

Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

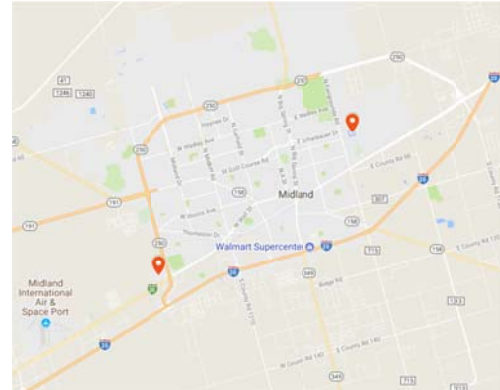
Agenda:

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 Ventura at Fairgrounds Apartments.

Summary:

The Corporation received an application from Dominium Inc. and Texas Housing Foundation (Developer) on June 14th proposing the development of a 276-unit multifamily rental project located in Midland, Texas. The application requests approximately \$35.4million in long-term bonds to be issued in the first quarter of 2019.

Map of Project Area



Public Benefit:

The proposed project will provide 276-units of housing targeted to families earning 60% of area median income or less. Midland meets the Corporation's Target Housing Need as a Small Urban Market.

Financial Summary:

The proposed new construction of Ventura at Fairgrounds Apartments has a total budget of approximately \$57.9 million. Approximately \$2.3 million will be used for land acquisition costs, with construction costs of \$39 million or \$141,517 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining \$16.6 million in total costs.

The total bond amount is anticipated to be \$35.4 million. The bonds will be issued as long-term securities. Dougherty & Company, LLC has been secured as the underwriter of the bonds, which are anticipated to be issued through the Freddie Mac Tax Exempt Loan Program. The Corporation will issue the bonds and use funds to provide a permanent mortgage to the Developer/Owner. The anticipated bond amount will be \$35.4 million, with tax credit equity estimated at \$20.9 million. Deferred developer fees and cash estimated at \$1.6 million round out the remaining sources.

Market Conditions:

Ventura at Fairgrounds Apartments will sit near the intersection of East Golf Course Road and North Fairgrounds on the west side of Midland, Texas. The property is located near several large parks and is a fast growing single family residential area. Both elementary and secondary schools are located within 2 miles, and access to office and commercial centers is easily accessed by East Golf Course Road and Business IH-20.

The project sits within a census tract that has a median home price of \$166,300, as compared to Midland County's overall median home price of \$175,000. While the census tract home pricing is lower at this time, more than 200 lots have been approved for development within 1 mile of the project. Median family income for the census tract was not available to staff, but the County Median Income was reported at \$85,709, higher than the State's median of \$64,585. Because of continued growth in oil and

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gas field exploration, along with expanding wind energy, the Midland area's income and overall cost of living has grown much faster than the State's. Median rents for the area average \$1,143 compared to the State's average of \$911.

Access to affordable rental units in Midland has increased in recent years, but construction has not kept up with population growth. Thirteen properties with 1,589 affordable units were observed in Staff's market review, one of these, Palladium Midland, was financed through bonds issued by the Corporation in 2015. Of the thirteen properties only 5 were less than 10-years old.

Borrower Summary:

The development team for Ventura at Fairgrounds is Dominion and the Texas Housing Foundation. The Texas Housing Foundation (THF) is a non-profit public housing authority based in Marble Falls, Texas. THF was created in 2006 and has developed more than 1,000 units of affordable rental housing throughout Texas. THF's executive Director Mark Mayfield has been involved in affordable housing development for more than 20 years. THF, as General Partner, will oversee management of the property and has established working agreements with the Midland Public Housing Authority to provide access to the development for section 8 voucher holders and other special needs populations.

Founded in 1972 by David Brierton and Jack Safar, Dominion now owns over 25,000 apartment units and has more than 1,000 employees across the United States. Eighty-percent of Dominion's portfolio is comprised of affordable communities, primarily Section 42 Tax Credit and senior properties. Product types range from garden style to mid-rise to high-rise communities including historic and value added rehabilitations.

Here in Texas, Dominion is represented by a strong team including Jeff Spicer, Vice President and Project Partner in Development and Acquisitions. Mr. Spicer has worked for more than 25 years in affordable housing in Texas. The Corporation previously worked with Mr. Spicer on the THF Sagebrush Apartments project that received a loan through the Texas Housing Impact Fund earlier this year.

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 Ventura at Fairgrounds Apartments.

Project Summary

Applicant Dominium and THF
 Project Name Ventura at Fairgrounds

Location

Address N Fairgrounds Rd City Midland
 County: Midland State Texas Zip 79705
 Census Tract: 48113016605

Funding Sources

	Amount	% of Total
TSAHC Bonds	\$ 35,440,000	61.16%
Tax Credit Equity	\$ 20,926,669	36.11%
Deferred Dev Fees	\$ 1,226,177	2.12%
Freddie Mac Refund	\$ 354,400	0.61%
Totals	\$ 57,947,246	100%

* not included in total

Market Summary

	City	County	State	Census Tract
Population:	128051	155817	26956435	738
Average Age:	32	32	34	52
Diversity Index:		58.24		40.21
% Hispanic:	42.86%	42.16%	38.36%	74.39%
% Persons with Disability:	9.99%	10.19%	11.64%	10.41%
% Households that Rent:	35.89%	33.51%	38.51%	12.20%
Median Rents:	\$ 1,143	\$ 1,148	\$ 911	
% Renters Who are Cost Burdened:	42.11%	41.91%	44.35%	100.00%
Median Home Price:	\$ 182,300	\$ 175,700	\$ 142,700	\$ 166,300
Median Household Income:		\$ 85,709	\$ 64,585	
Unemployment:	3.00%		4.30%	
Persons w/o Insurance:	19.46%	19.74%	19.32%	13.21%
Medically Underserved Area:	No			
% Attending Public Schools:	86.11%	87.28%	93.28%	70.42%
Graduation Rate (Midland ISD):	74.80%			
CRA Eligible Census Tract:	<u>No</u>			
# of LI Projects and Units:	<u>13</u>	<u>1589</u>		

Ventura Fairgrounds - Underwriting.xlsx / Operating Proforma

Operating Proforma

Applicant Dominium and THF
 Project Name Ventura at Fairgrounds

Number of Units	276	Affordable Units	276	Min. Set Aside	111
Set-Aside Requirement	110	Affordable %	100%	Accessible Unit Mir	14

Residential Income

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
1/1	727	14,540	20	\$ 982	\$ 19,640	1.02	60% AMI	\$ 235,680	\$ 240,394	\$ 245,201	\$ 250,106	\$ 255,108	\$ 281,659	\$ 310,975
1/1	754	30,160	40	\$ 982	\$ 39,280	1.02	60% AMI	\$ 471,360	\$ 480,787	\$ 490,403	\$ 500,211	\$ 510,215	\$ 563,319	\$ 621,950
2/2	1087	17,392	16	\$ 1,174	\$ 18,784	1.02	60% AMI	\$ 225,408	\$ 229,916	\$ 234,514	\$ 239,205	\$ 243,989	\$ 269,383	\$ 297,421
2/2	1097	35,104	32	\$ 1,174	\$ 37,568	1.02	60% AMI	\$ 450,816	\$ 459,832	\$ 469,029	\$ 478,410	\$ 487,978	\$ 538,767	\$ 594,842
2/2	1066	21,320	20	\$ 1,174	\$ 23,480	1.02	60% AMI	\$ 281,760	\$ 287,395	\$ 293,143	\$ 299,006	\$ 304,986	\$ 336,729	\$ 371,776
2/2	1100	44,000	40	\$ 1,174	\$ 46,960	1.02	60% AMI	\$ 563,520	\$ 574,790	\$ 586,286	\$ 598,012	\$ 609,972	\$ 673,459	\$ 743,553
3/2	1271	137,268	108	\$ 1,354	\$ 146,232	1.02	60% AMI	\$ 1,754,784	\$ 1,789,880	\$ 1,825,677	\$ 1,862,191	\$ 1,899,435	\$ 2,097,129	\$ 2,315,400
	1481	299,784	276											
Other income:				\$ 97.00	\$ 26,772	1.02		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Potential gross income								\$ 321,264.00	\$ 327,689	\$ 334,243	\$ 340,928	\$ 347,746	\$ 383,940	\$ 423,901
Residential vacancy loss								\$ 4,304,592	\$ 4,390,684	\$ 4,478,498	\$ 4,568,067	\$ 4,659,429	\$ 5,144,386	\$ 5,679,818
Effective Gross Residential Income								\$ (301,321)	\$ (307,348)	\$ (313,495)	\$ (319,765)	\$ (326,160)	\$ (360,107)	\$ (397,587)
								\$ 4,003,271	\$ 4,083,336	\$ 4,165,003	\$ 4,248,303	\$ 4,333,269	\$ 4,784,279	\$ 5,282,230

Operating Expenses

	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	
General & Administrative	\$ 94,392	\$ 96,600	2.41	2%	\$ 350	1.03	\$ 96,600	\$ 99,498	\$ 102,483	\$ 105,557	\$ 108,724	\$ 126,041	\$ 146,116	
Management Fee	\$ 100,188	\$ 152,009	3.80	52%	\$ 551	1.03	\$ 152,009	\$ 156,569	\$ 161,266	\$ 166,104	\$ 171,087	\$ 198,337	\$ 229,927	
Payroll and Related	\$ 297,252	\$ 400,000	9.99	35%	\$ 1,449	1.03	\$ 400,000	\$ 412,000	\$ 424,360	\$ 437,091	\$ 450,204	\$ 521,909	\$ 605,036	
Maintenance & Repair	\$ 152,352	\$ 179,400	4.48	18%	\$ 650	1.03	\$ 179,400	\$ 184,782	\$ 190,325	\$ 196,035	\$ 201,916	\$ 234,076	\$ 271,359	
Utilities	\$ 225,768	\$ 197,340	4.93	-13%	\$ 715	1.03	\$ 197,340	\$ 203,260	\$ 209,358	\$ 215,639	\$ 222,108	\$ 257,484	\$ 298,494	
Insurance	\$ 105,156	\$ 76,452	1.91	n/a	\$ 277	1.03	\$ 76,452	\$ 78,746	\$ 81,108	\$ 83,541	\$ 86,047	\$ 99,753	\$ 115,641	
Taxes	\$ 154,560	\$ -	0.00	-100%	\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Debt Service Reserves			0.00	n/a	\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Replacement reserves	\$ 69,000	\$ 69,000	1.72	0%	\$ 250	1.03	\$ 69,000	\$ 71,070	\$ 73,202	\$ -	\$ -	\$ -	\$ -	
HTC/HOME Compliance Fees	\$ 11,040	\$ 11,040	0.28	n/a	\$ 40	1.03	\$ 11,040	\$ 11,371	\$ 11,712	\$ 12,064	\$ 12,426	\$ 14,405	\$ 16,699	
Bond Compliance Fees	\$ 12,420	\$ 12,420	0.31	0%	\$ 45	1.03	\$ 12,420	\$ 12,793	\$ 13,176	\$ 13,572	\$ 13,979	\$ 16,205	\$ 18,786	
Issuer Fee			0.00		\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other (specify):			0.00		\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Operating Expenses	\$ 1,222,128	\$ 1,194,261		-2%	\$ 4,327.03		\$ 1,194,261	\$ 1,230,089	\$ 1,266,991	\$ 1,229,603	\$ 1,266,491	\$ 1,468,210	\$ 1,702,058	
				state avg	\$ 4,812.00	per unit	\$ 4,327	\$ 4,457	\$ 4,591	\$ 4,455	\$ 4,589	\$ 5,320	\$ 6,167	
				Operating Expenses as a percentage of Effective Gross Income				29.8%	30.1%	30.4%	28.9%	29.2%	30.7%	32.2%

NET OPERATING INCOME

\$ 2,809,010	\$ 2,853,247	\$ 2,898,011	\$ 3,018,700	\$ 3,066,778	\$ 3,316,069	\$ 3,580,172
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Ventura Fairgrounds - Underwriting.xlsx / Operating Proforma

NET OPERATING INCOME

\$	2,809,010	\$	2,853,247	\$	2,898,011	\$	3,018,700	\$	3,066,778	\$	3,316,069	\$	3,580,172
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PRIMARY DEBT SERVICE

	Principal	Rate	Amort	Term
TSAHC Bonds/1st Lien	\$ 35,440,000	5.25%	35	18

Total Primary Debt	\$ 35,440,000		
TSAHC Issuer Fee	\$ 5,000		
Net Cashflow After Primary Debt			
DSCR Primary Debt			

SOFT SUBORDINATE DEBT & EQUITY

HTC Equity	\$ 20,926,669		
Deferred Dev Fees	\$ 1,226,177		
Freddie Mac Refund	\$ 354,400		

Total Secondary Debt	\$ 22,507,246
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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$	2,233,108	\$ 2,233,108	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	2,233,108	\$ 2,233,108	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616	\$ 2,214,616
\$	5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
\$	570,901	\$ 615,139	\$ 678,395	\$ 799,084	\$ 847,162	\$ 1,096,453	\$ 1,360,556
	1.26	1.27	1.31	1.36	1.38	1.49	1.61

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	570,901	\$ 615,139	\$ 678,395	\$ (638,257.92)			
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	570,901	\$ 615,139	\$ 678,395	\$ (638,258)	\$ -	\$ -	\$ -

Ventura Fairgrounds - Underwriting.xlsx / Summary Sources and Uses

Summary of Sources and Uses

Applicant	<u>Dominium and THF</u>
Project Name	<u>Ventura at Fairgrounds</u>
Number of Units	<u>276</u>

Sources	Amount	Amount Per Unit	Percentage of Total
TSAHC Bonds	\$ 35,440,000	\$ 128,406	61%
Tax Credit Equity	\$ 20,926,669	\$ 75,821	36%
Deferred Dev Fees	\$ 1,226,177	\$ 4,443	2%
Freddie Mac Refund	\$ 354,400	\$ 1,284	1%
Total Sources	\$ 57,947,246	\$ 209,953.79	100%

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 2,328,372	\$ 8,436.13	4%
Off-Site Construction	\$ -	\$ -	0%
On-Site Work	\$ -	\$ -	0%
Site Amenities	\$ -	\$ -	0%
Building Costs	\$ 39,058,830	\$ 141,517.50	67%
Other Const/Contingency	\$ 2,777,706	\$ 10,064.15	5%
Soft Costs	\$ 1,559,695	\$ 5,651.07	3%
Financing Costs	\$ 1,722,016	\$ 6,239.19	3%
Developer Fees	\$ 6,811,383	\$ 24,678.92	12%
Reserve Accounts	\$ 3,689,243	\$ 13,366.82	6%
Total Uses	\$ 57,947,245	\$ 209,953.79	100%

(Gap) / Reserve	\$ 1
Percent of Developer Fee Deferred	18.00%