



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 454

Agenda Date: 12/7/2023

Agenda #:

Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit Application for Lalita Senior Living (HTC #22227)

RECOMMENDED ACTION

WHEREAS, Lalita Senior Living (Development) received an award of 9% Housing Tax Credits (HTCs) in 2022 for the new construction of 102 multifamily units, of which 86 units are low-income units, in Brownsville, Cameron County;

WHEREAS, VDC Minnesota Southmost, LP (Development Owner or Owner) requests approval for a reduction in the number of units from 102 to 78 with a decrease of 17 one-bedroom units, and decrease of seven two-bedroom units, which would result in a 22.28% reduction to the Net Rentable Area, from 87,873 square feet to 68,292 square feet;

WHEREAS, this change would result in a revision to the rent and income restrictions from nine units at 30% Area Median Income (AMI), 18 units at 50% AMI, 59 units at 60% AMI, and 16 units at market rate to eight units at 30% AMI, 16 units at 50% AMI, 54 units at 60% AMI, and zero units at market rate;

WHEREAS, the Owner also requests a significant modification of the architectural design, including elimination of one of two residential buildings, an increase in floors of the remaining residential building from three to four, a 20.79% decrease in the Common Area from 29,184 square feet to 23,116 square feet, a reduction in site area, and a reduction in the parking spaces;

WHEREAS, Board approval is required for a significant modification of the site plan, a modification to the number of units or bedroom mix of units, a reduction of 3% or more in the square footage of the units or common areas, a significant modification of the architectural design of the Development, and a modification of the residential density of the development of at least 5%, as directed in 10 TAC §10.405(a)(4)(A), (B), (D), and (E) and in Tex. Gov't Code §2306.6712(d)(1), (2), (4), and (5), and the Owner has complied with the amendment requirements therein; and

WHEREAS, the requested changes do not negatively affect the Development, impact the viability of the transaction, impact the scoring of the Application, or affect the amount of tax credits awarded;

NOW, therefore, it is hereby

RESOLVED, that the requested amendment for Lalita Senior Living is approved as presented at this meeting, and the Executive Director and his designees are each hereby authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Lalita Senior Living received a 9% HTC award in 2022 for the new construction of 102 multifamily units, of which 86 units are low-income units, in Brownsville, Cameron County. In a letter dated October 23, 2023, Sam Hagerty, counsel for the Development Owner, requested approval for a material amendment to reduce the number of units from 102 to 78 by decreasing the number of one-bedroom units by 17, and decreasing the number of two-bedroom units by seven from what was originally proposed in the Application. This change would result in a revision to the rent and income restrictions from nine units at 30% Area Median Income (AMI), 18 units at 50% AMI, 59 units at 60% AMI, and 16 units at market rent to eight units at 30% AMI, 16 units at 50% AMI, 54 units at 60% AMI, and zero units at market rent.

The change will also result in a significant modification of the architectural design. These changes include: reduction from two to one residential buildings; an increase from three floors to four floors for the remaining residential building; a reduction of 19,581 square feet (22.28%) in the Net Rentable Area from 87,873 to 68,292 square feet; a decrease of 6,068 square feet (20.79%) in the Common Area from 29,184 square feet to 23,116 square feet. Additionally, the number of parking spaces is reduced to 117 from the 154 identified at Application. Site area was reported to be 6.37 net acres at Application after an imputed 1.35 acre right of way dedication, and is now reported as 5.09 acres, after a planned 1.35 acre right of way dedication (6.44 acres before planned dedication), according to the revised site plan. This change in acreage will result in a 4.30% decrease to the residential density from 16.01 to 15.32 units per acre. The enclosed table compares the site plan of the Development at Application and the revised site plan after the amendment.

The Owner received a letter of continued support from the City Manager of Brownsville, as well as confirmation of support from their lender and investor.

The Owner states the reason for the requested changes is to reduce development costs to maintain feasibility, and indicates that, without reduction to the overall size, the Development is no longer feasible. The Owner cites increased construction costs, increased borrowing costs, and reduced equity pricing, and states that these factors were not foreseeable or preventable by Owner.

The Development was re-underwritten with the proposed amendment and revised financial information. The analysis supports no change to the HTC allocation and demonstrates the Development remains feasible. Staff also confirmed that the revised design plans and parking will continue to meet accessibility requirements. Additionally, staff reviewed the original Application and scoring documentation against this amendment request and has concluded

that none of the changes would have resulted in selection or threshold criteria changes that would have affected the selection of the Application in the competitive round.

Staff recommends approval of the amendment as presented herein.

**Material Alterations as defined in Tex. Gov't Code §2306.6712(d)(1), (2), (4), and (5)
and 10 TAC §10.405(a)(4)(A), (B), (D), and (E)**

Application

Acres: 6.37 (after imputed 1.35 acre ROW dedication; 7.72 acres before)

Residential Density: 16.01 units/acre

Unit Mix:

1BR/1BA – 51 units

2BR/2BA – 51 units

Total : 102 units

Net Rentable Area: 87,873 s.f.

Set Asides:

30% Units - 9

50% Units - 18

60% Units - 59

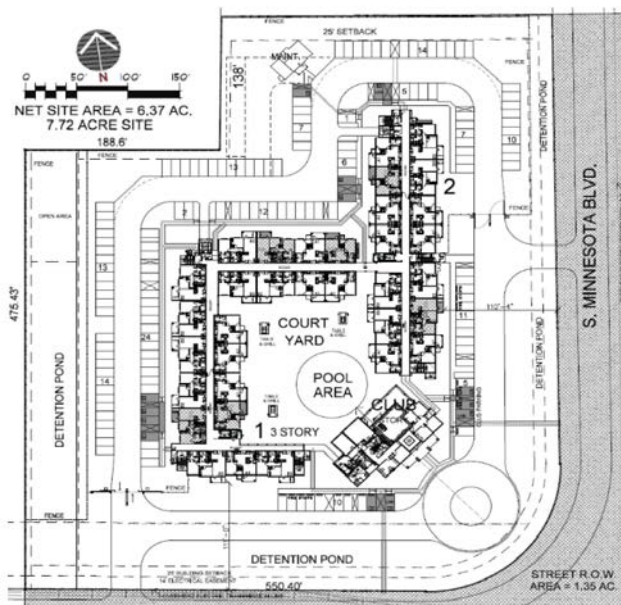
Market Units - 16

Total: 102 units

Parking Spaces: 154 surface parking spaces

Residential Buildings / Floors: Two / Three

Common Area: 29,184 s.f.



Amendment

Acres: 5.09 (after 1.35 acre ROW dedication; 6.44 acres before)

Residential Density: 15.32 units/acre (4.30% change)

Unit Mix:

1BR/1BA – 34 units, a decrease of 17 units

2BR/2BA – 44 units, a decrease of 7 units

Total: 78 units - a reduction of 24 units

Net Rentable Area: 68,292 s.f. (a 22.28% or 19,581 s.f. reduction)

Set Asides:

30% Units - 8

50% Units - 16

60% Units - 54

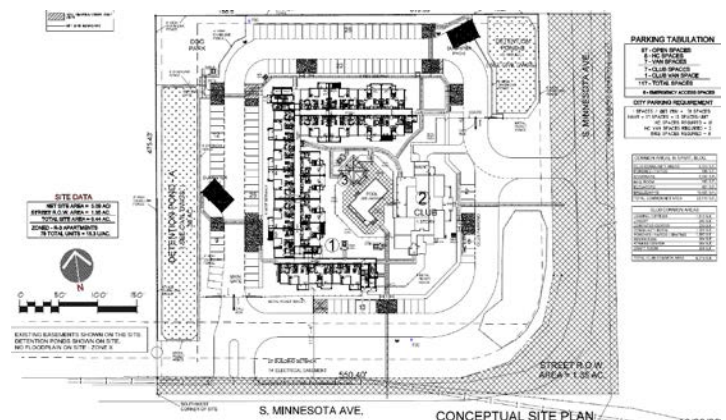
Market Units - 0

Total: 78 units

Parking Spaces: 117 surface parking spaces

Residential Buildings / Floors: One / Four

Common Area: 23,116 s.f. (20.79% or 6,068 s.f. reduction)





Addendum to Underwriting Report

TDHCA Application #: **23828_22227** Program(s): **9% HTC**

Lalita Senior Living

Address/Location: NEQ of Minnesota Ave and Southmost Blvd

City: Brownsville County: Cameron Zip: 78521

APPLICATION HISTORY	
Report Date	PURPOSE
11/06/23	9% HTC Amendment
07/21/22	Original Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$1,500,000				\$1,500,000				

CONDITIONS STATUS

- Receipt and acceptance by Cost Certification:
 - Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	16
60% of AMI	60% of AMI	54

ANALYSIS

22227 Lalita Senior Living received a \$1,500,000 LIHTC award from TDHCA in July 2022. The applicant has submitted an amendment request related to unforeseen increase in construction costs, interest rates, and a decrease in equity pricing, since the time of application.

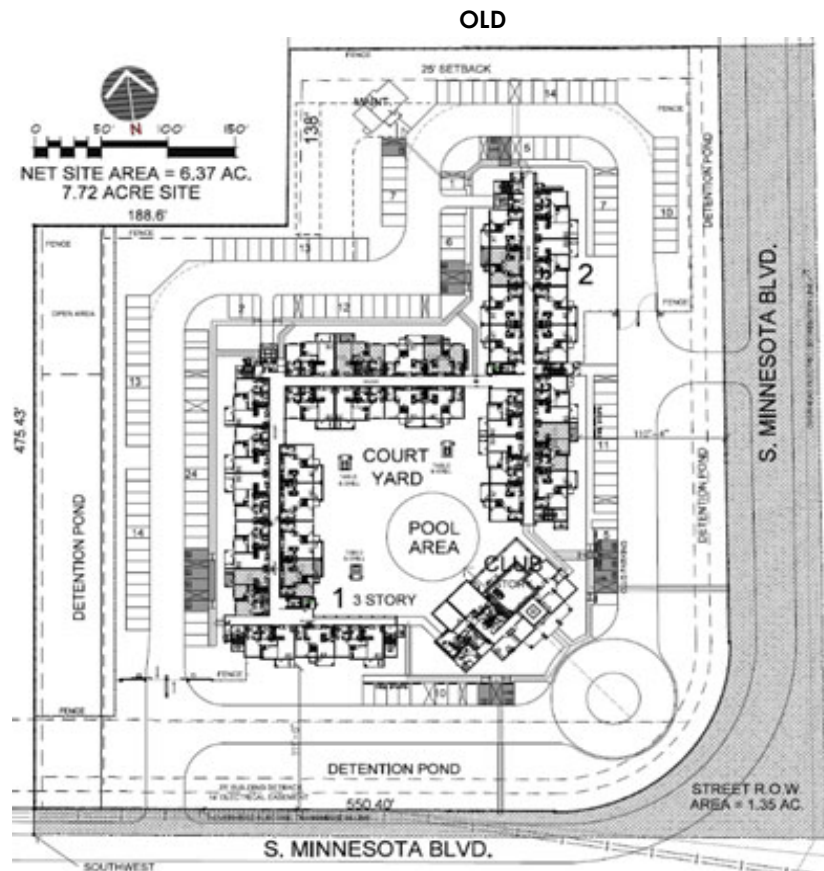
The amendment includes decreasing the number of units from 102 to 78 (decrease of 24) by removing the previously proposed 16 market rate units and 8 HTC units from the application.

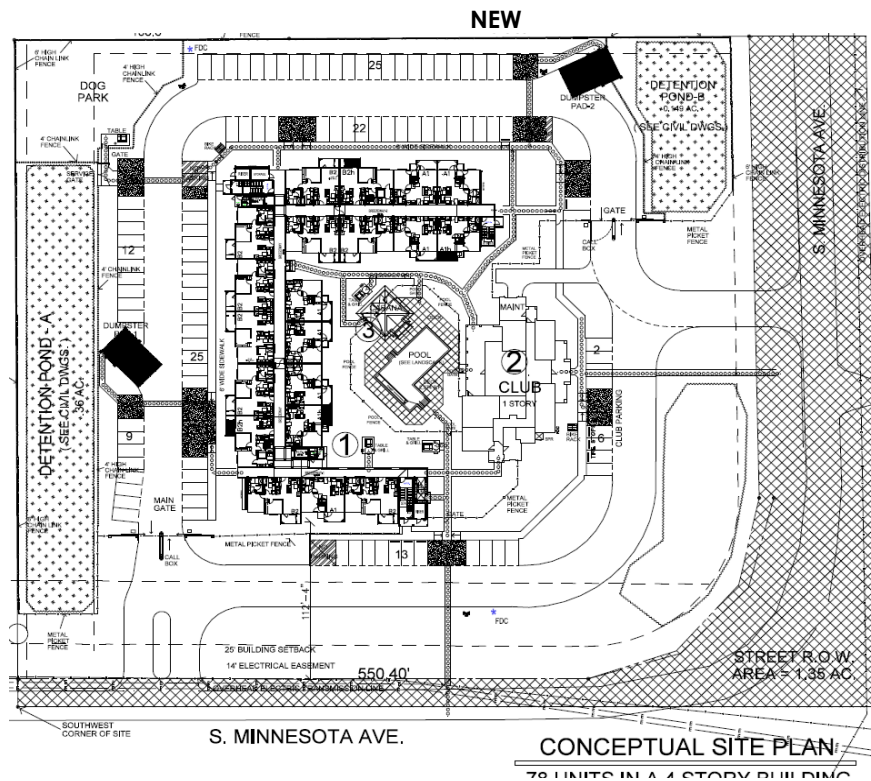
There will now be just one 4-story residential building instead of two 3-story buildings. This change reduced the total Net Rentable Area (NRA) by 19,581 SF. The total Common Area SF decreased by 6,068 SF.

Total parking has decreased from 154 spaces (original underwriting) to 117 spaces (decrease of 37). However, the project is still maintaining 1.5 spaces per unit parking ratio as per the original application.

The amendment includes reducing the site acreage from 7.72 acres to 6.44 acres (decrease of 1.28). The total site is now 6.44 acres but there will be 1.35 acres dedicated for a Right-of-Way. The LURA is going to encumber the **5.09 acres**.

The density decreased from 16 units/acre to 15.3 units/acre.





Operating Pro Forma

The number of total units decreased from 102 to 78. Utility Allowances (UA) for one bedroom units increased from \$57 to \$69 and also increased for the two bedroom units from \$74 to \$91. Underwriter utilizing 2023 rents.

The applicant is using the UA schedule from the Housing Authority of the City of Brownsville, TX; Unit Type: Energy Efficient Apartment. The applicant confirmed that Energy Star appliances and energy efficient windows will be installed and will meet the standards of the Brownsville Housing Authority for purposes of qualifying to use their Energy Efficient UA.

Due to decrease in number of units, Effective Gross Income decreased by \$128,338, Total Expenses decreased by \$103,704 and as a result, Net Operating Income (NOI) decreased by \$24,634. Expense per unit increased from \$4,708 to \$4,827.

The DCR decreased from a 1.27 to a 1.17.

Development Cost

The applicant's Building Costs have increased by \$202,436 and Total Housing Development Costs have decreased by \$823,700.

Applicant did not change the \$324,200 of Off-Site costs.

Developer fee decreased by \$362,224 from previous underwriting.

Site acquisition decreased by \$25K by reducing the acreage.

The applicant provided a letter from Galaxy Builders, Ltd., indicating that they have reviewed the proposed construction budget included in the applicant's amendment package, and it appears reasonable. Based on the conceptual re-design of the project, they estimate project costs of around \$12.2M.

Underwriter costed out the building using the updated Architectural Drawings and utilized Marshall & Swift's "good" base cost adjustment.

Underwriter adjusted \$135,205 of P&P Bond (Eligible and Total) from Building Costs to the Other Financing Section - Performance Bonds line item.

Eligible Contingency is overstated by \$22,694 and Eligible Contractor's fee is overstated by \$3,175.

Sources of Funds

Construction loan decreased from \$4M to \$3,225,000 and the interest increased from 3.75% to 7.00%.

The permanent loan amount decreased by \$775K. The interest rate increased from 5.25% to 7.35% that includes .35 basis points MIP fee.

The capital contribution decreased by \$411,779 and the capital price went from \$0.88 down to \$0.8524.

The Deferred Developer Fee increased by \$363,300. Deferred fee pays off in 14 years with a projected 15-Yr Cash Flow after Deferred Fee of \$124,359.

Underwriter recommends an annual tax credit allocation of \$1,500,000 as previously awarded.

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
Lalita Senior Living, Brownsville, 9% HTC #23828_22227

LOCATION DATA	
CITY:	Brownsville
COUNTY:	Cameron
Area Median Income	\$62,000
PROGRAM REGION:	11
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	34	43.6%	0	0
2	44	56.4%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL				
	78	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	876 sf

55%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average Income	# Units	-	8	-	16	54	-	-	-	78
	% Total	0.0%	10.3%	0.0%	20.5%	69.2%	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%	\$405	4	1	1	752	\$405	\$69	\$336	\$0	\$0.45	\$336	\$1,344	\$1,344	\$336	\$0.45	\$0	\$1,025	\$1.36	\$1,025
TC 50%	\$676	7	1	1	752	\$676	\$69	\$607	\$0	\$0.81	\$607	\$4,249	\$4,249	\$607	\$0.81	\$0	\$1,025	\$1.36	\$1,025
TC 60%	\$811	23	1	1	752	\$811	\$69	\$742	\$0	\$0.99	\$742	\$17,066	\$17,066	\$742	\$0.99	\$0	\$1,025	\$1.36	\$1,025
TC 30%	\$486	4	2	2	971	\$486	\$91	\$395	\$0	\$0.41	\$395	\$1,580	\$1,580	\$395	\$0.41	\$0	\$1,170	\$1.20	\$1,170
TC 50%	\$811	9	2	2	971	\$811	\$91	\$720	\$0	\$0.74	\$720	\$6,480	\$6,480	\$720	\$0.74	\$0	\$1,170	\$1.20	\$1,170
TC 60%	\$973	31	2	2	971	\$973	\$91	\$882	\$0	\$0.91	\$882	\$27,342	\$27,342	\$882	\$0.91	\$0	\$1,170	\$1.20	\$1,170
TOTALS/AVERAGES:		78			68,292				\$0	\$0.85	\$744	\$58,061	\$58,061	\$744	\$0.85	\$0	\$1,107	\$1.26	\$1,107

ANNUAL POTENTIAL GROSS RENT:	\$696,732	\$696,732
-------------------------------------	------------------	------------------

STABILIZED PRO FORMA

Lalita Senior Living, Brownsville, 9% HTC #23828_22227

STABILIZED FIRST YEAR PRO FORMA

	COMPARABLES		APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
	Database	Cameron County	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT			\$0.85	\$744	\$696,732	\$826,836	\$826,836	\$696,732	\$744	\$0.85		0.0%	\$0	
late fees, phone , cable, laundry					\$30.00	\$28,080	36,720							
Total Secondary Income					\$30.00		36,720	\$28,080	\$30.00			0.0%	\$0	
POTENTIAL GROSS INCOME						\$724,812	\$863,556	\$863,556	\$724,812			0.0%	\$0	
Vacancy & Collection Loss					7.5% PGI	(54,361)	(64,767)	(64,767)	(54,361)	7.5% PGI		0.0%	-	
EFFECTIVE GROSS INCOME						\$670,451	\$798,789	\$798,789	\$670,451			0.0%	\$0	

General & Administrative	\$26,965	\$346/Unit	\$35,368	\$453	4.30%	\$0.42	\$369	\$28,820	\$35,980	\$34,992	\$26,965	\$346	\$0.39	4.02%	6.9%	1,855
Management	\$25,842	4.6% EGI	\$25,093	\$322	5.00%	\$0.49	\$430	\$33,523	\$39,940	\$39,939	\$33,523	\$430	\$0.49	5.00%	0.0%	0
Payroll & Payroll Tax	\$86,072	\$1,103/Unit	\$91,711	\$1,176	13.61%	\$1.34	\$1,170	\$91,230	\$114,210	\$112,556	\$91,230	\$1,170	\$1.34	13.61%	0.0%	-
Repairs & Maintenance	\$38,706	\$496/Unit	\$49,543	\$635	7.40%	\$0.73	\$636	\$49,622	\$64,864	\$66,300	\$50,700	\$650	\$0.74	7.56%	-2.1%	(1,078)
Electric/Gas	\$13,843	\$177/Unit	\$16,007	\$205	2.41%	\$0.24	\$207	\$16,128	\$21,096	\$17,954	\$16,007	\$205	\$0.23	2.39%	0.8%	121
Water, Sewer, & Trash	\$46,980	\$602/Unit	\$37,310	\$478	6.26%	\$0.61	\$538	\$41,952	\$54,228	\$47,314	\$37,310	\$478	\$0.55	5.56%	12.4%	4,642
Property Insurance	\$40,815	\$0.60 /sf	\$44,823	\$575	4.84%	\$0.47	\$416	\$32,438	\$42,179	\$53,374	\$36,280	\$465	\$0.53	5.41%	-10.6%	(3,842)
Property Tax (@ 100%) 2.5700	\$56,552	\$725/Unit	\$63,638	\$816	8.98%	\$0.88	\$772	\$60,200	\$78,800	\$81,255	\$72,748	\$933	\$1.07	10.85%	-17.2%	(12,548)
Reserve for Replacements					2.91%	\$0.29	\$250	\$19,500	\$25,500	\$25,500	\$19,500	\$250	\$0.29	2.91%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.47%	\$0.05	\$40	\$3,120	\$3,440	\$3,440	\$3,120	\$40	\$0.05	0.47%	0.0%	-
TOTAL EXPENSES					56.16%	\$5.51	\$4,827	\$376,533	\$480,237	\$482,623	\$387,383	\$4,966	\$5.67	57.78%	-2.8%	\$ (10,850)
NET OPERATING INCOME ("NOI")					43.84%	\$4.30	\$3,768	\$293,918	\$318,552	\$316,166	\$283,068	\$3,629	\$4.14	42.22%	3.8%	\$ 10,850

CONTROLLABLE EXPENSES							\$2,920/Unit						\$2,849/Unit			
------------------------------	--	--	--	--	--	--	--------------	--	--	--	--	--	--------------	--	--	--

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Lalita Senior Living, Brownsville, 9% HTC #23828 22227

DEBT / GRANT SOURCES																			
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE										
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting		Principal	Term	Amort	Rate	Pmt	Cumulative			
		UW	App						Applicant	TDHCA						DCR	LTC		
PNC Bank, National Association HUD 221(d)(4)	0.35%	1.12	1.17	251,782	7.00%	40	40	\$3,225,000	\$4,000,000	\$4,000,000	\$3,225,000	40	40	7.00%	\$251,781	1.17	19.2%		
CASH FLOW DEBT / GRANTS																			
City of Brownsville		1.12	1.17		0.00%	0	0	\$1,000	\$1,000	\$1,000	\$1,000	0	0	0.00%		1.17	0.0%		
				\$251,782	TOTAL DEBT / GRANT SOURCES				\$3,226,000	\$4,001,000	\$4,001,000	\$3,226,000	TOTAL DEBT SERVICE				\$251,781	1.17	19.3%
NET CASH FLOW		\$31,286	\$42,136											APPLICANT	NET OPERATING INCOME	\$293,918	\$42,137	NET CASH FLOW	

EQUITY SOURCES													
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE							
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
						Applicant	TDHCA						
PNC Bank, National Association	LIHTC Equity	76.3%	\$1,500,000	\$0.85	\$12,786,000	\$13,198,000	\$13,198,000	\$12,786,221	\$0.8524	\$1,500,000	76.3%	\$19,231	Previous Allocation
VDC Lalita, LLC	Deferred Developer Fees	4.4%	(43% Deferred)		\$741,988	\$378,688	\$378,688	\$741,767		(43% Deferred)	4.4%		Total Developer Fee: \$1,717,650
Additional (Excess) Funds Req'd		0.0%				\$0	\$0	\$0			0.0%		
TOTAL EQUITY SOURCES					80.7%			\$13,527,988	\$13,576,688	\$13,576,688	\$13,527,988	80.7%	
TOTAL CAPITALIZATION					\$16,753,988	\$17,577,688	\$17,577,688	\$16,753,988	15-Yr Cash Flow after Deferred Fee:				\$124,359

DEVELOPMENT COST / ITEMIZED BASIS												COST VARIANCE											
APPLICANT COST / BASIS ITEMS						TDHCA COST / BASIS ITEMS				COST VARIANCE													
Eligible Basis	Acquisition	New Const. Rehab	Total Costs	Prior Underwriting		Total Costs	Eligible Basis		%	\$													
				Applicant	TDHCA		New Const. Rehab	Acquisition															
Land Acquisition			\$1,350 / Unit	\$105,323	\$130,346	\$130,346	\$105,323	\$1,350 / Unit		0.0%	\$0												
Off-Sites		\$0	\$4,156 / Unit	\$324,200	\$324,200	\$324,200	\$4,156 / Unit			0.0%	\$0												
Site Work		\$1,150,067	\$14,744 / Unit	\$1,150,067	\$1,406,990	\$1,406,990	\$1,150,067	\$14,744 / Unit	\$1,150,067	0.0%	\$0												
Site Amenities		\$427,500	\$5,481 / Unit	\$427,500	\$469,500	\$469,500	\$427,500	\$5,481 / Unit	\$427,500	0.0%	\$0												
Building Cost		\$6,048,622	\$124.40 /sf	\$108,916/Unit	\$8,495,484	\$8,293,048	\$8,504,869	\$7,950,068	\$101,924/Unit	\$116.41 /sf	\$6,048,622	6.9%	\$545,416										
Contingency		\$556,527	7.30%	5.35%	\$556,527	\$698,852	\$698,852	\$556,527	5.65%	7.00%	\$533,833	0.0%	\$0										
Contractor Fees		\$1,145,578	14.00%	10.46%	\$1,145,578	\$1,450,155	\$1,450,155	\$1,145,578	11.01%	14.00%	\$1,142,403	0.0%	\$0										
Soft Costs	\$0	\$1,848,772		\$23,702 / Unit	\$1,848,772	\$1,723,423	\$1,723,423	\$1,848,772	\$23,702 / Unit		\$1,848,772	\$0	0.0%	\$0									
Financing	\$0	\$409,142		\$8,087 / Unit	\$630,787	\$589,000	\$589,000	\$630,787	\$8,087 / Unit		\$409,142	\$0	0.0%	\$0									
Developer Fee	\$0	\$1,717,650	14.82%	11.96%	\$1,717,650	\$2,079,874	\$2,079,874	\$1,717,650	12.44%	14.86%	\$1,717,650	\$0	0.0%	\$0									
Reserves				7 Months	\$352,100	\$412,300	\$412,300	\$352,100	7 Months				0.0%	\$0									
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)												\$0	\$13,303,858	\$214,795 / Unit	\$16,753,988	\$17,577,688	\$17,789,509	\$16,208,572	\$207.802 / Unit	\$13,277,989	\$0	3.4%	\$545,416
Acquisition Cost	\$0				\$0	\$0																	
Contingency																							
Contractor's Fee																							
Financing Cost																							
Developer Fee	\$0	\$0			\$0	\$0					\$0	\$0											
Reserves					\$0	\$0					\$0	\$0											
ADJUSTED BASIS / COST												\$0	\$13,277,989	\$214,795/unit	\$16,753,988	\$17,577,688	\$17,789,509	\$16,208,572	\$207.802/unit	\$13,277,989	\$0	3.4%	\$545,416
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):												\$16,753,988											

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Lalita Senior Living, Brownsville, 9% HTC #23828_22227

CREDIT CALCULATION ON QUALIFIED BASIS

	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
	ADJUSTED BASIS	\$0	\$13,277,989	\$0
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$13,277,989	\$0	\$13,277,989
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$17,261,386	\$0	\$17,261,386
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$17,261,386	\$0	\$17,261,386
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$1,553,525	\$0	\$1,553,525
CREDITS ON QUALIFIED BASIS	\$1,553,525		\$1,553,525	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS

Method	Annual Credits	Proceeds	FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price \$0.8524	Variance to Request	
			Credit Allocation	Credits	Proceeds
Eligible Basis	\$1,553,525	\$13,242,474	----	----	----
Needed to Fill Gap	\$1,587,019	\$13,527,988	----	----	----
Previous Allocation	\$1,500,000	\$12,786,221	\$1,500,000	\$0	\$0

BUILDING COST ESTIMATE

CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Garden (Up to 4-story)	68,292 SF	\$93.28	6,370,407
Adjustments				
Exterior Wall Finish	2.40%		2.24	\$152,890
Elderly	3.00%		2.80	191,112
9-Ft. Ceilings	0.00%		0.00	0
Roof Adjustment(s)			1.14	78,000
Subfloor			0.22	15,195
Floor Cover			3.37	230,076
Breezeways	\$30.44	13,927	6.21	424,007
Balconies	\$29.84	8,288	3.62	247,326
Plumbing Fixtures	\$1,090	132	2.11	143,880
Rough-ins	\$535	156	1.22	83,460
Built-In Appliances	\$1,880	78	2.15	146,640
Exterior Stairs	\$2,460	9	0.32	22,140
Heating/Cooling			2.37	161,852
Storage Space	\$30.44	1,867	0.83	56,841
Carports	\$13.00	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$96.02	4,439	6.24	426,219
Elevators	\$150,400	2	4.40	300,800
Other:	\$30.44	830	0.37	25,269
Fire Sprinklers	\$2.88	88,525	3.73	254,952
SUBTOTAL			136.63	9,331,066
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS			136.63	\$9,331,066
Plans, specs, survey, bldg permits	3.30%		(4.51)	(\$307,925)
Contractor's OH & Profit	11.50%		(15.71)	(1,073,073)
NET BUILDING COSTS		\$101,924/unit	\$116.41/sf	\$7,950,068

Long-Term Pro Forma

Lalita Senior Living, Brownsville, 9% HTC #23828_22227

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$670,451	\$683,860	\$697,537	\$711,488	\$725,718	\$801,251	\$884,646	\$976,721	\$1,078,379	\$1,190,617	\$1,314,537	\$1,451,356
TOTAL EXPENSES	3.00%	\$376,533	\$387,494	\$398,777	\$410,391	\$422,347	\$487,613	\$563,066	\$650,307	\$751,188	\$867,857	\$1,002,799	\$1,158,891
NET OPERATING INCOME ("NOI")		\$293,918	\$296,366	\$298,761	\$301,097	\$303,371	\$313,638	\$321,580	\$326,414	\$327,190	\$322,760	\$311,739	\$292,465
EXPENSE/INCOME RATIO		56.2%	56.7%	57.2%	57.7%	58.2%	60.9%	63.6%	66.6%	69.7%	72.9%	76.3%	79.8%
MUST -PAY DEBT SERVICE													
PNC Bank, National Association HUD 221		\$251,781	\$251,728	\$251,671	\$251,610	\$251,544	\$251,137	\$250,560	\$249,742	\$248,582	\$246,939	\$244,608	\$241,305
TOTAL DEBT SERVICE		\$251,781	\$251,728	\$251,671	\$251,610	\$251,544	\$251,137	\$250,560	\$249,742	\$248,582	\$246,939	\$244,608	\$241,305
DEBT COVERAGE RATIO		1.17	1.18	1.19	1.20	1.21	1.25	1.28	1.31	1.32	1.31	1.27	1.21
ANNUAL CASH FLOW													
		\$42,137	\$44,638	\$47,090	\$49,487	\$51,827	\$62,501	\$71,020	\$76,672	\$78,608	\$75,821	\$67,131	\$51,160
Deferred Developer Fee Balance		\$699,630	\$654,992	\$607,902	\$558,415	\$506,588	\$214,697	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$124,359	\$497,720	\$888,562	\$1,275,353	\$1,631,010	\$1,921,965

TDHCA
Cody Campbell
Director of Multifamily Programs
221 East 11th Street
Austin, TX 78701

October 23, 2023

RE: Amendment Request to 2022 Multifamily Uniform Application #22227 (the “Application”) – Lalita Senior Living (the “Project”)

Mr. Campbell:

Due to the unforeseen changes in construction costs, interest rates, and equity pricing that have occurred since submission of its original application, VDC Minnesota Southmost, LP respectfully submits the following amendment request for its Lalita Senior Living Application.

CURRENT PROJECT STATUS

In recent weeks, the Project received its firm commitment for HUD financing, secured plat approval, and permits were approved by the City of Brownsville for site work and utility installation. Unfortunately, due to the continued rise in construction costs, a spike in interest rates, and reduced tax credit pricing, the Project is no longer feasible as it is currently designed. Therefore, we are requesting approval from TDHCA to amend our Application as follows: a) reduce the number of units from 102 to 78 and adjust the design and site layout accordingly, b) revise the unit mix, and c) redesign the clubhouse.

We have received a letter of continued support from the City Manager of Brownsville, as well as engagement confirmations from our lender and investor groups who are in support of these revisions.

EXPLANATION OF UPDATES

Number of Units

We are proposing a reduction in the number of units from 102 to 78. All sixteen (16) market rate units will be eliminated, with the goal of preserving as many affordable units as possible. The total reduction in affordable units is eight (8), which is less than 10% from our original application. Further details on the AMI unit mix breakdown are provided in the table below.

	Original	Revised	Difference
30% Units	9	8	(1)
50% Units	18	16	(3)
60% Units	59	54	(4)
Market	16	0	(16)
	102	78	(24)

Design / Site Layout

One residential building has been eliminated with those units being stacked on the remaining building, taking it from 3-story to 4-story. The residential buildings will continue to be elevator-served and the number of elevators has not changed. The unit finishes and community amenities are the same as previously planned with the residents enjoying a clubhouse with pool, cabana, access to a social services manager, as well as business, laundry, and fitness facilities on-site. Community and unit amenities remain well above the required minimum thresholds with 21 community amenity points and 9 unit amenity points.

An implication of the layout change is a reduction in required land since the building footprint is smaller. The site acreage will be reduced by an estimated 1.28 acres, from 7.72 acres to 6.44 acres. After the property is platted, including a required public right-of-way dedication, the site acreage will be 5.09 acres and the resulting density is 15.3 units per acre ($7.72 \text{ acres} - 1.28 \text{ acres} = 6.44$, $6.44 \text{ acres} \div 1.35 \text{ acres ROW} = 5.09 \text{ acres}$ $78/5.09 = 15.3 \text{ DUA}$) – the original Application reflected density of 13.2 DUA. The Project will maintain 1.5 spaces per unit parking ratio as per the original application.

Unit Mix

The unit mix will change from (51) 1-Bedroom Units and (51) 2-Bedroom Units to (34) 1-Bedroom Units and (44) 2-Bedroom Units (45% 1-BD and 55% 2-BD). The change in unit mix is driven by the way units stack within the residential structure.

Club Updates

The Clubhouse is proposed to be redesigned and reduced to 4,674 sft from 5,772 sft. The primary reduction in the clubhouse area is due to the elimination of the mail room and pool equipment room, as each of these spaces have been moved to other areas of the site to better serve residents. Modest adjustments were made to the Club layout to improve functionality after the removal of the noted areas. Additionally, adding a maintenance room adjoining the Club helps to reduce sitework, foundation, exterior finish, and roofing costs which would otherwise be incurred in constructing a separate maintenance building.

BASIS FOR CHANGE

Interest Rate Increases

At the time the original application was submitted the interest rate assumption for the construction loan was 3.75% with permanent debt financing at 5.25%. Current interest rate assumptions for construction and permanent financing are 7%, thus reducing the amount of debt the project can support.

Reduced Tax Credit Syndication Rate

The Syndication Rate has decreased to \$0.8525, while at Application the rate was at \$0.88. This has resulted in approximately a \$400,000 decrease in equity proceeds.

Hard Cost and Labor Cost Increases

The original construction budget was estimated to be \$12,643,000 for 102 units (\$123,950/unit), however, due to upward pressure on both materials and labor from subcontractors, the current construction estimate is \$12,234,561 for 78 units (\$156,853/unit). This represents an increase of 26% per unit in pricing estimates over the past 18 months. Without reductions in construction costs the project cannot be made solvent.

ADDITIONAL CONSIDERATIONS

To help make the project feasible, the developer proposes deferring additional Development Fee of \$360,000, to over \$740,000 in total. The original application reflected less than \$380,000 as deferred development fee. This concession represents a significant, material component of funding allowing this Project to move forward.

CONCLUSION

This development is a much needed community for the senior citizens of Brownsville and the surrounding area. We do not believe that the cost increases, interest rate increases, or stresses faced by the equity market could have been foreseen or were preventable. The assumptions made for the application were reasonable and based on the best information available at the time.

Thank you for your time and consideration.

Helen Ramirez
City Manager



October 17, 2023

TDHCA
Cody Campbell
221 East 11th Street
Austin, Texas 78701

RE: Lalita Senior Living – TDHCA Amendment Application

Dear Mr. Campbell,

I write this letter on behalf of the City of Brownsville and its continued support for the Lalita Senior Living community, to be located at 2150 S. Minnesota Avenue in Brownsville, Texas.

Discussions with the developer reveal that higher interest rates and increased construction costs have resulted in the need to decrease the construction budget by an overall reduction in the number of units.

The City of Brownsville recognizes the demand for safe, clean, affordable housing for all members of the community, especially older residents. We believe this development will help meet the affordable housing need for citizens of modest means. We kindly ask that the Board approve the amendment request so the project may proceed.

Sincerely,

A handwritten signature in purple ink, appearing to be "Helen Ramirez".

Helen Ramirez, AICP
City Manager

City of Brownsville, Texas

1001 E. Elizabeth St., P.O. Box 911, Brownsville, Texas 78522 Telephone: 956-548-6007 Fax: 956-546-4021 www.brownsvilletx.gov



October 20, 2023

Daniel Hendren
Development Manager |
VERSA Development, LLC
4733 College Park, Ste. 200, San Antonio, TX 78249

RE: Lalita Apartments Development Changes

Daniel:

I wanted to let you know that we are aware of the changes that are taking place with Lalita Apartments in order to adapt to the changing construction cost and interest rate markets. The property will now be developed as an 78-unit complex instead of 102 as originally planned. For the purposes of the loan we are in support of this change as it is a reflection of the environment and working towards completing an important affordable housing development. We are fully engaged to make the changes and keep the loan process moving smoothly to a loan closing with minimal time lost.

If you have any questions regarding the information or the remaining PNC loan process please do not hesitate to call me at (415) 733-1533.

Thank You,

A handwritten signature in blue ink that reads "Mark Ragsdale".

Mark S. Ragsdale
Senior Vice President
PNC Real Estate