

Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

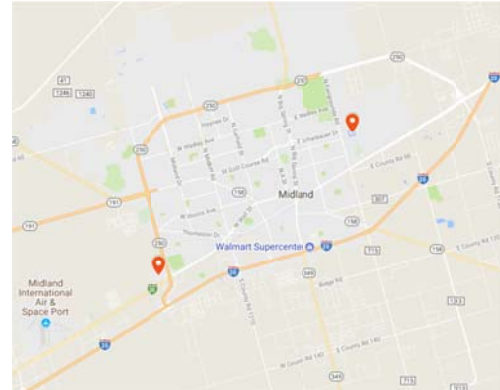
Agenda:

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 Tradewinds Apartments.

Summary:

The Corporation received an application from Dominion Inc. and Texas Housing Foundation (Developer) on June 14th proposing the development of a 204-unit multifamily rental project located in Midland, Texas. The application requests approximately \$26.7million in long-term bonds to be issued in the first quarter of 2019.

Map of Project Area



Public Benefit:

The proposed project will provide 204-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 Tradewinds Apartments has a total budget of approximately \$42.6 million. Approximately \$3 million will be used for land acquisition costs, with construction costs of \$27.2 million or \$133,192 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining \$12.4 million in total costs.

The total bond amount is anticipated to be \$26.7 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 \$26.7 million, with tax credit equity estimated at \$15.5 million. Deferred developer fees and cash estimated at \$411,384 rounds out the remaining sources.

Market Conditions:

Ventura at Tradewinds Apartments will be built at 1811 Tradewinds Boulevard, Midland, Texas on the east side of the City, just off Business IH 20. The property is located near Beal Park, the Midland Industrial/Manufacturing Park and is a 10 minute drive from Midland International Airport.

The project sits within a census tract that has a median home price of \$167,200, as compared to Midland County's overall median home price of \$175,000. While the census tract home pricing is lower at this time, staff anticipates continued housing price growth in the coming years. 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 gas field exploration, along with expanding wind energy, the Midland area's income and overall cost of living has grown much

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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 Tradewinds 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 Tradewinds Apartments.

Ventura Tradewinds - Underwriting/ Project Summary

Project Summary

Applicant Dominium and THF
 Project Name Ventura at Tradewinds

Location

Address 1811 Tradewinds Blvd City Midland
 County: Midland State Texas Zip 79703
 Census Tract: 48113016605

Funding Sources

	Amount	% of Total
TSAHC Bonds/Freddie TEL	\$ 26,710,000	62.66%
Tax Credit Equity	\$ 15,503,690	36.37%
Freddie TEL Refund	\$ 411,384	0.97%
Deferred Dev Fee	\$ -	0.00%
Totals	\$ 42,625,074	100%

* not included in total

Market Summary

	City	County	State	Census Tract
Population:	128,051	155,817	26,956,435	8217
Average Age:	32	32	34	32
Diversity Index:		58.24		54.37
% Hispanic:	42.86%	42.16%	38.36%	33.82%
% Persons with Disability:	9.99%	10.19%	11.64%	9.96%
% Households that Rent:	35.89%	33.51%	38.51%	33.37%
Median Rents:	\$ 1,143	\$ 1,148	\$ 911	
% Renters Who are Cost Burdened:	42.11%	41.91%	44.35%	42.75%
Median Home Price:	\$ 182,300	\$ 175,700	\$ 142,700	\$ 167,200
Median Household Income:		\$ 85,709	\$ 64,585	
Unemployment:	3.00%		4.30%	
Persons w/o Insurance:	19.46%	19.74%	19.32%	11.32%
Medically Underserved Area:	No			
% Attending Public Schools:	86.11%	87.28%	93.28%	86.78%
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 Tradewinds - Underwriting/ Operating Proforma

Operating Proforma

Applicant Dominium and THF
 Project Name Ventura at Tradewinds

Number of Units	204	Affordable Units	204	Min. Set Aside	82
Set-Aside Requirement	82	Affordable %	100%	Accessible Unit Min.	11

Residential Income

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter
1/1	1018	36,648	36	\$ 982	\$ 35,352	1.02	60% AMI
2/2	1222	102,648	84	\$ 1,174	\$ 98,616	1.02	60% AMI
3/2	1412	118,608	84	\$ 1,354	\$ 113,736	1.02	60% AMI
		257,904	204		\$ 247,704		

Other income:		\$ 82.00	\$ 16,728	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
\$	424,224	432,708	441,363	450,190	459,194	506,987	559,755
\$	-	-	-	-	-	-	-
\$	1,183,392	1,207,060	1,231,201	1,255,825	1,280,942	1,414,263	1,561,461
\$	-	-	-	-	-	-	-
\$	1,364,832	1,392,129	1,419,971	1,448,371	1,477,338	1,631,101	1,800,867
\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-
\$	200,736.00	204,751	208,846	213,023	217,283	239,898	264,867
\$	3,173,184	3,236,648	3,301,381	3,367,408	3,434,756	3,792,249	4,186,949
\$	(222,123)	(226,565)	(231,097)	(235,719)	(240,433)	(265,457)	(293,086)
\$	2,951,061	3,010,082	3,070,284	3,131,690	3,194,323	3,526,791	3,893,862

Operating Expenses

	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator
General & Administrative	\$ 75,276	\$ 97,920	3.32	30%	\$ 480	1.03
Management Fee	\$ 74,460	\$ 113,285	3.84	52%	\$ 555	1.03
Payroll and Related	\$ 231,744	\$ 295,800	10.02	28%	\$ 1,450	1.03
Maintenance & Repair	\$ 126,276	\$ 132,600	4.49	5%	\$ 650	1.03
Utilities	\$ 184,416	\$ 145,860	4.94	-21%	\$ 715	1.03
Insurance	\$ 49,980	\$ 56,508	1.91	13%	\$ 277	1.03
Taxes	\$ -		0.00		\$ -	1.03
Operating Debt Service Reserves			0.00		\$ -	1.03
Replacement reserves	\$ 51,000	\$ 51,000	1.73	0%	\$ 250	1.03
HTC/HOME Compliance Fees	\$ 8,160	\$ 8,160	0.28	n/a	\$ 40	1.03
Bond Compliance Fees	\$ 9,180	\$ 8,640	0.29	-6%	\$ 45	1.03
Other (specify):			0.00		\$ -	1.03
Total Operating Expenses	\$ 810,492	\$ 909,773		12%	\$ 4,462.32	
				state avg	\$ 4,812.00	per unit
				<i>Operating Expenses as a percentage of Effective Gross Income</i>		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$	97,920	100,858	103,883	107,000	110,210	127,763	148,113
\$	113,285	116,684	120,184	123,790	127,503	147,811	171,354
\$	295,800	304,674	313,814	323,229	332,926	385,952	447,424
\$	132,600	136,578	140,675	144,896	149,242	173,013	200,569
\$	145,860	150,236	154,743	159,385	164,167	190,314	220,626
\$	56,508	58,203	59,949	61,748	63,600	73,730	85,473
\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-
\$	51,000	52,530	54,106				
\$	8,160	8,405	8,657	8,917	9,184	10,647	12,343
\$	8,640	8,899	9,166	9,441	9,724	11,273	13,069
\$	-	-	-	-	-	-	-
\$	909,773	937,066	965,178	938,404	966,557	1,120,504	1,298,971
\$	4,460	4,593	4,731	4,600	4,738	5,493	6,368
	30.8%	31.1%	31.4%	30.0%	30.3%	31.8%	33.4%

NET OPERATING INCOME

\$	2,041,288	2,073,016	2,105,106	2,193,285	2,227,767	2,406,287	2,594,891
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Ventura Tradewinds - Underwriting/ Operating Proforma

NET OPERATING INCOME

\$	2,041,288	\$	2,073,016	\$	2,105,106	\$	2,193,285	\$	2,227,767	\$	2,406,287	\$	2,594,891
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PRIMARY DEBT SERVICE

	Principal	Rate	Amort	Term
TSHAC Bonds*	\$ 26,710,000	5.26%	35	18

Total Primary Debt	\$ 26,710,000		
TSAHC Issuer Fee	\$ 26,710		
Net Cashflow After Primary Debt			
DSCR Primary Debt			

SOFT SUBORDINATE DEBT & EQUITY

HTC Equity	\$ 15,503,690		
Freddie TEL Refund	\$ 411,384		
Deferred Dev Fee	-		
Total Secondary Debt	\$ 15,915,074		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
				\$ -	\$ -	\$ -	\$ -
\$	1,684,691	1,684,691	1,670,744	1,670,744	1,670,744	1,670,744	1,670,744
\$	-	-	-	-	-	-	-
\$	1,684,691	1,684,691	1,670,744	1,670,744	1,670,744	1,670,744	1,670,744
\$	26,710	26,710	26,710	26,710	26,710	26,710	26,710
\$	329,887	361,615	407,652	495,831	530,313	708,833	897,437
	1.19	1.21	1.24	1.29	1.31	1.42	1.53

\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-

Ventura Tradewinds - Underwriting/ Summary Sources and Uses

Summary of Sources and Uses

Applicant	Dominium and THF
Project Name	Ventura at Tradewinds
Number of Units	204

Sources	Amount	Amount Per Unit	Percentage of Total
TSAHC Bonds/Freddie TEL	\$ 26,710,000	\$ 130,931	63%
Tax Credit Equity	\$ 15,503,690	\$ 75,998	36%
Freddie TEL Refund	\$ 411,384	\$ 2,017	1%
Deferred Dev Fee	\$ -	\$ -	0%
Total Sources	\$ 42,625,074	\$ 208,946.44	100%

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 3,001,548	\$ 14,713.47	7%
Off-Site Construction	\$ -	\$ -	0%
On-Site Work	\$ -	\$ -	0%
Site Amenities	\$ -	\$ -	0%
Building Costs	\$ 27,171,360	\$ 133,192.94	64%
Other Const/Contingency	\$ 1,932,317	\$ 9,472.14	5%
Soft Costs	\$ 1,559,695	\$ 7,645.56	4%
Financing Costs	\$ 1,404,446	\$ 6,884.54	3%
Developer Fees	\$ 4,825,586	\$ 23,654.83	11%
Reserve Accounts	\$ 2,730,122	\$ 13,382.95	6%
Total Uses	\$ 42,625,074	\$ 208,946.44	100%

(Gap) / Reserve	\$ -
Percent of Developer Fee Deferred	0.00%