EXHIBIT 4B
LCRA 1/25/22

Memorandum

To: Agency Directors

CC: Dan Moye, LCRA Executive Director

From: Bob Long, EDC

Date: 1/14/2022

Re: LCRA Financial Analysis Procedure, Multi-family Affordably Priced Housing – UNI Crescendo, LLC – Crescendo

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MHDC Form 2013 and Conditional Reservation used for submission of development and operating costs.

Staff does reasonableness review, noting any areas that are outside MHDC Cost Standards (attached).

Compare operating pro forma with and without tax abatement.

Assuming costs are within range, tax abatement will be granted if debt coverage ratio is less than 1.25 without tax abatement.

If developer includes a deferred developer fee as equity to be paid by cash flow, initial cash on cash return should be no greater than 10%.

This policy is applicable to properties in which rents do not exceed MHDC guidelines for LIHTCs, provided the developer agrees to a third-party property manager.

MHDC Residential (Multi-Family) Development Cost Standards

Item	Standard
Development:	
Acquisition (building)	$22.5K to $27.5K per unit
Hard (construction) costs – rehab	$139-$147 of leasable sq. ft. (1)
Hard (construction) costs – new	$122 per leasable sq. ft.
Soft (design, dev fees, legal, etc.)	$35K to $50K per unit
Architect Fees (design & supply)	5%-8% of construction cost
Builder's Profit	6% of construction budget
Builder's Overhead	2% of construction budget
General Requirements	6% of construction budget
Developer Fee	8%-15% of total replacement costs (2)

(1) Assume 75%-80% of gross
(2) 8% of first $2,000,000 of acquisition, 6% of any additional acquisition costs, 15% of first $4,000,000 of non-acquisition replacement costs and 10% of any remaining.

Operating:	
Income increase P/A	3% market rate; 2% affordable
Expense increase P/A	3% all
Vacancy at stabilized rent	7% for family, 5% for 55+
Property tax PUPA	$500
Insurance PUPA	$200
Replacement reserve PUPA	$300
Management fee	$1,500 p/m or 6% of rents collected (3)
Operations/Maintenance PUPA	$3,100
Acceptable DCR	1.25 to 2 (4)

(3) whichever is greater
(4) Minimum standards per MHDC Developer Review 2017

Other – Rental Limits:

MHDC published rents by unit size per 60% median income guidelines

Budget Analysis
UNI Crescendo – 39 units, 48,429 sq. ft. net leasable space, 52,147 sq. ft. gross

Development:

	Actual	Standard	Evaluation
Acquisition	$130,000	$20-25K per unit	$3,333/unit
Hard costs	$7,370,008	$139-147 psf	$141.33 psf
Soft costs	$2,272,407	$35-50K per unit	$58,267/unit
Architect fee	$197,500	5-8% construction cost	2.7%
Builder's profit	$384,873	8% construction cost	5.2%
Builder's overhead	$134,862	2% construction cost	1.8%
General requirements	$364,920	6% construction cost	4.95%
Developer fee	$720,000	8-15% replacement cost	8.4%

Operating per annum

Management fee	$18,252	>$1500pm or 6% rents	5.2% of rents
Ops & Maintenance	$66,100	$3,100 PUPA	$1,695 PUPA
RE taxes (abated)	$500	$500 PUPA	$12.82 PUPA
Insurance	$19,500	$200 PUPA	$500 PUPA
Replacement reserves	$23,400	$300 PUPA	$600 PUPA

Other operating costs:

Utilities	$35,200	(Owner pays common area electric, water/sewer, trash)
Administration	$69,752	

Debt Coverage Ratio:

Without Tax Abatement
1.12 in Yr. One and declining to 0.92 in Yr. 10 — 1.25 Standard

With Tax Abatement
1.39 in Yr. One and declining to 1.27 in Yr. 10 — 1.25 Standard

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