

Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

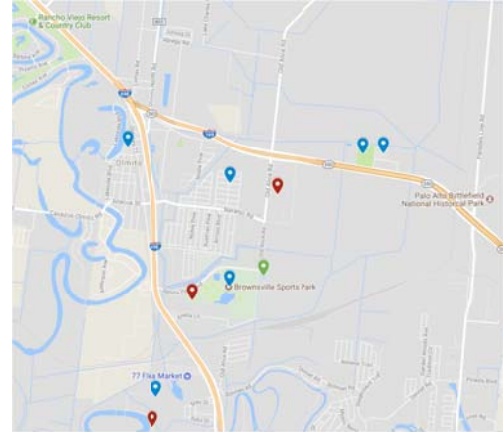
Agenda:

Presentation, discussion and possible approval of a resolution regarding the submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with proceeds of future debt for the Casitas Palo Alto Project.

Summary:

The Corporation received an application from Community Development Corporation of Brownsville (Developer) on June 14th proposing the development of a 120 unit single-family rental project located in Brownsville, Texas. The application requests \$9.3 million in short-term bonds to be issued later this year.

Map of Project Area



Public Benefit:

The proposed project will provide 120 units of housing targeted to families earning 60% of area median income or less. The project includes all single-family homes with 2, 3 and 4 bedroom models. The project is also located within a census tract that's median income is 148% of the County's Area Median, making it a high opportunity area, per the State's Housing Tax Credit Qualified Action Plan.

Financial Summary:

The proposed new construction of the Casitas Palo Alto Project has a total budget of approximately \$16.2 million. The proposed financing leverages tax-exempt bonds and 4% housing tax credits under a fairly typical financing structure. Approximately \$115,000 will be used for land acquisition costs, with construction costs of \$10.5 million or \$87,524 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining \$5.6 million in total costs.

The total bond amount is anticipated to be \$9.3 million. The bonds will be issued as short-term instruments with the proceeds from sale used for land acquisition and construction activities. Stifel Financial has been secured as the underwriter of the bonds, which are anticipated to be publicly issued with a "AA+" S&P rating. A permanent mortgage of approximately \$9.4 million will repay bond proceeds and is anticipated to have an interest rate of 4.65%. The permanent mortgage will be insured through FHA's 221d4 program. The lender for the mortgage is expected to be Capital One Commercial Banking. The tax credits are estimated to be valued at \$6.1 million in total equity. Deferred developer fees and cash estimated at \$740,000 rounding out the remaining sources.

Market Conditions:

Casitas Palo Alto Projects will sit near the intersection of Sports Park Road and Old Alice Road in the Northwest section of Brownsville. The property is located near the Olmito area, a growing suburb near the intersection of Interstates 69E and 169. The site is across Old Alice Road from the Brownsville Sports Park that covers more than 100 acres of open space and park facilities. Nearby residential developments

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are primarily single family in nature, including the Olmito Estates Subdivision where the Corporation has been developing 39 lots for low to moderate income home buyers in partnership with the Developer.

The project sits within a census tract that has a median home price of \$128,800, as compared to Cameron County's overall median home price of \$79,900. The census tract also has a median family income of \$57,172 compared to the County's family median of \$38,551. Access to elementary and secondary schools for the site needs to be determined by the district, which has two campuses within 2 miles of the project site.

Access to affordable rental properties is limited within the immediate area. Staff looked at federally assisted projects within a 5 mile radius of the project site. While these other properties provided 656 units of housing in 8 properties, 4 properties are restricted to senior households and only two family focused properties have been built in the past 20 years.

Borrower Summary:

The Community Development Corporation of Brownsville (CDCB), is a private 501(c)3 non-profit community housing development corporation (CHDO). Founded in 1974, CDCB has been providing safe, sanitary affordable housing to the citizens of the Lower Rio Grande Valley for the past 41 years. In addition to being one the largest non-profit producers of single family housing in Texas, CDCB has been the recipient of numerous national affordable housing awards, including the Maxwell Award of Excellence and the Federal Home Loan Bank Community Partnership Award.

CDCB has also expanded into rental housing and has developed 136 units of housing over the past 5 years. Located in 2 properties in Cameron County, CDCB has an excellent track record in tax credit compliance since building their first multifamily property in 2013.

Staff also wishes to note that CDCB has been a recipient of funding from the Corporation in the past. Currently, CDCB is our local partner at the Olmito Estates subdivision located less than one mile from the Casitas Palo Alto site. Olmito Estates is a land bank development that the Corporation owns, with CDCB as developer/builder of the homes targeted to families earning 120% of area median income or less. Additionally, the Corporation awarded \$1.5 million to CDCB for the MiCasita Homeownership program in 2017. That loan is in good standing.

Recommendation:

Staff recommends approval of the resolution regarding the submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with proceeds of future debt for the Casitas Palo Alto Project.

Casitas Palo Alto - Underwriting / Project Summary

Project Summary

Applicant Community Dev Corp of Brownsville

Project Name Casitas Palo Alto

Location

Address South East of Sports Park Blvd and Old Alice Road

City Brownsville

County: Cameron

State Texas

Zip _____

Census Tract: 48113016605

Funding Sources

	Amount	% of Total
TSAHC Bonds - Short Term*	\$ 9,330,038	n/a
FHA 1st Lien Mortgage	\$ 9,462,249	58.12%
Tax Credit Equity	\$ 6,077,952	37.33%
Deferred Dev Fees	\$ 740,448	4.55%
	\$ -	0.00%
Totals	\$ 16,280,649	100%

* not included in total

Market Summary

	City	County	State	Census Tract
Population:	182,110	418,785	26,956,435	17,255
Average Age:	31	31	34	29
Diversity Index:		19.86		17.19
% Hispanic:	94.0%	89.0%	38.4%	90.7%
% Persons with Disability:	11.9%	13.0%	11.6%	8.7%
% Households that Rent:	36.85%	33.16%	38.51%	14.74%
Median Rents:	\$ 644	\$ 653	\$ 911	\$ 1,087
% Renters Who are Cost Burdened:	51.39%	46.97%	44.35%	41.06%
Median Home Price:	\$ 83,800	\$ 79,900	\$ 142,700	\$ 128,800
Median Household Income:	\$ 37,701	\$ 38,551	\$ 64,585	\$ 57,172
Unemployment:	6.9%		4.3%	
Persons w/o Insurance:	33.4%	30.5%	19.3%	31.3%
Medically Underserved Area:	yes			
% Attending Public Schools:	97.0%	97.4%	93.3%	96.8%
Graduation Rate (Midland ISD):	81%			
CRA Eligible Census Tract:	No			
# of LI Projects and Units:	8	656		

Casitas Palo Alto - Underwriting / Operating Proforma

Operating Proforma

Applicant: Community Dev Corp of Brownsville
 Project Name: Casitas Palo Alto

Number of Units	120	Affordable Units	120	Min. Set Aside	48
Set-Aside Requirement	48	Affordable %	100%	Accessible Unit Min.	6

Residential Income

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter
2/1.5	900	16,200	18	\$ 763	\$ 13,734	1.02	60% AMI
2/2	1050	8,400	8	\$ 763	\$ 6,104	1.02	60% AMI
2/2	1100	15,400	14	\$ 763	\$ 10,682	1.02	60% AMI
3/2	1146	13,752	12	\$ 882	\$ 10,584	1.02	60% AMI
3/2	1185	15,405	13	\$ 882	\$ 11,466	1.02	60% AMI
3/2	1186	1,186	1	\$ 882	\$ 882	1.02	60% AMI
3/2	1206	6,030	5	\$ 882	\$ 4,410	1.02	60% AMI
3/2	1208	1,208	1	\$ 882	\$ 882	1.02	60% AMI
3/2	1255	5,020	4	\$ 882	\$ 3,528	1.02	60% AMI
4/2	1307	16,991	13	\$ 984	\$ 12,792	1.02	60% AMI
4/2	1363	5,452	4	\$ 984	\$ 3,936	1.02	60% AMI
4/2	1390	13,900	10	\$ 984	\$ 9,840	1.02	60% AMI
4/2	1407	23,919	17	\$ 984	\$ 16,728	1.02	60% AMI
	6567	142,863	120		\$ 1		

Other income:		\$ 20.83	\$ 2,500	1.02
Potential gross income				
Residential vacancy loss				7.00%
Effective Gross Residential Income				

Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$ 164,808	\$ 168,104	\$ 171,466	\$ 174,896	\$ 178,393	\$ 196,961	\$ 217,461
\$ 73,248	\$ 74,713	\$ 76,207	\$ 77,731	\$ 79,286	\$ 87,538	\$ 96,649
\$ 128,184	\$ 130,748	\$ 133,363	\$ 136,030	\$ 138,750	\$ 153,192	\$ 169,136
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 127,008	\$ 129,548	\$ 132,139	\$ 134,782	\$ 137,478	\$ 151,786	\$ 167,584
\$ 137,592	\$ 140,344	\$ 143,151	\$ 146,014	\$ 148,934	\$ 164,435	\$ 181,550
\$ 10,584	\$ 10,796	\$ 11,012	\$ 11,232	\$ 11,456	\$ 12,649	\$ 13,965
\$ 52,920	\$ 53,978	\$ 55,058	\$ 56,159	\$ 57,282	\$ 63,244	\$ 69,827
\$ 10,584	\$ 10,796	\$ 11,012	\$ 11,232	\$ 11,456	\$ 12,649	\$ 13,965
\$ 42,336	\$ 43,183	\$ 44,046	\$ 44,927	\$ 45,826	\$ 50,595	\$ 55,861
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 153,504	\$ 156,574	\$ 159,706	\$ 162,900	\$ 166,158	\$ 183,451	\$ 202,545
\$ 47,232	\$ 48,177	\$ 49,140	\$ 50,123	\$ 51,125	\$ 56,447	\$ 62,322
\$ 118,080	\$ 120,442	\$ 122,850	\$ 125,307	\$ 127,814	\$ 141,117	\$ 155,804
\$ 200,736	\$ 204,751	\$ 208,846	\$ 213,023	\$ 217,283	\$ 239,898	\$ 264,867
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 29,995.20	\$ 30,595	\$ 31,207	\$ 31,831	\$ 32,468	\$ 35,847	\$ 39,578
\$ 1,296,811	\$ 1,322,747	\$ 1,349,202	\$ 1,376,186	\$ 1,403,710	\$ 1,549,809	\$ 1,711,115
\$ (90,777)	\$ (92,592)	\$ (94,444)	\$ (96,333)	\$ (98,260)	\$ (108,487)	\$ (119,778)
\$ 1,206,034	\$ 1,230,155	\$ 1,254,758	\$ 1,279,853	\$ 1,305,450	\$ 1,441,323	\$ 1,591,337

Operating Expenses

	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator
General & Administrative	\$ 41,040	\$ 25,700	2.13	-37%	\$ 214	1.03
Management Fee	\$ 43,560	\$ 42,500	3.52	-2%	\$ 354	1.03
Payroll and Related	\$ 129,240	\$ 89,000	7.38	-31%	\$ 742	1.03
Maintenance & Repair	\$ 66,240	\$ 62,000	5.14	-6%	\$ 517	1.03
Utilities	\$ 98,160	\$ 99,000	8.21	1%	\$ 825	1.03
Insurance	\$ 45,720	\$ 47,000	3.90	3%	\$ 392	1.03
Taxes	\$ 67,200	\$ 56,000	4.64	-17%	\$ 467	1.03
Operating Debt Service Reserves						1.03
Replacement reserves	\$ 30,000	\$ 30,000	2.49	0%	\$ 250	1.03
HTC/HOME Compliance Fees	\$ 4,800	\$ 4,800	0.40	0%	\$ 40	1.03
Bond Compliance Fees	\$ 5,400	\$ 5,400	0.45	0%	\$ 45	1.03
Issuer Fee	\$ -	\$ -	0.00		\$ -	1.03
Other (specify): Support Services	\$ 13,000	\$ 13,000	1.08		\$ 108	1.03
Total Operating Expenses	\$ 531,360	\$ 474,400		-11%	\$ 3,953.33	

state avg \$ 4,861.00 per unit
 Operating Expenses as a percentage of Effective Gross Income

\$ 25,700	\$ 26,471	\$ 27,265	\$ 28,083	\$ 28,926	\$ 33,533	\$ 38,874
\$ 42,500	\$ 43,775	\$ 45,088	\$ 46,441	\$ 47,834	\$ 55,453	\$ 64,285
\$ 89,000	\$ 91,670	\$ 94,420	\$ 97,253	\$ 100,170	\$ 116,125	\$ 134,620
\$ 62,000	\$ 63,860	\$ 65,776	\$ 67,749	\$ 69,782	\$ 80,896	\$ 93,781
\$ 99,000	\$ 101,970	\$ 105,029	\$ 108,180	\$ 111,425	\$ 129,173	\$ 149,746
\$ 47,000	\$ 48,410	\$ 49,862	\$ 51,358	\$ 52,899	\$ 61,324	\$ 71,092
\$ 56,000	\$ 57,680	\$ 59,410	\$ 61,193	\$ 63,028	\$ 73,067	\$ 84,705
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 30,000	\$ 30,900	\$ 31,827	\$ -	\$ -	\$ -	\$ -
\$ 4,800	\$ 4,944	\$ 5,092	\$ 5,245	\$ 5,402	\$ 6,263	\$ 7,260
\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 7,046	\$ 8,168
\$ 13,000	\$ 13,390	\$ 13,792	\$ 14,205	\$ 14,632	\$ 16,962	\$ 19,664
\$ 474,400	\$ 488,632	\$ 503,291	\$ 485,608	\$ 500,176	\$ 579,841	\$ 672,195
\$ 3,953	\$ 4,072	\$ 4,194	\$ 4,047	\$ 4,168	\$ 4,832	\$ 5,602
39.3%	39.7%	40.1%	37.9%	38.3%	40.2%	42.2%

NET OPERATING INCOME

\$ 731,634	\$ 741,523	\$ 751,467	\$ 794,245	\$ 805,274	\$ 861,482	\$ 919,142
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Casitas Palo Alto - Underwriting / Operating Proforma

NET OPERATING INCOME

\$	731,634	\$	741,523	\$	751,467	\$	794,245	\$	805,274	\$	861,482	\$	919,142
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PRIMARY DEBT SERVICE

	Principal	Rate	Amort	Term
TSHAC Short Term Bonds*	\$ 9,330,038	2.00%	0	3
FHA 1st Lien Mortgage	\$ 9,462,249	5.25%	35	18
Total Primary Debt	\$ 9,462,249			
TSAC Issuer Fee	\$ 9,330			
Net Cashflow After Primary Debt				
DSCR Primary Debt				

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
				\$ -	\$ -	\$ -	\$ -
\$	596,225	\$ 596,225	\$ 591,288	\$ 591,288	\$ 591,288	\$ 591,288	\$ 591,288
\$	596,225	\$ 596,225	\$ 591,288	\$ 591,288	\$ 591,288	\$ 591,288	\$ 591,288
\$	9,330	\$ 9,330					
\$	126,079	\$ 135,968	\$ 160,179	\$ 202,957	\$ 213,986	\$ 270,194	\$ 327,854
	1.21	1.22	1.27	1.34	1.36	1.46	1.55

SOFT SUBORDINATE DEBT & EQUITY

HTC Equity	\$ 6,077,952		
Deferred Dev Fees	\$ 740,448		
Total Secondary Debt	\$ 6,818,400		

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	126,079	\$ 135,968	\$ 160,179	\$ 318,222.17	\$ -		
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	126,079	\$ 135,968	\$ 160,179	\$ 318,222	\$ -	\$ -	\$ -

Casitas Palo Alto - Underwriting / Summary Sources and Uses

Summary of Sources and Uses

Applicant Community Dev Corp of Brownsville

Project Name Casitas Palo Alto

Number of Units 120

Sources	Amount	Amount Per Unit	Percentage of Total
TSAHC Bonds - Short Term*	\$ 9,330,038	\$ 77,750	57%
FHA 1st Lien Mortgage	\$ 9,462,249	\$ 78,852	58%
Tax Credit Equity	\$ 6,077,952	\$ 50,650	37%
Deferred Dev Fees	\$ 740,448	\$ 6,170	5%
0	\$ -	\$ -	0%
Total Sources	\$ 16,280,649	\$ 135,672.08	100%

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 115,000	\$ 958.33	1%
Off-Site Construction	\$ 96,500	\$ 804.17	1%
On-Site Work	\$ 1,461,350	\$ 12,177.92	9%
Site Amenities	\$ 378,000	\$ 3,150.00	2%
Building Costs	\$ 8,567,111	\$ 71,392.59	53%
Other Const/Contingency	\$ 1,730,888	\$ 14,424.07	11%
Soft Costs	\$ 766,300	\$ 6,385.83	5%
Financing Costs	\$ 798,500	\$ 6,654.17	5%
Developer Fees	\$ 2,017,000	\$ 16,808.33	12%
Reserve Accounts	\$ 350,000	\$ 2,916.67	2%
Total Uses	\$ 16,280,649	\$ 135,672.08	100%

(Gap) / Reserve	\$ -
Percent of Developer Fee Deferred	36.71%