Station
City / County	Sweetwater / Nolan
Region/Area	2 / Rural
Population	Elderly Limitation
Set-Aside	General
Activity	New Construction

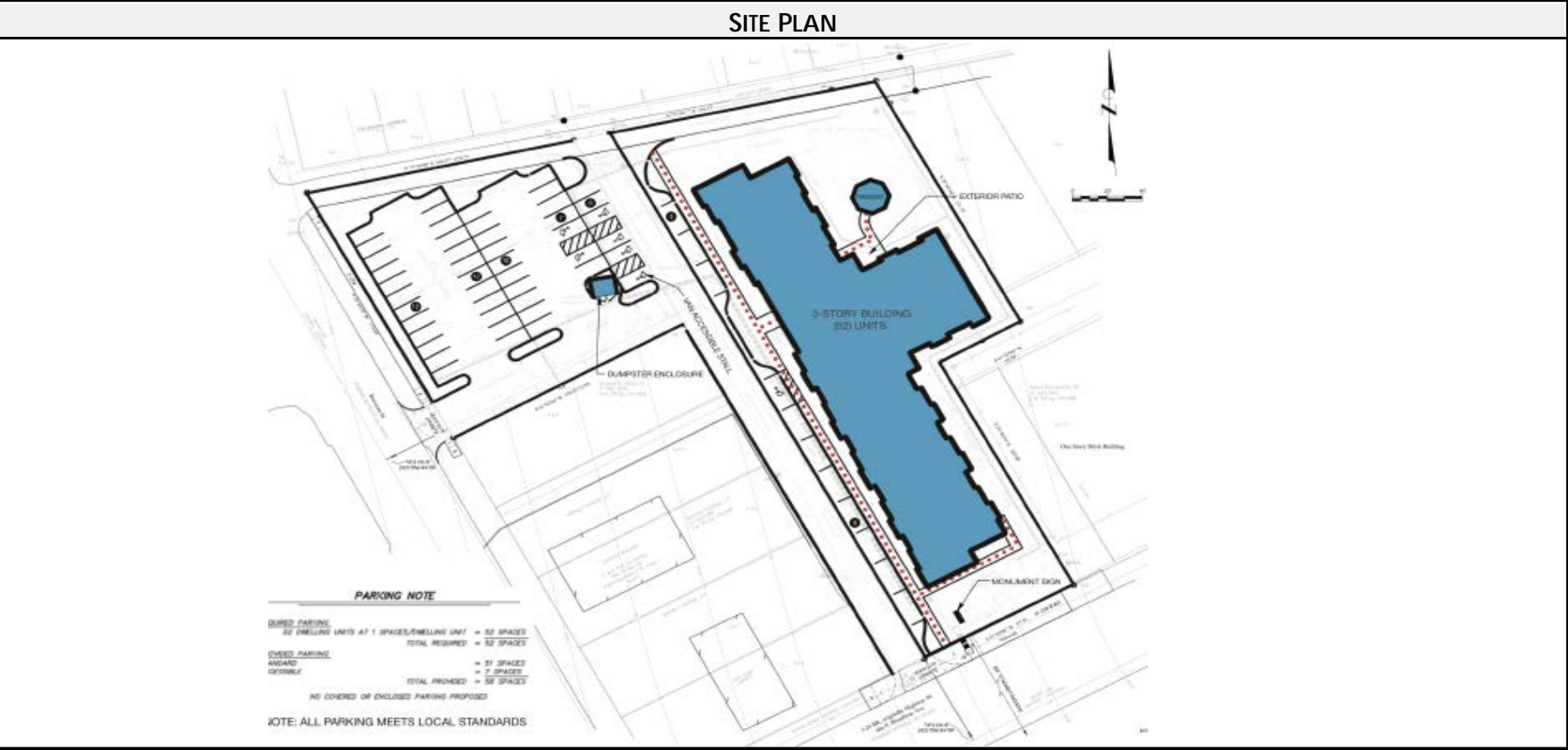
RECOMMENDATION				
TDHCA Program	Request	Recommended		
LIHTC (9% Credit)	\$900,000	\$900,000	\$17,308/Unit	\$0.88

KEY PRINCIPALS / SPONSOR		
JES Dev Co, Inc Brian Kimes Jim Markel		
Related Parties	Contractor - Yes	Seller - No



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	20%	-	0%
1	16	31%	30%	4	8%
2	36	69%	40%	-	0%
3	-	0%	50%	11	21%
4	-	0%	60%	37	71%
			70%	-	0%
			80%	-	0%
			MR	-	0%
TOTAL	52	100%	TOTAL	52	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.19	Expense Ratio	64.8%
Breakeven Occ.	87.3%	Breakeven Rent	\$633
Average Rent	\$672	B/E Rent Margin	\$39
Property Taxes	\$750/unit	Exemption/PILOT	0%
Total Expense	\$4,980/unit	Controllable	\$2,989/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			✔️ 3.1%
Highest Unit Capture Rate	🟡 12%	2 BR/50%	8
Dominant Unit Cap. Rate	✔️ 8%	2 BR/60%	25
Premiums (↑60% Rents)	#DIV/0!	#DIV/0!	
Rent Assisted Units	N/A		
DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	840 SF	Density	35.1/acre
Acquisition		\$04K/unit	\$187K
Building Cost	\$111.75/SF	\$94K/unit	\$4,881K
Hard Cost		\$122K/unit	\$6,329K
Total Cost		\$193K/unit	\$10,034K
Developer Fee	\$1,222K	(13% Deferred)	Paid Year: 8
Contractor Fee	\$886K	30% Boost	Yes



DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Sterling Bank	18/35	5.00%	\$1,950,000	1.19	City of Sweetwater	0/0	0.00%	\$250	1.19	Affordable Equity Partners, Inc.	\$7,918,416
					JES Partnerships-Sweetwater, LLC	0/0	0.00%	\$110	1.19	JES Dev Co, Inc.	\$164,825
										TOTAL EQUITY SOURCES	\$8,083,241
										TOTAL DEBT SOURCES	\$1,950,360
TOTAL DEBT (Must Pay)			\$1,950,000		CASH FLOW DEBT / GRANTS			\$360		TOTAL CAPITALIZATION	\$10,033,601

CONDITIONS	
1	Receipt and acceptance by 10% test: <ul style="list-style-type: none"><li>- Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.</li></ul>
2	Receipt and acceptance by Cost Certification: <ul style="list-style-type: none"><li>a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.</li><li>b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.</li><li>c: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.</li></ul>
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			
<ul style="list-style-type: none"><li>Good visibility</li><li>Experienced Developer</li><li>Attractive Design</li></ul>			
WEAKNESSES/RISKS			
<ul style="list-style-type: none"><li>69% of units are 2 BR</li><li>Potential increased cost due to unknown asbestos conditions</li><li>Inconvenient parking layout</li></ul>			
AREA MAP			
			



### DEVELOPMENT IDENTIFICATION

TDHCA Application #: 21116 Program(s): 9% HTC

Sweetwater Station

Address/Location: 1105 E. Broadway Ave. & 212 Bawcom Street

City: Sweetwater County: Nolan Zip: 79556

Population: Elderly Limitation Program Set-Aside: General Area: Rural

Activity: New Construction Building Type: Elevator Served Region: 2

Analysis Purpose: New Application - Initial Underwriting

### ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$900,000				\$900,000				

### CONDITIONS

- 1 Receipt and acceptance by 10% test:
  - Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.
- 2 Receipt and acceptance by Cost Certification:
  - a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
  - b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.
  - c: 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 HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37



## DEVELOPMENT SUMMARY

New construction of 52 units, targeting the elderly population aged 55+. One 3-story elevator-served building, and a 3,400 s.f. community building. The unit mix is 31% one bedroom units with the other 69% being 2-bedrooms.

## RISK PROFILE

STRENGTHS/MITIGATING FACTORS		WEAKNESSES/RISKS	
▫	Good visibility	▫	69% of units are 2 BR
▫	Experienced Developer	▫	Potential increased cost due to unknown asbestos conditions
▫	Attractive Design	▫	Inconvenient parking layout

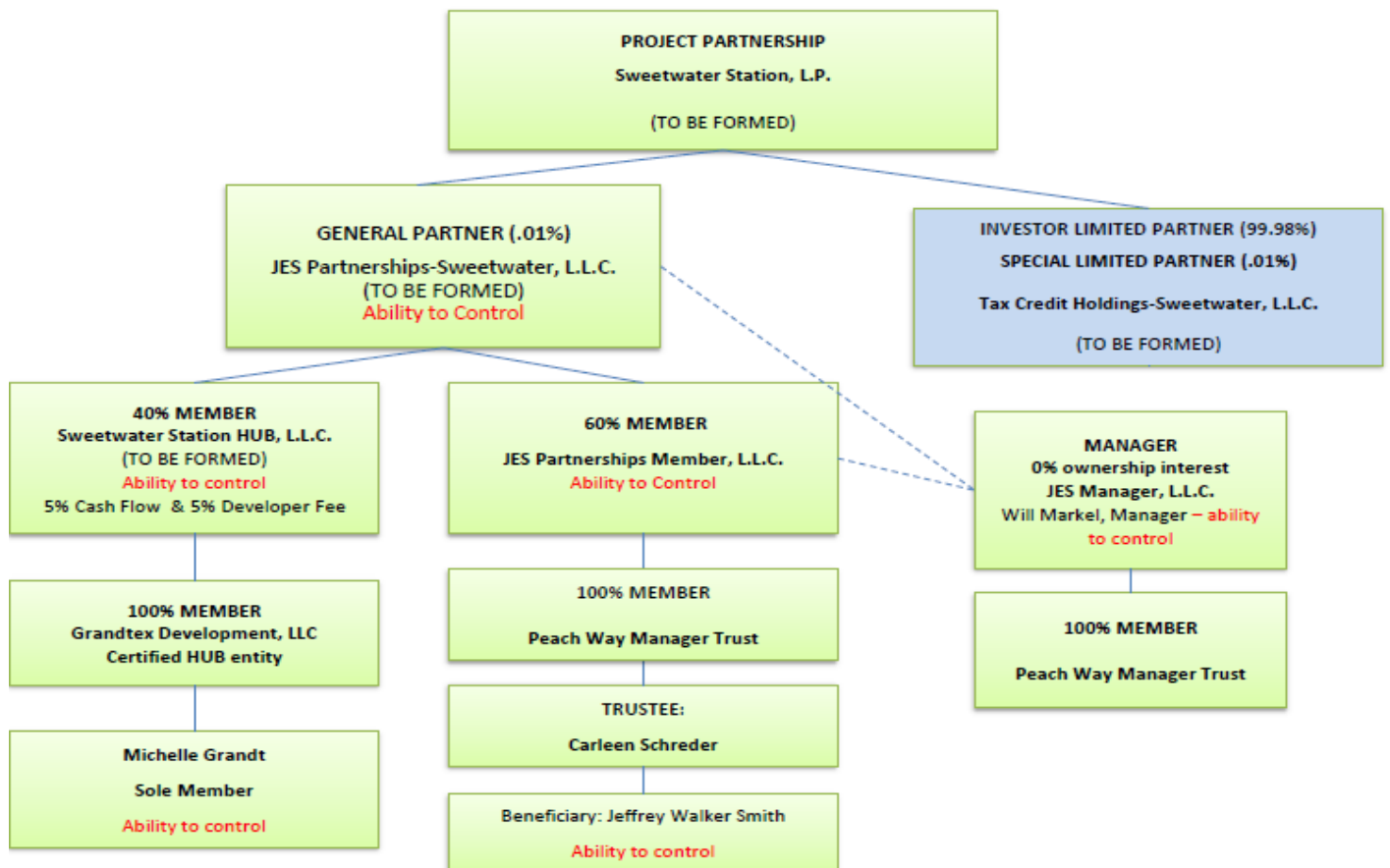
## DEVELOPMENT TEAM

### PRIMARY CONTACTS

Name: Brian Kimes  
 Phone: (573) 443-2021  
 Relationship: Developer

Name: Jim Markel  
 Phone: (404) 841-2227  
 Relationship: Developer

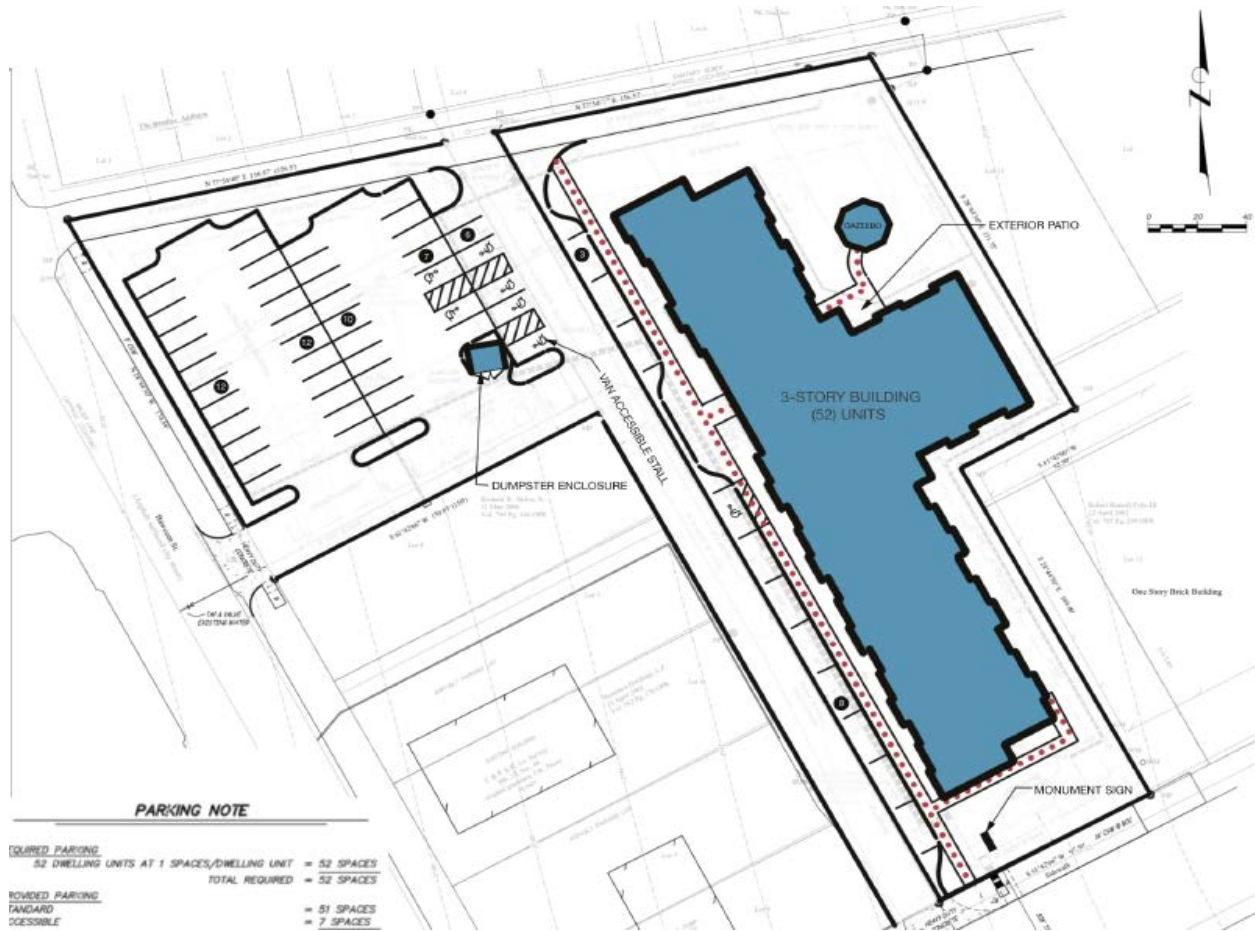
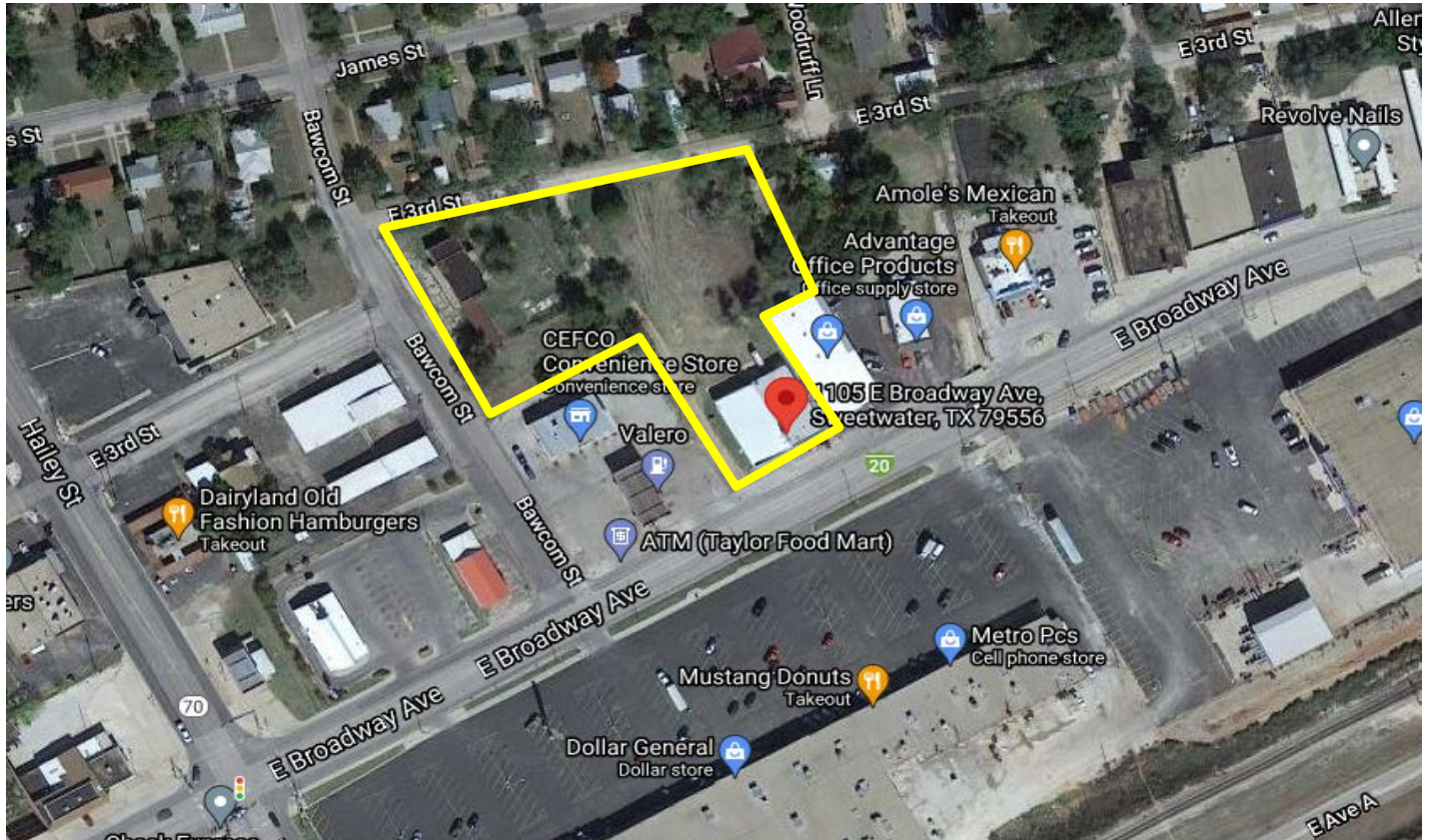
## OWNERSHIP STRUCTURE



- Experienced Developer with 6 other LIHTC projects in Texas. Applicant has an in-house General Contracting and Property Management Company that will build and manage this property.

# DEVELOPMENT SUMMARY

## SITE PLAN



Comments:

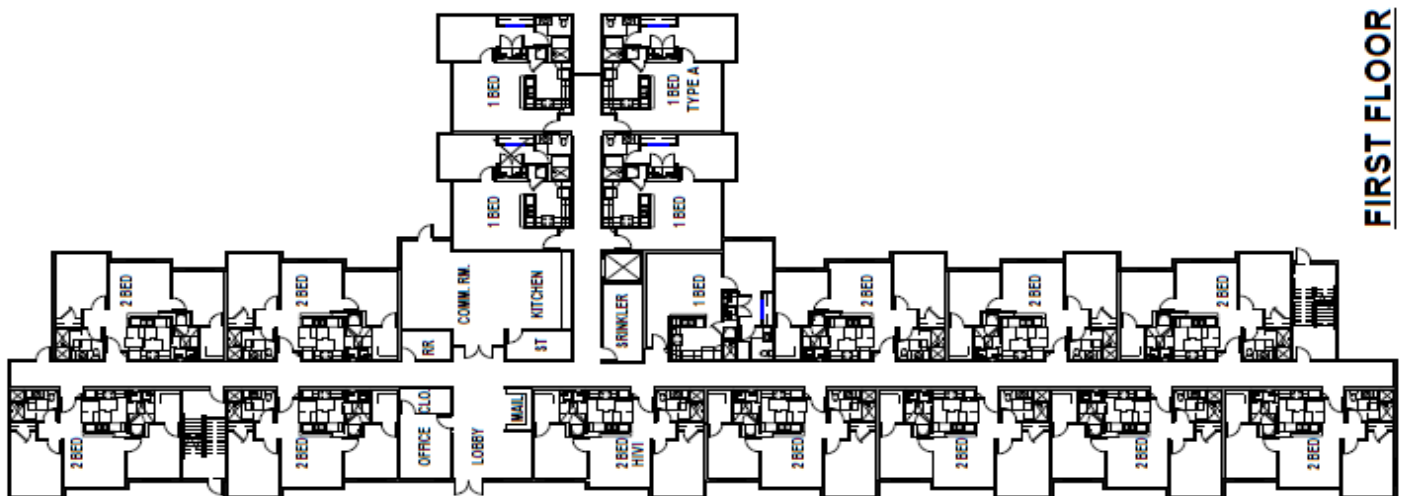
The site consists of two contiguous parcels of land located at 212 Bawcom Street and 1105 East Broadway Street. The 212 Bawcom Street consists of 0.53 acres of land developed with an approximate 2,000-sf vacant office/retail building with an approximate 800-sf covered parking area. The 1105 East Broadway Street consists of 1.02-acres of land developed with an approximate 6,278-sf office/retail building currently occupied by Hytorc, which sells, rents, and repairs hydraulic torque wrenches and pumps. The site is also developed with asphalt- and concrete-paved parking areas, a soil alleyway, remnant concrete pads, fencing, and utilities.

Applicant plans to dedicate 10 feet of right of way on 3rd Street (0.07 acres of the total 1.55 acre parcel) as an alley to the City. The final total site area will be 1.48-acres.

Access to the site will be provided by two full access driveways. A single driveway will front E. Broadway Ave and a second drive will from Bawcom Street.

Fifty-two parking spaces are required, 58 uncovered spaces will be provided free for tenant use.

BUILDING PLAN (Typical)



Comments:

Standard rectangular units with some articulation, multiple plumbing runs throughout the building, 9 foot ceilings and walk-in showers only in all units.

BUILDING ELEVATION



Comments:

A single 3-story, elevator-served building with 9ft ceilings, 6:12 roof pitches, conditioned corridors, above average articulation and 45% masonry exteriors.



## BUILDING CONFIGURATION

Building Type	3-Story																	Total Buildings
Floors/Stories	3																	
Number of Bldgs	1																	1
Units per Bldg	52																	
Total Units	52																	52
Avg. Unit Size (SF)	840 sf	Total NRA (SF)				43,680	Common Area (SF)*				11,165							

\*Common Area Square Footage as specified on Architect Certification

## SITE CONTROL INFO

**Site Acreage:** Development Site: 1.48 acres Density: 35.1 units/acre

**Site Control:** 1.55 **Site Plan:** 1.55 **Appraisal:** n/a **ESA:** 1.55

**Feasibility Report Survey:** 1.55

**Feasibility Report Engineer's Plan:** 1.48

Control Type: Commercial Contract & Option Agreement

Tract 1:	<u>1.02</u>	acres	Cost:	<u>\$127,000</u>	Seller:	<u>Jay Jay Holding Corporation</u>
Tract 2:	<u>0.53</u>	acres	Cost:	<u>\$60,000</u>	Seller:	<u>Joseph M. Hantman Revocable Trust</u>

Total Acquisition: 1.55 acres

Development Site: 1.48 acres Cost: \$187,000 \$3,596 per unit

Seller: Jay Jay Holding Corp & Joseph M. Hantman Trust

Buyer: JES Dev Co, Inc

Related-Party Seller/Identity of Interest: No

### Comments:

Although the property is identified as 1.55 acres in the survey, the portion of the site currently showing in the 3rd Street roadway will be deeded to the City with development of Sweetwater Station. The size of this area is estimated to reduce the overall site size to 1.48 acres.

## SITE INFORMATION

Flood Zone:	<u>X</u>	Scattered Site?	<u>No</u>
Zoning:	<u>G Zoning District</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>

### Current Uses of Subject Site:

The site consists of two contiguous parcels of land developed with an approximate 2,000-sf vacant office/retail building and an approximate 800-sf covered parking area, and an approximate 6,278-sf office/retail building currently occupied by Hytorc (a commercial business & related party entity to the Seller). The site is also developed with asphalt- and concrete-paved parking areas, a soil alleyway, remnant concrete pads, fencing, and utilities.

### Surrounding Uses:

**North:** E 3rd Street and residential  
**East:** commercial and residential  
**South:** E Broadway Street, a retail shopping center  
**West:** Bawcom Street and commercial

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Date: 2/26/2021

### Recognized Environmental Conditions (RECs) and Other Concerns:

- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of the significant roads, railroad, and airports to the site, Terracon recommends that a noise study be conducted.
- Based on the age of the buildings, 1960s and 1970s, and the debris apparent from a previous structure, it is likely that the on-site buildings contain asbestos containing materials. Terracon recommends a thorough asbestos survey meeting current TDSHS and Environmental Protection Agency standards be conducted prior to renovation or demolition of these structures.
- Since the buildings were constructed in 1960s and 1970s, it is possible that lead-based paint is present in these materials. Terracon recommends a lead-based paint survey prior to demolition or renovation of the on-site buildings.
- Terracon recommends conducting additional investigation to evaluate subsurface conditions associated with the identified recognized environmental conditions (RECs):
  - Former on-site laundry facility (212 Bawcom Street)
  - Former welding and radiator facility located south of the site
  - Former Bell Service Station located south of the site
  - Former Taylor Food Mart 2046/current CEFCO gas station located to the adjacent southwest

## MARKET ANALYSIS

Provider: Novogradac

Date: 3/22/2021

Contact: John Overath

Phone: 469-329-5214

Primary Market Area (PMA): 1,821 sq. miles 24 mile equivalent radius

"The PMA consists of 7 census tracts around Sweetwater and encompasses approximately 1,821 square miles and radiates less than 37 miles from the Subject property. We believe that given the target tenancy, limited availability of affordable housing in the region, and rural nature of the central Texas region the size of the PMA is reasonable....

The PMA comprises the entirety of Fisher (\$66,000 AMI) and Nolan Counties (\$60,400). Nolan County, the Subject's county, has the lower 2020 AMI; however, the AMI's for both counties are very similar. As such, we believe the difference in income levels among the counties will not have a significant effect on demand (p. 14)

### ELIGIBLE HOUSEHOLDS BY INCOME

#### Nolan County Income Limits

HH Size		1	2	3	4	5	6	7+
30% AMGI	Min	\$8,400	\$8,400	\$10,080	\$10,080	---	---	---
	Max	\$13,080	\$14,940	\$16,830	\$18,690	---	---	---
50% AMGI	Min	\$13,992	\$13,992	\$16,824	\$16,824	---	---	---
	Max	\$21,800	\$24,900	\$28,050	\$31,150	---	---	---
60% AMGI	Min	\$16,800	\$16,800	\$20,184	\$20,184	---	---	---
	Max	\$26,160	\$29,880	\$33,660	\$37,380	---	---	---

### AFFORDABLE HOUSING INVENTORY

#### Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None					

#### Other Affordable Developments in PMA since 2016

	None				
--	------	--	--	--	--

#### Stabilized Affordable Developments in PMA

Total Units	80
Total Developments	1
Average Occupancy	100%

OVERALL DEMAND ANALYSIS				
		Market Analyst		
		HTC	Assisted	
Total Households in the Primary Market Area		7,469		
Senior Households in the Primary Market Area		3,867		
Potential Demand from the Primary Market Area		1,509		
10% External Demand		151		
Potential Demand from Other Sources				
<b>GROSS DEMAND</b>		1,660		
Subject Affordable Units		52		52
Unstabilized Competitive Units		0		
<b>RELEVANT SUPPLY</b>		52		
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>		<b>3.1%</b>		

Population:	<b>Elderly Limitation</b>	Market Area:	<b>Rural</b>	Maximum Gross Capture Rate:	<b>10%</b>
-------------	---------------------------	--------------	--------------	-----------------------------	------------

UNDERWRITING ANALYSIS of PMA DEMAND by AMGI BAND									
AMGI Band	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	AMGI Band Capture Rate				
30% AMGI	258	26	4	0	1%				
50% AMGI	319	32	11	0	3%				
60% AMGI	932	93	37	0	4%				

#### Demand Analysis:

Minimum eligible income is calculated at 50% rent to income for Elderly developments. Gross demand includes all household sizes and both renter and owner households. Elderly is assumed age 55 and up.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE									
Unit Type	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	Unit Capture Rate				
1 BR/30%	140	14	1	0	1%				
1 BR/50%	94	9	3	0	3%				
1 BR/60%	349	35	12	0	3%				
2 BR/30%	87	9	3	0	3%				
2 BR/50%	59	6	8	0	12%				
2 BR/60%	277	28	25	0	8%				

Market Analyst Comments:

The PMA experienced declining population growth between 2000 and 2010, and lagged behind the surrounding MSA, which also experienced declining population growth. Both geographic areas experienced population growth rates beneath the overall nation. Population in the PMA continue to decline between 2010 and 2020, similar to the MSA. According to ESRI demographic projections, population in the PMA is expected to continue to declines by 0.4 percent through the date of market entry and 2025, similar to the MSA and below the nation. (p. 23)

Although the number of senior households is projected to slightly decrease through 2025, there is still a significant number of senior households in the PMA, some of which will need affordable housing such as the Subject. (p. 24)

Approximately 37.6 percent of the renter population in the PMA earned less than \$40,000 in 2020. By 2025, the renter population earning less than \$40,000 in the PMA is expected to decrease to 36.7 percent, which is still a significant percentage of low-income renter households. This data provides strong support for affordable rental housing in the Subject's PMA. (p. 29)

Underwriter Comments:

Affordable properties still monitored in the PMA average 100% occupancy.

## OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)					
NOI:	\$140,400	Avg. Rent:	\$672	Expense Ratio:	64.8%
Debt Service:	\$118,097	B/E Rent:	\$633	Controllable Expenses:	\$2,989
Net Cash Flow:	\$22,303	UW Occupancy:	92.5%	Property Taxes/Unit:	\$750
Aggregate DCR:	1.19	B/E Occupancy:	87.3%	Program Rent Year:	2020

All units are projected at maximum HTC program rents.

In-house management company estimates a fee of 6.25%, which is consistent with their other currently managed properties.

Underwriter's property tax estimate (\$596/unit) based on similar properties in the region.

Breakeven occupancy occurs with 6 units vacant (underwritten at 3).

Pro Forma exhibits feasibility throughout the 35-year term. NOI can support a 25 basis point increase in the permanent loan rate (up to 5.25% vs. projected rate of 5%) before going below 1.15 DCR threshold.

As presented, 15 year residual cash flow is \$186K with a deferral of 14% of the developer fee.

Despite the difference in property tax estimates described above, Applicant's pro forma varies less than 5% from the Underwriter's estimates. Therefore, feasibility will be determined by Applicant's pro forma.



## DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)					
Acquisition	\$126,351/ac	\$3,596/unit	<b>\$187,000</b>	Contractor Fee	<b>\$886,064</b>
Off-site + Site Work		\$21,608/unit	<b>\$1,123,605</b>	Soft Cost + Financing	<b>\$1,324,377</b>
Building Cost	\$111.75/sf	\$93,872/unit	<b>\$4,881,336</b>	Developer Fee	<b>\$1,222,347</b>
Contingency	5.40%	\$6,233/unit	<b>\$324,094</b>	Reserves	<b>\$84,778</b>
<b>Total Development Cost</b>		<b>\$192,954/unit</b>	<b>\$10,033,601</b>	<b>Rehabilitation Cost</b>	<b>N/A</b>
<b>Qualified for 30% Basis Boost?</b>		Rural [9% only]			

### Site Work:

Certified \$945K (\$18K/unit) for demolition and asbestos abatement, grading, paving, concrete and utility costs. Storm water management is anticipated to include underground storm water conveyance to an underground detention basin located in the southeast corner of the site. Amenity cost of \$178K (\$3K/unit) was not included in certification, but is comprised of \$165K for landscaping, \$13K for trash enclosures and signage.

### Building Cost:

Applicant's Building Cost is \$4.88M (\$111.75/sf, \$94K/unit) is \$381K (7.2%) less than the Underwriter's estimate of Building Cost of \$5.26M (\$120.48/sf, \$101K/unit). Very high building cost per square foot is in part due to lower number of units 52.

Underwriter's cost estimate based on Marshall & Swift good quality multifamily cost.

Applicant limited eligible basis by \$1.2M for scoring purposes.

### Comments:

Applicant's total cost is 3.7% lower than Underwriter's estimate. Recommended capital structure is based on Applicant's cost schedule.

### Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
<b>\$10,033,601</b>	<b>\$7,790,050</b>	<b>\$911,436</b>

## UNDERWRITTEN CAPITALIZATION

### INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Sterling Bank	Conventional Loan	\$7,456,973	5.25%	82%
Affordable Equity Partners, Inc.	HTC	\$1,583,684	\$0.88	18%
JES Partnerships-Sweetwater, LLC	Owner Equity	\$110		0%
		<b>\$9,040,767</b>	<b>Total Sources</b>	

### PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Sterling Bank	\$1,950,000	5.00%	35	18	\$1,950,000	5.00%	35	18	19%
City of Sweetwater	\$250	Fee Waiver			\$250	Fee Waiver			0%
JES Partnerships-Sweetwater, LLC	\$110	Owner Equity			\$110	Owner Equity			0%
<b>Total</b>	<b>\$1,950,360</b>				<b>\$1,950,360</b>				

Comments:

Underwriter included the \$250 in fee waivers from The City of Sweetwater as a source of funds.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	Amount	Rate	% Def	Amount	Rate	% TC	% Def
Affordable Equity Partners, Inc.	\$7,918,416	\$0.88		\$7,918,416	\$0.88	79%	
JES Dev Co, Inc.	\$165,075		14%	\$164,825		2%	13%
	Total	\$8,083,491		\$8,083,241			
				\$10,033,601	Total Sources		

### Credit Price Sensitivity based on current capital structure

<b>\$0.898</b>	Maximum Credit Price before the Development is oversourced and allocation is limited
<b>\$0.859</b>	Minimum Credit Price below which the Development would be characterized as infeasible

## CONCLUSIONS

### Recommended Financing Structure:

Gap Analysis:	
Total Development Cost	\$10,033,601
Permanent Sources (debt + non-HTC equity)	\$1,950,360
<b>Gap in Permanent Financing</b>	<b>\$8,083,241</b>

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	\$8,019,031	\$911,436
Needed to Balance Sources & Uses	\$8,083,241	\$918,734
Requested by Applicant	\$7,918,416	\$900,000

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
<b>Tax Credit Allocation</b>	<b>\$7,918,416</b>	<b>\$900,000</b>

<b>Deferred Developer Fee</b>	<b>\$164,825</b>	( 13% deferred)
<b>Repayable in</b>	<b>8 years</b>	

### Comments:

Recommended credit allocation is \$900,000 as requested by the Applicant.

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

UNIT MIX/RENT SCHEDULE		
Sweetwater Station, Sweetwater, 9% HTC #21116		

LOCATION DATA	
CITY:	Sweetwater
COUNTY:	Nolan
Area Median Income	\$60,400
PROGRAM REGION:	2
PROGRAM RENT YEAR:	2020

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	16	30.8%	0	0
2	36	69.2%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	52	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		9.00%
Average Unit Size		840 sf

56%	Income	20%	30%	40%	50%	60%	70%	80%	MR	TOTAL
Average Income	# Units	-	4	-	11	37	-	-	-	52
	% Total	0.0%	7.7%	0.0%	21.2%	71.2%	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%	\$350	1	1	1	750	\$350	\$56	\$294	\$0	\$0.39	\$294	\$294	\$294	\$294	\$0	\$0	\$865	\$1.15	\$865
TC 50%	\$583	3	1	1	750	\$583	\$56	\$527	\$0	\$0.70	\$527	\$1,581	\$1,581	\$527	\$1	\$0	\$865	\$1.15	\$865
TC 60%	\$700	12	1	1	750	\$700	\$56	\$644	\$0	\$0.86	\$644	\$7,728	\$7,728	\$644	\$1	\$0	\$865	\$1.15	\$865
TC 30%	\$420	3	2	1	880	\$420	\$71	\$349	\$0	\$0.40	\$349	\$1,047	\$1,047	\$349	\$0	\$0	\$985	\$1.12	\$985
TC 50%	\$701	8	2	1	880	\$701	\$71	\$630	\$0	\$0.72	\$630	\$5,040	\$5,040	\$630	\$1	\$0	\$985	\$1.12	\$985
TC 60%	\$841	25	2	1	880	\$841	\$71	\$770	\$0	\$0.88	\$770	\$19,250	\$19,250	\$770	\$1	\$0	\$985	\$1.12	\$985
TOTALS/AVERAGES:		52			43,680				\$0	\$0.80	\$672	\$34,940	\$34,940	\$672	\$0.80	\$0	\$948	\$1.13	\$948

ANNUAL POTENTIAL GROSS RENT:	\$419,280	\$419,280
------------------------------	-----------	-----------

STABILIZED PRO FORMA

Sweetwater Station, Sweetwater, 9% HTC #21116

	STABILIZED FIRST YEAR PRO FORMA												
	COMPARABLES			APPLICANT				TDHCA				VARIANCE	
	Database	Region Comps		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$0.80	\$672	\$419,280	\$419,280	\$672	\$0.80		0.0%	\$0
Late rent, forfeited deposits, app fees, vend						\$20.00	\$12,480						
Total Secondary Income						\$20.00		\$12,480	\$20.00			0.0%	\$0
POTENTIAL GROSS INCOME							\$431,760	\$431,760				0.0%	\$0
Vacancy & Collection Loss						7.5% PGI	(32,382)	(32,382)	7.5% PGI			0.0%	-
Rental Concessions							-	-				0.0%	-
EFFECTIVE GROSS INCOME							\$399,378	\$399,378				0.0%	\$0

General & Administrative	\$33,114	\$637/Unit	\$27,584	\$530	5.30%	\$0.48	\$407	\$21,150	\$27,584	\$530	\$0.63	6.91%	-23.3%	(6,434)
Management	\$18,747	5.9% EGI	\$15,034	\$289	6.25%	\$0.57	\$480	\$24,960	\$24,961	\$480	\$0.57	6.25%	0.0%	(1)
Payroll & Payroll Tax	\$54,373	\$1,046/Unit	\$60,619	\$1,166	14.90%	\$1.36	\$1,144	\$59,488	\$59,488	\$1,144	\$1.36	14.90%	0.0%	-
Repairs & Maintenance	\$28,331	\$545/Unit	\$34,567	\$665	8.46%	\$0.77	\$650	\$33,800	\$33,800	\$650	\$0.77	8.46%	0.0%	-
Electric/Gas	\$13,919	\$268/Unit	\$24,278	\$467	2.75%	\$0.25	\$212	\$11,000	\$10,356	\$199	\$0.24	2.59%	6.2%	644
Water, Sewer, & Trash	\$25,671	\$494/Unit	\$25,305	\$487	7.51%	\$0.69	\$577	\$30,000	\$25,305	\$487	\$0.58	6.34%	18.6%	4,695
Property Insurance	\$18,552	\$0.42 /sf	\$18,406	\$354	5.78%	\$0.53	\$444	\$23,100	\$23,100	\$444	\$0.53	5.78%	0.0%	-
Property Tax (@ 100%) 2.6184	\$25,936	\$499/Unit	\$30,990	\$596	9.77%	\$0.89	\$750	\$39,000	\$30,990	\$596	\$0.71	7.76%	25.8%	8,010
Reserve for Replacements					3.26%	\$0.30	\$250	\$13,000	\$13,000	\$250	\$0.30	3.26%	0.0%	-
Supportive Services					0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.52%	\$0.05	\$40	\$2,080	\$2,080	\$40	\$0.05	0.52%	0.0%	-
Security					0.15%	\$0.01	\$12	\$600	\$600	\$12	\$0.01	0.15%	0.0%	-
TOTAL EXPENSES					64.85%	\$5.93	\$4,980	\$ 258,978	\$252,064	\$4,847	\$5.77	63.11%	2.7%	\$ 6,914
NET OPERATING INCOME ("NOI")					35.15%	\$3.21	\$2,700	\$140,400	\$147,314	\$2,833	\$3.37	36.89%	-4.7%	\$ (6,914)

CONTROLLABLE EXPENSES		\$2,989/Unit		\$3,010/Unit	
-----------------------	--	--------------	--	--------------	--

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS														
Sweetwater Station, Sweetwater, 9% HTC #21116														

		DEBT / GRANT SOURCES													
		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	Cumulative	
UW	App	DCR	LTC												
DEBT (Must Pay)	Fee	1.25	1.19	118,097	5.00%	35	18	\$1,950,000	\$1,950,000	18	35	5.00%	\$118,097	1.19	19.4%
CASH FLOW DEBT / GRANTS															
City of Sweetwater		1.25	1.19		0.00%	0	0	\$250	\$250	0	0	0.00%		1.19	0.0%
JES Partnerships-Sweetwater, LLC		1.25	1.19		0.00%	0	0	\$110	\$110	0	0	0.00%		1.19	0.0%
				\$118,097	TOTAL DEBT / GRANT SOURCES			\$1,950,360	\$1,950,360	TOTAL DEBT SERVICE			\$118,097	1.19	19.4%

NET CASH FLOW	\$29,217	\$22,303	APPLICANT			NET OPERATING INCOME			\$140,400	\$22,303	NET CASH FLOW			
---------------	----------	----------	-----------	--	--	----------------------	--	--	-----------	----------	---------------	--	--	--

	EQUITY SOURCES										
	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE					
	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
EQUITY / DEFERRED FEES											
Affordable Equity Partners, Inc.	LIHTC Equity	78.9%	\$900,000	0.88	\$7,918,416	\$7,918,416	\$0.8798	\$900,000	78.9%	\$17,308	Applicant Request
JES Dev Co, Inc.	Deferred Developer Fees	1.6%	(14% Deferred)		\$165,075	\$164,825	(13% Deferred)		1.6%	Total Developer Fee:	\$1,222,347
Additional (Excess) Funds Req'd		0.0%				\$0			0.0%		
TOTAL EQUITY SOURCES		80.6%			\$8,083,491	\$8,083,241			80.6%		

TOTAL CAPITALIZATION							\$10,033,851	\$10,033,601				15-Yr Cash Flow after Deferred Fee:		\$186,207
----------------------	--	--	--	--	--	--	--------------	--------------	--	--	--	-------------------------------------	--	-----------

		DEVELOPMENT COST / ITEMIZED BASIS																						
		APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE												
		Eligible Basis								Eligible Basis														
		Acquisition	New Const. Rehab							New Const. Rehab	Acquisition			%	\$									
				Total Costs			Total Costs																	
Land Acquisition				\$3,596 / Unit			\$187,000			\$187,000			\$3,596 / Unit					0.0%	\$0					
Building Acquisition		\$0		\$ / Unit			\$0			\$0			\$ / Unit			\$0		0.0%	\$0					
Off-Sites				\$ / Unit			\$0			\$0			\$ / Unit					0.0%	\$0					
Site Work				\$767,532			\$18,185 / Unit			\$945,628			\$945,628			\$18,185 / Unit			\$767,532	0.0%	\$0			
Site Amenities				\$177,977			\$3,423 / Unit			\$177,977			\$177,977			\$3,423 / Unit			\$177,977	0.0%	\$0			
Building Cost				\$3,684,408			\$111.75 /sf			\$93,872/Unit			\$4,881,336			\$5,262,598			\$101,204/Unit	\$120.48 /sf	\$3,684,408	-7.2%	(\$381,262)	
Contingency				\$324,094			7.00%			5.40%			\$324,094			\$324,094			5.07%	7.00%	\$324,094	0.0%	\$0	
Contractor Fees				\$693,560			14.00%			14.00%			\$886,064			\$886,064			13.20%	14.00%	\$693,560	0.0%	\$0	
Soft Costs		\$0		\$671,611			\$14,069 / Unit			\$731,611			\$731,611			\$14,069 / Unit			\$671,611	\$0	0.0%	\$0		
Financing		\$0		\$454,775			\$11,399 / Unit			\$592,766			\$592,766			\$11,399 / Unit			\$454,775	\$0	0.0%	\$0		
Developer Fee			\$0	\$1,016,093			15.00%			15.00%			\$1,222,347			\$1,222,347			14.33%	15.00%	\$1,016,093	\$0	0.0%	\$0
Reserves							3 Months			\$84,778			\$84,778			3 Months					0.0%	\$0		
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0		\$7,790,050			\$192,954 / Unit			\$10,033,601			\$10,414,863			\$200,286 / Unit			\$7,790,050	\$0	-3.7%	(\$381,262)		
Acquisition Cost		\$0								\$0														
Contingency				\$0						\$0														
Contractor's Fee				\$0						\$0														
Financing Cost				\$0																				
Developer Fee			\$0	\$0						\$0														
Reserves										\$0														
ADJUSTED BASIS / COST		\$0		\$7,790,050			\$192,954/unit			\$10,033,601			\$10,414,863			\$200,286/unit			\$7,790,050	\$0	-3.7%	(\$381,262)		
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):														\$10,033,601										

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Sweetwater Station, Sweetwater, 9% HTC #21116

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$7,790,050	\$0	\$7,790,050
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$7,790,050	\$0	\$7,790,050
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$10,127,065	\$0	\$10,127,065
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$10,127,065	\$0	\$10,127,065
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	0	\$911,436	\$0	\$911,436
CREDITS ON QUALIFIED BASIS	\$911,436		\$911,436	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price \$0.8798	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	\$911,436	\$8,019,031	----	----	----
Needed to Fill Gap	\$918,734	\$8,083,241	----	----	----
Applicant Request	\$900,000	\$7,918,416	\$900,000	\$0	\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Elevator Served	43,680 SF	\$95.83	4,185,712
Adjustments				
Exterior Wall Finish	3.60%		3.45	\$150,686
Elderly	3.00%		2.87	125,571
9-Ft. Ceilings	3.45%		3.31	144,407
Roof Adjustment(s)			1.19	52,000
Subfloor			(0.16)	(6,989)
Floor Cover			2.56	111,821
Enclosed Corridors	\$87.38	7,700	15.40	672,801
Balconies	\$0.00	0	0.00	0
Plumbing Fixtures	\$1,080	0	0.00	0
Rough-ins	\$530	104	1.26	55,120
Built-In Appliances	\$1,830	52	2.18	95,160
Exterior Stairs	\$2,460	4	0.23	9,840
Heating/Cooling			2.34	102,211
Storage Space	\$87.38	0	0.00	0
Carports	\$12.25	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$69.98	3,465	5.55	242,470
Elevators	\$93,900	1	2.15	93,900
Other:			0.00	0
Fire Sprinklers	\$2.59	54,845	3.25	142,049
SUBTOTAL			141.41	6,176,759
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS			141.41	\$6,176,759
Plans, specs, survey, bldg permits	3.30%		(4.67)	(\$203,833)
Contractor's OH & Profit	11.50%		(16.26)	(710,327)
NET BUILDING COSTS			\$101,204/unit	\$120.48/sf \$5,262,598

## Long-Term Pro Forma

*Sweetwater Station, Sweetwater, 9% HTC #21116*

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	\$399,378	\$407,366	\$415,513	\$423,823	\$432,300	\$477,294	\$526,971	\$581,818	\$642,374	\$709,233	\$783,051
TOTAL EXPENSES	3.00%	\$258,978	\$266,498	\$274,238	\$282,206	\$290,407	\$335,170	\$386,907	\$446,714	\$515,857	\$595,804	\$688,253
<b>NET OPERATING INCOME ("NOI")</b>		<b>\$140,400</b>	<b>\$140,868</b>	<b>\$141,275</b>	<b>\$141,618</b>	<b>\$141,893</b>	<b>\$142,124</b>	<b>\$140,063</b>	<b>\$135,104</b>	<b>\$126,517</b>	<b>\$113,429</b>	<b>\$94,797</b>
EXPENSE/INCOME RATIO		64.8%	65.4%	66.0%	66.6%	67.2%	70.2%	73.4%	76.8%	80.3%	84.0%	87.9%
<b>MUST -PAY DEBT SERVICE</b>												
TOTAL DEBT SERVICE		\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097
DEBT COVERAGE RATIO		1.19	1.19	1.20	1.20	1.20	1.20	1.19	1.14	1.07	0.96	0.80
<b>ANNUAL CASH FLOW</b>		<b>\$22,303</b>	<b>\$22,771</b>	<b>\$23,178</b>	<b>\$23,521</b>	<b>\$23,796</b>	<b>\$24,027</b>	<b>\$21,966</b>	<b>\$17,007</b>	<b>\$8,421</b>	<b>(\$4,667)</b>	<b>(\$23,300)</b>
Deferred Developer Fee Balance		\$142,522	\$119,751	\$96,573	\$73,052	\$49,257	\$0	\$0	\$0	\$0	\$0	\$0
<b>CUMULATIVE NET CASH FLOW</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,224</b>	<b>\$186,207</b>	<b>\$282,458</b>	<b>\$343,349</b>	<b>\$348,183</b>	<b>\$271,400</b>



# 21116 Sweetwater Station PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.