



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 811

Agenda Date: 11/7/2024

Agenda #:

Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application for Centerpoint Commons (HTC #24400)

RECOMMENDED ACTION

WHEREAS, Centerpoint Commons (Development) received an award of 4% Housing Tax Credits (HTCs) in 2024 for the new construction of 363 multifamily units in San Marcos, Hays County;

WHEREAS, SL Centerpoint Commons, LP (the Applicant) requests approval for a change in the unit mix due to requirements from the City of San Marcos (the City) not allowing four-bedroom units under its multifamily regulations and also requiring a minimum of 35% of units in affordable housing developments to be three-bedroom units;

WHEREAS, the Applicant requests approval to lease the four-bedroom units as three-bedroom units with a den area without impacting the total number of units or impacting the overall income and rent restrictions;

WHEREAS, Board approval is required for a modification of the bedroom mix of units as directed in Tex. Gov't Code §2306.6712(d)(2) and 10 TAC §10.405(a)(4)(B), and the Applicant has complied with the amendment requirements therein; and

WHEREAS, the requested changes to the bedroom mix do not materially alter the Development in a negative manner, would not have adversely affected the selection of the Application, and do not impact the viability of the transaction;

NOW, therefore, it is hereby

RESOLVED, that the requested material amendment to the Application for Centerpoint Commons is approved as presented at this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the Board's determination.

BACKGROUND

Centerpoint Commons received an award of 4% Housing Tax Credits in 2024 for the new construction of 363 multifamily units, all of which are low-income units, in San Marcos, Hays County. In a letter dated September 16, 2024, Lora Myrick, on behalf of the Applicant, requested approval for a material amendment to the Application. The amendment request

proposes a change in the unit mix and explains that the change is necessary because the City of San Marcos does not allow four-bedroom units under their multifamily regulations. The issue was not brought to the Applicant's attention until the application for a Resolution of No Objection was submitted. It was also realized that the City of San Marcos requires a minimum of 35% of units in affordable housing developments to be three-bedroom units. By incorporating four-bedroom units, it was thought the minimum requirement would be satisfied. To remedy both issues encountered, the Applicant proposes to lease the 24 four-bedroom units as three-bedroom units with a den area. The total number of units will not change.

The Applicant intended to provide larger units for families; however, the City implemented the prohibition of four-bedroom units to deter renting by bedrooms to students, which was an unintended consequence for affordable housing developments. Adjustments were made to some units' Area Median Income (AMI) designation to accommodate for the loss of income from the four-bedroom rents, but the overall income and rent restrictions did not change. The Development still meets the 15% at 30% AMI and 85% at 60% AMI designations for Priority 2 status for the bond financing. Additionally, the square footage of two floor plans have changed. The area of the two-bedroom units increased from 893 square feet to 935 square feet, and the area of the three-bedroom units with a C1 floorplan decreased from 1,079 square feet to 1,029 square feet. Overall, the net rentable square footage increased from 341,733 to 344,331, which represents an increase of less than 1%.

The Development was re-underwritten based on the proposed amendment and revised financial information submitted with the request. The results of the analysis indicate the Development is still feasible with no changes to the costs and financing structure and that there is no change to the HTC award.

Staff recommends approval of the requested material amendment to the Application.



Addendum to Underwriting Report

TDHCA Application #: **24400** Program(s): **4% HTC**

Centerpoint Commons

Address/Location: SWQ Centerpoint Road and Commercial Loop

City: San Marcos County: Hays Zip: 78666

APPLICATION HISTORY	
Report Date	PURPOSE
10/15/24	Amendment Request
04/10/24	Original Underwriting

CONDITIONS STATUS

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	55
60% of AMI	60% of AMI	308

ANALYSIS

Subsequent to application of Resolution for No Objection, the applicant was informed that the City of San Marcos does not allow 4BR units under their multifamily regulations. They also require a minimum of 35% of units in affordable housing to be 3BR units. To counter both issues the developer has proposed leasing the 4BR units as 3BR units with a den area. The total number of units has been left unchanged, however several changes have been made to the floor plans to accommodate the updated plan.

The following chart details the changes that have been made to the Unit Mix to comply with San Marcos multifamily regulations.

	At Application	Amended
A1		
sf	718	718
30% AMI Units	12	11
60% AMI Units	48	49
Total A1 Units	60	60
A2		
sf	775	775
30% AMI Units	12	14
60% AMI Units	18	16
Total A2 Units	30	30
B1		
sf	893	935
30% AMI Units	11	10
60% AMI Units	133	134
Total B1 Units	144	144
C1		
sf	1079	1029
30% AMI Units	10	12
60% AMI Units	59	57
Total C1 Units	69	69
C2		
sf	1102	1102
30% AMI Units	5	4
60% AMI Units	31	32
Total C2 Units	36	36
C3		
sf	0	1362
30% AMI Units	0	4
60% AMI Units	0	20
Total C3 Units	0	24
D1		
sf	1362	0
30% AMI Units	5	0
60% AMI Units	19	0
Total D1 Units	24	0
Total Net Rentable SF	341,733	344,331
TOTAL UNITS	363	363

Operating Pro Forma

Income is updated to 2024 HTC Limits.

Underwritten NOI has increased \$423,642 to \$4,339,226.

Development Cost

The Applicant hasn't made any changes to the development cost schedule from the original submission.

Sources of Funds

The Applicant hasn't made any changes to the sources of funds from the original submission.

Underwriter recommends an annual tax credit of \$4,236,702 as previously awarded.

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

UNIT MIX/RENT SCHEDULE
Centerpoint Commons, San Marcos, 4% HTC #24400

LOCATION DATA	
CITY:	San Marcos
COUNTY:	Hays
Area Median Income	\$126,000
PROGRAM REGION:	7
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION							PRO FORMA ASSUMPTIONS	
# Beds	# Units	% Total	Assisted	MDL	ARP	Match	Revenue Growth	2.00%
Eff	-	0.0%	0	0	0	0	Expense Growth	3.00%
1	90	24.8%	0	0	0	0	Basis Adjust	130%
2	144	39.7%	0	0	0	0	Applicable Fraction	100.00%
3	129	35.5%	0	0	0	0	APP % Acquisition	4.00%
4	-	0.0%	0	0	0	0	APP % Construction	4.00%
5	-	0.0%	0	0	0	0	Average Unit Size	949 sf
TOTAL								
	363	100.0%	-	-	-	-		

55%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	55	-	-	308	-	-	-	363
Income	% Total	0.0%	15.2%	0.0%	0.0%	84.8%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE														
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S 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	Mrkt Analyst	
TC 30%	\$708	11	1	1	718	\$708	\$70	\$638	\$0	\$0.89	\$638	\$7,018	\$1,409	
TC 30%	\$708	14	1	1	775	\$708	\$70	\$638	\$0	\$0.82	\$638	\$8,932	\$1,409	
TC 60%	\$1,417	49	1	1	718	\$1,417	\$70	\$1,347	\$0	\$1.88	\$1,347	\$66,003	\$1,480	
TC 60%	\$1,417	16	1	1	775	\$1,417	\$70	\$1,347	\$0	\$1.74	\$1,347	\$21,552	\$1,480	
TC 30%	\$850	10	2	2	935	\$850	\$91	\$759	\$0	\$0.81	\$759	\$7,590	\$1,564	
TC 60%	\$1,701	134	2	2	935	\$1,701	\$91	\$1,610	\$0	\$1.72	\$1,610	\$215,740	\$1,564	
TC 30%	\$982	12	3	2	1,029	\$982	\$111	\$871	\$0	\$0.85	\$871	\$10,452	\$1,933	
TC 30%	\$982	4	3	2	1,102	\$982	\$111	\$871	\$0	\$0.79	\$871	\$3,484	\$1,960	
TC 60%	\$1,965	57	3	2	1,029	\$1,965	\$111	\$1,854	\$0	\$1.80	\$1,854	\$105,678	\$1,933	
TC 60%	\$1,965	32	3	2	1,102	\$1,965	\$111	\$1,854	\$0	\$1.68	\$1,854	\$59,328	\$1,960	
TC 30%	\$982	4	3	2	1,362	\$982	\$111	\$871	\$0	\$0.64	\$871	\$3,484	\$2,341	
TC 60%	\$1,965	20	3	2	1,362	\$1,965	\$111	\$1,854	\$0	\$1.36	\$1,854	\$37,080	\$2,341	
TOTALS/AVERAGES:		363			344,331				\$0	\$1.59	\$1,505	\$546,341	\$1,699	

ANNUAL POTENTIAL GROSS RENT:	\$6,556,092
-------------------------------------	--------------------

*MFDL units float among Unit Types

STABILIZED PRO FORMA

Centerpoint Commons, San Marcos, 4% HTC #24400

STABILIZED FIRST YEAR PRO FORMA

	COMPARABLES		APPLICANT				PRIOR REPORT
	Database		% EGI	Per SF	Per Unit	Amount	Applicant
POTENTIAL GROSS RENT				\$1.59	\$1,505	\$6,556,092	6,098,100
Late Fees, NSF, Pet Deposits					\$20.00	\$87,120	87,120
Total Secondary Income					\$20.00		
POTENTIAL GROSS INCOME						\$6,643,212	\$6,185,220
Vacancy & Collection Loss				7.5% PGI		(498,241)	(463,892)
EFFECTIVE GROSS INCOME						\$6,144,971	\$5,721,329

General & Administrative	\$181,577	\$500/Unit	3.34%	\$0.60	\$565	\$205,000	\$205,000
Management	\$170,722	3.3% EGI	3.73%	\$0.67	\$631	\$229,203	\$229,203
Payroll & Payroll Tax	\$480,660	\$1,324/Unit	4.88%	\$0.87	\$826	\$300,000	\$300,000
Repairs & Maintenance	\$247,583	\$682/Unit	4.88%	\$0.87	\$826	\$300,000	\$300,000
Electric/Gas	\$107,458	\$296/Unit	1.63%	\$0.29	\$275	\$100,000	\$100,000
Water, Sewer, & Trash	\$283,059	\$780/Unit	4.85%	\$0.87	\$821	\$298,000	\$298,000
Property Insurance	\$202,068	\$0.59 /sf	3.25%	\$0.58	\$551	\$200,000	\$200,000
Property Tax (@ 0%)	\$406,608	\$1,120/Unit	0.00%	\$0.00	\$0	\$0	\$0
Reserve for Replacements			1.48%	\$0.26	\$250	\$90,750	\$90,750
Supportive Services			0.85%	\$0.15	\$144	\$52,272	\$52,272
TDHCA Compliance fees (\$40/HTC unit)			0.24%	\$0.04	\$40	\$14,520	\$14,520
Security			0.12%	\$0.02	\$21	\$7,500	\$7,500
Equity Fee			0.14%	\$0.02	\$23	\$8,500	\$8,500
TOTAL EXPENSES			29.39%	\$5.24	\$4,975	\$1,805,745	\$1,805,745
NET OPERATING INCOME ("NOI")			70.61%	\$12.60	\$11,954	\$4,339,226	\$3,915,584

CONTROLLABLE EXPENSES						\$3,314/Unit	
------------------------------	--	--	--	--	--	--------------	--

TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Centerpoint Commons, San Marcos, 4% HTC #24400

		DEVELOPMENT COST / ITEMIZED BASIS				
		APPLICANT COST / BASIS ITEMS				
		Eligible Basis		Total Costs		Prior Underwriting
		Acquisition	New Const. Rehab			
Land Acquisition				\$22,727 / Unit	\$8,250,000	\$8,250,000
Building Acquisition	\$0			\$ / Unit	\$0	\$0
Off-Sites				\$ / Unit	\$0	\$0
Site Work		\$4,750,000		\$13,085 / Unit	\$4,750,000	\$4,750,000
Site Amenities		\$2,040,996		\$5,623 / Unit	\$2,040,996	\$2,040,996
Building Cost		\$40,165,000		\$116.65 /sf	\$110,647/Unit	\$40,165,000
Contingency		\$3,286,920	7.00%	7.00%	\$3,286,920	\$3,286,920
Contractor Fees		\$6,888,839	13.71%	13.71%	\$6,888,839	\$6,888,839
Soft Costs	\$0	\$4,811,828		\$13,256 / Unit	\$4,811,828	\$4,811,828
Financing	\$0	\$8,904,278		\$25,236 / Unit	\$9,160,793	\$9,160,793
Developer Fee	\$0	\$10,627,179	15.00%	15.00%	\$10,627,179	\$10,627,179
Reserves				2 Months	\$1,000,000	\$1,000,000
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0	\$81,475,041	\$250,638 / Unit	\$90,981,556	\$90,981,556
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	\$81,475,040	\$250,638/unit	\$90,981,555	
TOTAL HOUSING DEVELOPMENT COSTS Applicant's Uses						\$90,981,555

TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Centerpoint Commons, San Marcos, 4% HTC #24400

CREDIT CALCULATION ON QUALIFIED BASIS		
Applicant		
	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$0	\$81,475,040
Deduction of Federal Grants	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$81,475,040
High Cost Area Adjustment		130%
TOTAL ADJUSTED BASIS	\$0	\$105,917,552
Applicable Fraction	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$0	\$105,917,552
Applicable Percentage	4.00%	4.00%
ANNUAL CREDIT ON BASIS	\$0	\$4,236,702
CREDITS ON QUALIFIED BASIS	\$4,236,702	

Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price \$0.8398	Variance to Request	
			Credit Allocation	Credits	Proceeds
Eligible Basis	\$4,236,702	\$35,581,181	----	----	----
Needed to Fill Gap	\$4,483,510	\$37,653,955	----	----	----
Applicant Request	\$4,236,702	\$35,581,181	\$4,236,702	\$0	\$0

50% Test for Bond Financing for 4% Tax Credits		
Tax-Exempt Bond Amount	\$	50,000,000
		Applicant
Land Cost	\$	8,250,000
Depreciable Bldg Cost **	\$	81,475,041
Aggregate Basis for 50% Test	\$	89,725,041
Percent Financed by Tax-Exempt Bond		55.73%

**Depreciable building cost includes: Total construction contract, total building acquisition, total developer fee, plus eligible financing and soft costs.

PROPOSED SOURCES OF FINANCING

Centerpoint Commons, San Marcos, 4% HTC #24400

DEBT		Type	Interim		Permanent Period				Debt Service		
			Principal	Rate	Principal	Term	Amort	Rate	DCR	Payment	Fee
Gershman 221d4		Perm Loan	\$0	0.00%	\$53,797,600	40.0	40	5.45%	1.26	\$3,442,224	0.25%
Adjustment to Debt Per §11.302(c)(2)					(\$470,000)	40.0	40	5.45%	1.27	(\$30,073)	0.25%
Gershman 221d4		Construction Loan	\$53,797,600	5.45%	\$0	0.0	0	0.00%	1.27		0.00%
TOTAL			\$53,797,600		\$53,327,600				1.27	Cumulative DCR	
EQUITY						credit price	annual credits				
Affordable Housing Partners		\$4,236,702 HTC Equity	\$35,581,180		\$35,581,181	\$0.84	\$4,236,702				
TOTAL			\$35,581,180		\$35,581,181						
PARTNERSHIP DEBT											
Streamline AP - Cash Flow		Deferred Developer Fee	\$1,602,776		\$2,072,775						
TOTAL			\$1,602,776		\$2,072,775						
TOTAL			\$90,981,556		\$90,981,555						

Long-Term Pro Forma

Centerpoint Commons, San Marcos, 4% HTC #24400

	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%	\$6,144,971	\$6,267,871	\$6,393,228	\$6,521,092	\$6,651,514	\$7,343,809	\$8,108,159	\$8,952,063	\$9,883,800	\$10,912,514	\$12,048,298	\$13,302,294
TOTAL EXPENSES	3.00%	\$1,805,745	\$1,857,625	\$1,911,016	\$1,965,962	\$2,022,509	\$2,330,949	\$2,687,090	\$3,098,381	\$3,573,444	\$4,122,253	\$4,756,356	\$5,489,117
NET OPERATING INCOME ("NOI")		\$4,339,226	\$4,410,245	\$4,482,212	\$4,555,130	\$4,629,006	\$5,012,861	\$5,421,069	\$5,853,681	\$6,310,356	\$6,790,261	\$7,291,941	\$7,813,177
EXPENSE/INCOME RATIO		29.4%	29.6%	29.9%	30.1%	30.4%	31.7%	33.1%	34.6%	36.2%	37.8%	39.5%	41.3%
MUST -PAY DEBT SERVICE													
Gershman 221d4		\$3,442,224	\$3,441,261	\$3,440,244	\$3,439,170	\$3,438,036	\$3,431,342	\$3,422,557	\$3,411,027	\$3,395,895	\$3,376,034	\$3,349,969	\$3,315,760
TOTAL DEBT SERVICE		\$3,412,151	\$3,411,188	\$3,410,171	\$3,409,097	\$3,407,963	\$3,401,269	\$3,392,484	\$3,380,954	\$3,365,822	\$3,345,962	\$3,319,896	\$3,285,688
DEBT COVERAGE RATIO		1.27	1.29	1.31	1.34	1.36	1.47	1.60	1.73	1.87	2.03	2.20	2.38
ANNUAL CASH FLOW		\$927,075	\$999,057	\$1,072,041	\$1,146,033	\$1,221,043	\$1,611,591	\$2,028,585	\$2,472,727	\$2,944,535	\$3,444,299	\$3,972,045	\$4,527,489
Deferred Developer Fee Balance		\$1,145,700	\$146,643	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$925,398	\$2,071,431	\$3,292,474	\$10,558,916	\$19,857,123	\$31,321,496	\$45,089,412	\$61,300,170	\$80,093,744	#####



September 16, 2024

Mr. Rosalio Banuelos
Director of Multifamily Asset Management
Texas Department of Housing & Community Affairs
221 E. 11th Street
Austin, TX 78701

Via Email: Rosalio.Banuelos@tdhca.texas.gov

RE: TDHCA Application #24400 – Centerpoint Commons, San Marcos, TX
Material Amendment Request

Dear Mr. Banuelos,

On behalf of SL Centerpoint Commons, LP (the Applicant), we are requesting a material amendment to the above-referenced Housing Tax Credit Application. A check for the \$2,500 fee has been sent with our request. Enclosed is the receipt.

This amendment request proposes a change in the unit mix submitted at Application. The reason the change is necessary is because the City of San Marcos does not allow four-bedroom units under their multifamily regulations. The issue was not brought to our attention until the application for a Resolution of No Objection was submitted. At that point, it was also realized the City of San Marcos requires a *minimum* of 35% of units in affordable housing developments to be three-bedroom. By incorporating four-bedroom units, it was thought the minimum requirement would be satisfied. To remedy both issues encountered, the four-bedroom units are proposed to be leased as three-bedroom units with a den area. The total number of units at Centerpoint Commons will not change.

The Applicant intended to provide larger units for families. The City has realized that the prohibition of four-bedroom units was an unintended consequence for affordable housing developments. The regulation was put in place to deter renting by bedrooms for students. The amendment was not reasonably foreseeable, as it is not typical for cities to regulate the number of bedrooms in multifamily developments, nor require such a large number of three-bedroom units.

Adjustments were then made to some units' AMI designation to accommodate for the loss of income from the four-bedroom rents. The development still meets the 15% at 30% AMI and 85% at 60% AMI designations for Priority 2 status.

Additionally, the square footage of two floor plans have changed. The 2BR/2BA (B1 floorplan) increased from 893 sf to 935 sf. The 3BR/2BA (C1 floorplan) has decreased from 1079 sf to 1029 sf. Overall, net rental square footage increased from 341,733 to 344,331. This represents less than a one percent increase. We believe the change in square footage is a notification item that can be approved administratively.

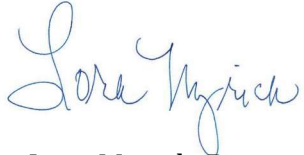
Finally, the development will be called Centerpoint Depot instead of Centerpoint Commons.

Updated rent schedule, proforma, and building unit/configuration forms are included.

	At Application	Amended
A1		
sf	718	718
30% AMI Units	12	11
60% AMI Units	48	49
Total A1 Units	60	60
A2		
sf	775	775
30% AMI Units	12	14
60% AMI Units	18	16
Total A2 Units	30	30
B1		
sf	893	935
30% AMI Units	11	10
60% AMI Units	133	134
Total B1 Units	144	144
C1		
sf	1079	1029
30% AMI Units	10	12
60% AMI Units	59	57
Total C1 Units	69	69
C2		
sf	1102	1102
30% AMI Units	5	4
60% AMI Units	31	32
Total C2 Units	36	36
C3		
sf	0	1362
30% AMI Units	0	4
60% AMI Units	0	20
Total C3 Units	0	24
D1		
sf	1362	0
30% AMI Units	5	0
60% AMI Units	19	0
Total D1 Units	24	0
Total Net Rentable SF	341,733	344,331
TOTAL UNITS	363	363

If you have any questions or would like to discuss these items further, please do not hesitate to contact me directly at (512) 785-3710 or via email at lora@betcohousinglab.com any time.

Sincerely,

A handwritten signature in blue ink that reads "Lora Myrick". The signature is written in a cursive style with a large initial "L".

Lora Myrick, Principal
BETCO Consulting, LLC