



Louisiana Housing Corporation
2415 Quail Drive, Baton Rouge, Louisiana 70808

Memorandum

Date: October 12, 2018

To: 2018 LIHTC Funding Round Appeals Committee

From: LHC/Multifamily Division

Subject: Jackson Square Apartments/Jonesboro/Jackson Parish/32 units

Background

Selection Criteria Points Issue: I. B. Redevelopment Project. 3 Selection Criteria points – Applicant submitted a letter from the USDA that indicated that the project is in need of substantial rehabilitation and is considered to be in an eligible place, (target/priority area) as all places in Louisiana are considered eligible for the purpose of rehabilitating existing rural Development 515 properties. The letter further indicates that the property is a Distressed Property in that Rural Development provided funds for the initial construction of the property which was completed in 1983.

Feasibility and Viability Issue: Currently the development does not meet LHC underwriting standards.

Issue

Selection Criteria Points Issue: The applicant was denied points for this selection criteria due to the fact that the 2018 QAP included the requirement that a Distressed Property must meet the requirement of a Redevelopment Project and that any project receiving points in the category must be located in a QCT and must be located in an area that is part of a Concerted Community Revitalization Plan. The applicant is requesting that the LHC waive this requirement because it contradicts the primary funding objective of the QAP.

Feasibility and Viability Issue: Currently the development has not been cleared by the underwriters as feasible and viable and is therefore ineligible to be funded.

Analysis of the Issues:

Selection Criteria Points Issue: As part of the QAP, Section 42(m) of the Code requires that the agency adopt an allocation plan that sets for certain selection criteria to be used in determining priorities. One of the criteria identified is “*Developing projects which are located in qualified census tracts [as defined in 26 U.S.C, Section 42(d)(5)(B)(ii)(I)] and the development of which contributes to a concerted community revitalization development plan.*” This language is included on page 5 of 42 in the QAP. The QAP also included the definition of a Concerted Community Revitalization Plan on page 9 of 103 and the definition of a Distressed Property on page 12 of 103.

Feasibility and Viability Issue: There is one unresolved issue preventing this development from meeting LHC’s underwriting standards.

Recommendations:

Feasibility and Viability Issue:

We accept the underwriter’s report that the development is not feasible or viable and recommend this development be ineligible for funding consideration.

Selection Criteria Points Issue: Staff’s recommendation is not to award the 3 points for this selection criteria item for the following reasons:

1. As part of the QAP, Section 42(m) of the Code requires that the agency adopt an allocation plan that sets for certain selection criteria to be used in determining priorities. One of the criteria identified is “*Developing projects which are located in qualified census tracts [as defined in 26 U.S.C, Section 42(d)(5)(B)(ii)(I)] and the development of which contributes to a concerted community revitalization development plan.*”
2. The 2018 QAP included the requirement that a Distressed Property must meet the requirement of a Redevelopment Project and that any project receiving points in the category must be located in a QCT and must be located in an area that is part of a Concerted Community Revitalization Plan. The two criteria were intended to complement each other.
3. While the project is a Distressed Property and provided the necessary documentation evidencing such, it failed to submit documentation of a Concerted Community Revitalization Plan.

SELECTION CRITERIA AND EVIDENTIARY MATERIALS

POOL SPECIFICATION - (Select only One)

Qualified Non-Profit/CHDO

General Pool

Preservation

Rural Pool

X

I TARGETED PROJECT TYPE (Select all that apply. See note for restrictions.)

Your Points	Possible Points
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Final Score

A. De-concentration Projects (maximum of 18 Points, maximum one selection from A(i), Project Diversity and maximum one selection from A(ii), Geographic Diversity))

(i) Project Diversity - Percentage of Low Income Units in Project does not exceed:

- (a) 60% of the Total Project units
- (b) 50% of the Total Project units
- (c) 40% of the Total Project units

	0	4
	0	5
	0	6

(ii) Geographic Diversity: Project is located in census tract in which the median income of the census tract exceeds one of the following as determined by <https://www.fdic.gov/>:

- (a) 120% of the area median income for the MSA
- (b) 150% of the area median income for the MSA

	0	10
	0	12

* A minimum of 70% of the units in a scattered site project must be located in the census tract of the selected median income.

B. Redevelopment Project (Maximum 3 points allowed)

X	3	3
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Check Type:

Distressed Property:

Redevelopment Property:

Owner Occupied Property with Development Plan of Action:

X

Documentation must be submitted with the application evidencing that the project meets the requirements of a Redevelopment Project as defined by the 2018 QAP. Any project receiving points in this category must be located in a qualified census tract and must be located in an area that is a part of a Concerted Community Revitalization Plan.

C. Construction Type (Only one selection allowed - Maximum 8 points allowed)

- (i) Rehabilitation of an existing LIHTC, USDA or Federally Funded Project
- (ii) Historic Preservation
- (iii) Rehabilitation of an Existing Residential Building(s)
- (iv) Blighted housing remediation and/or replacement
- (v) Homeownership project ** (project not eligible for points for extended affordability or community facility)

X	8	8
	0	4
	0	4
	0	4
	0	2

** Owner must agree to sell units at minimum purchase price by not later than the 16th year of Compliance period.

The award is subject to a transactional structure acceptable to the Corporation according to industry best practices that protects the expectations of tenants anticipating title transfer of their units in fee simple absolute or condo or cooperative ownership.

D. Public Housing Priority

Marketing of lease-up plan which will give a priority to persons on a current Public Housing waiting list.

X	2	2
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E. Preservation Priority Project (Only one selection allowed - Maximum 5 points allowed) Project must meet QAP definition for Preservation Property to receive points in this category. Not Applicable to New Construction.

- (i) Developments with Project Based Section 8 for 100% of the units or federally funded (such as USDA, HUD, or PHA) rental subsidy or more than 60% of the units
- (ii) Developments with Project Based Section 8 for at least 59% of the units or federally funded (such as USDA, HUD, or PHA) rental subsidy for up to a maximum of 40% of the units
- (iii) Developments with Project Based Section 8 for at least 39% of the units or federally funded (such as USDA, HUD, or PHA) rental subsidy for up to a maximum of 20% of the units

X	5	5
	0	4
	0	3

Not challenged

II TARGETED POPULATION TYPE (Maximum 6 points allowed)

For Items II.A and B under Targeted Population Type application must include the following:

- (i) Description of Supportive Services tailored to each Special Needs Household (See Supportive Services Definitions)
- (ii) Costs per annum of Supportive Services per Special Needs Household or written commitment from governmental or non-profit agency that Supportive Services will be provided to Project without cost
- (iii) Experience of Taxpayer/Owner in developing Projects servicing Special Needs Households

A. Special Needs Households must provide Supportive Services - this does not apply to Permanent

Supportive Housing (Check one or more of (i), (ii), (iii) or (vi) and one of (a), (b) or (c) for Special Needs Households)

- | | | | | | |
|--|-------------------------------------|-------------------------------------|---|---|-------------------------------------|
| (i) Homeless Households | <input type="checkbox"/> | | | | |
| (ii) Disabled Households | <input checked="" type="checkbox"/> | | | | |
| (iii) Single Parent Households | <input checked="" type="checkbox"/> | | | | |
| (vi) Veterans | <input type="checkbox"/> | | | | |
| | | | | | |
| (a) Thirty Percent serve such households | or | <input checked="" type="checkbox"/> | 5 | 5 | <input checked="" type="checkbox"/> |
| (b) Twenty Percent serve such households | or | <input type="checkbox"/> | 0 | 4 | <input type="checkbox"/> |
| (c) Ten Percent serve such households | | <input type="checkbox"/> | 0 | 3 | <input type="checkbox"/> |

B. Elderly Households 100% of the project units are designated for elderly households.

<input type="checkbox"/>	0	6	<input type="checkbox"/>
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III PRIORITY DEVELOPMENT AREAS AND OTHER PREFERENCES (All That Apply)

A. Extended Affordability Agreement (Lease to own projects ineligible*) (Only one selection allowed - Maximum 6 points allowed)

Project will execute agreement in which Owner irrevocably waives its rights to Qualified Contract under the provisions of I.R.C. §42(h)(6)(E) and (F) until after the

- | | | | | |
|-----------------|-------------------------------------|---|---|-------------------------------------|
| (i) 35th Year | <input type="checkbox"/> | 0 | 4 | <input type="checkbox"/> |
| (ii) 40th Year | <input type="checkbox"/> | 0 | 5 | <input type="checkbox"/> |
| (iii) 45th Year | <input checked="" type="checkbox"/> | 6 | 6 | <input checked="" type="checkbox"/> |

* Lease to own projects ineligible; not eligible if executing Corporation's Option to Purchase and Right of First Refusal Agreement. The selected extended affordability period begins after the initial statutory compliance period.

B. Increased Unit Affordability (Only one selection each from B(i) and B(ii) allowed - Maximum 8 points allowed)

- | | | | | | |
|---|-------------------------------------|---|---|-------------------------------------|--|
| (i) Unit Affordability | | | | | |
| (a) At least 5% less than 10% of units serve households (other than PSH) with incomes at or below 30% AMI | <input type="checkbox"/> | 0 | 2 | <input type="checkbox"/> | |
| (b) At least 5% and less than 10% of units serve PSH households with incomes at or below 20% AMI | <input checked="" type="checkbox"/> | 4 | 4 | <input checked="" type="checkbox"/> | |
| | | | | | |
| (ii) Low Income Targeting | | | | | |
| (a) 25 percent of the units at or below 50% AMI | <input type="checkbox"/> | 0 | 2 | <input type="checkbox"/> | |
| (b) 30 percent of the units at or below 50% AMI | <input type="checkbox"/> | 0 | 3 | <input type="checkbox"/> | |
| (c) 40 percent of the units at or below 50% AMI | <input checked="" type="checkbox"/> | 4 | 4 | <input checked="" type="checkbox"/> | |

*To qualify for points in this section, units must be reflected on the rental income page of the application.
 Project must evidence ability to maintain lower rate units via rental income, grants or subsidies throughout the projects affordability period. Only one-and two-bedroom units will qualify as PSH units. To qualify for PSH points
 (ii) applicant **must** submit letter of PSH Support from the Executive Director of the Louisiana Housing Authority.
 The letter of support must be requested no later than 14 days prior to the application due date.

C. Governmental Priorities (Maximum 4 points allowed)

(i) Project Located in Qualified Census Tract (QCT) or Difficult Development Area (DDA)	<input checked="" type="checkbox"/>	2	2	<input checked="" type="checkbox"/>
Census Tract number:	9704			
Parish Location	Jackson			
(ii) Project located in a Parish previously unfunded by LHC: Beauregard, Catahoula, Claiborne, East Feliciana, La Salle, St. Helena, St. John the Baptist, St. Mary, or Vernon Parish.	<input type="checkbox"/>	0	2	<input type="checkbox"/>
(iii) Project located in a Parish identified by LHC as sharing 4 or more Housing Priorities*: St. Landry, Union, East Carroll, Washington, Evangeline, Claiborne, Winn, or Bienville parish.	<input type="checkbox"/>	0	2	<input type="checkbox"/>

* The 8 identified parishes are among the top 20 parishes in 4 or more of the following Housing Priorities categories.
 Highest percentage of Persons who are Elderly, Disabled, Living in Poverty, or Paying greater than 35% of Household Income on Rent, Lowest Median Household Income, Highest percentage of Housing Units Built before 1980.
 Data from Census 5-Year American Community Survey (ACS) 2011-2015 - Released July 2017

D. Additional Financial Support (Only one selection allowed - Maximum 4 points allowed)

Note: (The below referenced Funds must be actual "awarded funds" as evidenced by a signed commitment obligating the funds to the project.) Support documentation from the entity and calculation supporting the selection must be included in the application submission.

Additional Financial support reduces project development costs by providing Philanthropic donations, CDBG, HOME, or other governmental assistance/funding in the form of loan, grants, rental assistance or a combination of these forms or by:

- * Waiving water and sewer tap fees;
- * Waiving building permit fees;
- * Foregoing real property taxes during construction;
- * Contributing land for project development;
- * Providing below market rate construction and/or permanent financing;
- * Providing an abatement of real estate taxes; PHA contributions or other governmental contributions;

(i) 7% or more of total project development cost reduction	<input checked="" type="checkbox"/>	4	4	<input checked="" type="checkbox"/>
(ii) Greater than or equal to 4% but less than 7% of total project development cost reduction	<input type="checkbox"/>	0	3	<input type="checkbox"/>
(iii) 2% but less than 4% of total project development cost reduction	<input type="checkbox"/>	0	2	<input type="checkbox"/>

IV LOCATION CHARACTERISTICS

A. Neighborhood Features

(Points in this section are capped by the applicant's selection and verified through commissioned market study)

Applicants must include in their submissions the name, address, and map location of each item where points are claimed under this section. Evidence may be submitted but points will be assigned by the Market Analyst.

(i) Points Gained*: (maximum of 10 Points, maximum 1 point per service)

Points will be awarded for the following services located within the specified distance of the site. Applicant should ensure that the service is suitable for the targeted population. Points will only be awarded for the services listed below. One (1) point will be awarded for services listed that are within a 1 mile radius of the project. One Half (0.5) point will be awarded for any service listed that is located over 1 mile but is within a 2 mile radius of the development. The addresses for each selection must be included in the application submission.

Public Library	1	1
Bank/Credit Union (must have live tellers)	1	1
Post Office	1	1
Public Park		
	1	1
Police or Fire Station	1	1
Laundry or Dry Cleaner	1	0
YMCA, youth center, senior center of club comparable community center		
	1	0

10

New construction project must not be adjacent to or within 1/2 mile radius of any of the following incompatible uses listed with the exception of Towns or Cities with a population of 15,000 or less.

Pig/chicken farm		
Processing plants		
Distribution facilities (all)		
High utility substations		x
Solid waste disposal		

*The Market Study for every project must include a separate section that evidences whether the Project satisfies the positive points listed or incurs the negative points listed above.

V PROJECT CHARACTERISTICS (Selection and provide support documentation on all that apply)

X
X

Community facilities must be consistent with definition contained in QAP. Homeownership and Scattered site projects on a Non-Contiguous site are not eligible to receive points for community facilities.

C. Optional Amenities (Provide architecture certification for the selected amenities.

X
X

D. Project Amenities (2 points awarded per 3 items selected for a maximum 4 points allowed.)

*All amenities must be located on the project site.

4

In order to receive points, the **Community Garden** must have a minimum planting area of at least 400 square feet, a water source surrounded on all sides with a fence that will be accessible to the tenants. Must include a description of how staff and/or volunteers will engage residents, build skills and ensure that the basic organization and management of the garden is

Abstract

Reinstated

Reinstated V.C.(i)(ii)

E. Additional Accessible Units (Only one selection allowed - maximum 3 points allowed)

Accessible Units in excess of Section 504 of II C Accessible Project Rehabilitation Act of 1973 (Not Qualified for Selection Criteria II-C Accessible Project) Assume Section 504 applies to all Projects, i.e., 5% of units must be accessible for people with mobility impairments and 2% for people with hearing or vision impairments.

Number of Units: Total: 32 21.88%

- | | | | | |
|---|--------------------------------|---|---|--------------------------------|
| (i) more than 10% of the total units but less than or equal to 20% of the total units | <input type="text" value="0"/> | 0 | 2 | |
| (ii) more than 20% of the total units | <input type="text" value="3"/> | 3 | 3 | <input type="text" value="X"/> |

Submit number, percentage and description of construction and/or equipment provided for each Accessible Unit
Unit count must represent at least (1) one unit above the 504 requirement

F. Project has On Site Security

2 2

Twenty-four (24) hour on-site security through the use of cameras, security gate or on-site personnel in an official capacity as a professional security guard. Security personnel may be uniformed or non-uniformed. If security cameras are provided, a diagram of the proposed location of cameras must be included in the application to receive points. At least one camera per every 20 units is required to receive points in this category. The number of cameras will be rounded up in making this determination. Additionally, Cameras must be dispersed throughout the development so as to provide maximum security coverage. Costs for on-site security must be evidenced as an expense item on the projects operating pro-forma.

Security Cameras

Security gate

On site security guard

G. Project's TDC per unit is at least 15% below the maximum TDC/unit (Only one selection allowed)

Calculation supporting the selection must be included in the application submission.

- | | | | | |
|-------------------|--------------------------------|---|---|--------------------------------|
| (i) 15% | <input type="text" value="0"/> | 0 | 2 | |
| (ii) 20% | <input type="text" value="0"/> | 0 | 3 | |
| (iii) 25% or more | <input type="text" value="4"/> | 4 | 4 | <input type="text" value="X"/> |

Total Tax Credit Points: 77

Jackson Affordable Housing, ALPIC

&
AFFORDABLE HOUSING PARTNERS, LLC

October 9, 2018

Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, La 70808
Attn: Wendy Hall

RE: 2018 LIHTC Application Review Letter - Jackson Square Apartments
Final Review Response/Challenge

Dear LHC:

We are in receipt of your letter/email dated October 5, 2018. In accordance with 2018 QAP rules and instructions received, please accept our final review responses.

Selection Criteria

- Redevelopment Project – in the original review response, I did not challenge the reduction of points since there is no Concerted Community Revitalization Plan in these economically distressed, rural markets. *It should be noted that I submitted my responses prior to the receipt of the LHC issued email acknowledging the lack of these plans and the intent to reevaluate this requirement.*
 - I request LHC's consideration to waive this requirement. This requirement actually contradicts the primary funding objective of this QAP. This was not a requirement for "Distressed" Properties in previous rounds. This USDA financed property meets all other requirements for a Redevelopment Project (as a Distressed Property and is located in a OCT). My request is consistent with previous comments submitted during the Public Hearing Phase of the 2018 Qualified Allocation Plan.

Feasibility and Viability

- Debt Service Ratio exceeds QAP limits - (original response) as noted in the application, it is impossible to maintain DSR "inside" the limits with expenses outgrowing income as required. Cash flow is subject to USDA regulations. Any excess cash flow is required to be deposited into a USDA monitored reserve account (if any).
 - Updated response (10/8/2018) - We either have to be higher on the front end or lower on the back end if we use a standard 2% income growth and 3% expense growth. USDA requires a balanced budget every year (subject to their approval) and any cash flow is subject to their control. They will not let an owner "pocket" any excess cash flow. In an effort to meet LHC QAP standards, I've adjusted the annual subsidy from the Project Based USDA rental assistance contract to meet underwriting criteria (attached).
 - Updated Response (10/9/2018) – the Rental Assistance Contribution has been adjusted to reflect a payoff of the Deferred Developer Fee.

Thank you,



Kerry Banks
Jackson Affordable Housing, ALPIC

UNDERWRITING REVIEW

2018 Qualified Allocation Plan

Project	Jackson Square Apartments		Reviewed: Challenge Response
Funding Type	Tax Credit Only	Parish:	Jackson
Type of Construction:	Rehabilitation & Acquisition / Multi Family	Building Style:	Row House
Occupancy Type:	Family		
Total Number of Units:	32	Total Square Feet:	25,600
Hard Constr/Rehab Cost:	\$2,099,210	Cost per SF:	\$82.0
Credits Requested:	\$373,744		
Syndication Proceeds:	\$3,101,763	Equity Pricing:	\$0.83
Permanent Mortgage:		Rate: 2.45%	Term: 50
Gap/Soft Funding:	HOME Request: \$0 CDBG Request: \$0 NHTF Request: \$0		

Market Study Comments: based on report by ACACIA Realty Advisors dated July 26, 2018

MK1 - Capture rate:	The analyst estimates the overall capture rate as 6.7%.
MK2 - Absorption rate:	The analyst estimates the Subject will experience an absorption rate of approximately 18 to 22 units per month.
MK3 - Vacancy rate:	The analyst reports the occupancy at comparable properties is 99.6% overall and 100% for affordable properties.
MK4 - Effect on other 9% projects:	The analyst estimates that the addition of the Subject units will not negatively impact existing affordable housing in the market as there appears pent up demand for affordable housing in the market.
MK5 - Rents:	The analyst believes that in the context of the other comparables, the subject's proforma rent is considered well suited for the subject.

Underwriting Result: Does Not Meet LHC Underwriting Standards If not met, see notes on page 4.

NOTE: Evaluation of Threshold Requirements related to scoring, design and construction must be verified by the Corporation and is not part of this Underwriter's Review. The Applicant and Corporation represent that the Threshold Requirements have been met.

UNDERWRITING REVIEW
2018 Qualified Allocation Plan

Jackson Square Apartments

Underwriting Notes:

Ref# Comments affecting underwriting determination

- 9 The debt service ratio appears to exceed QAP limits. Please verify/clarify the debt service ratio.

- 25 Projected rental income in the application is significantly less than property's current operating profile noted in the property appraisal. Please clarify.

- 38 The costs/fees associated with syndication that are identified in the equity investor LOI are not identified in the application as syndication costs and appear to be included in the eligible basis. Please clarify the syndication costs.

- 40-1 Underwriter did not locate fully executed financial commitments for owner contribution to reserves listed as a funding source. Please clarify or provide the missing documents.

- 40-2 The commitment letter for construction financing included with the application, dated 6/5/18 from First National Bank, indicates a lower amount than specified in the application causing an apparent shortfall in construction financing.

- 47 The proposed credit pricing is not as favorable as observed in other project applications. A re-evaluation of the credit request is recommended.

- 49 Fund sources available at the time of construction do not appear sufficient to complete the development. Syndication costs specified in the equity investor commitment letter reduce the first payment amount. Also, see note 40-2 above. Please verify/clarify funds available for construction.

- 50 Syndication costs appear to be included in the eligible basis (see note 38). Please verify/clarify that the basis includes only allowable costs.

UNDERWRITING REVIEW - CLOSING COMMENTS

2018 Qualified Allocation Plan

Jackson Square Apartments

Applicant's Challenge Response:

Ref# Applicant Comments

- 9 It is impossible to maintain DSR inside the limits with expenses outgrowing income as required. ... Any excess cash flow is required to be deposited into a USDA monitored reserve account.
- 25 The variance is due to the high vacancy rate required in the application (7%) and the rent limits associated with low-income targeting selection criteria points.
- 38 There are no Syndication Cost/Fees associated that would be required to be backed out of basis.
- 40-1 Please see the 2017 audit. The reserves are required to be transferred per USDA regulations. Any shortfalls will be funded by the GP.
- 40-2 I changed the construction loan to \$1,000,000 to save on closing costs. There is enough tax credit equity paid during construction so that only \$1,000,000 is needed. Revisions have been made to the application.
- 47 Rural deals in small markets justify a little lower price in syndication proceeds.
- 49 I disagree. ... I have the ability to bump the construction loan if needed or bridge any gap with GP funding.
- 50 I do back out ineligible costs. Our basis schedule is subject to CPA scrutiny and investor approval. No investor/syndication level costs are included in basis.

Underwriter's Closing Comments

Ref# Underwriter Comments

- 9 In the revised application the DSR (year 1 is 1.60 and year 15 is 1.28), is significantly outside QAP required limits with room for adjustment.
- 25 The applicant has adequately responded to this issue.
- 40-1 The applicant has adequately responded to this issue.
- 40-2 The applicant has adequately responded to this issue.
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UNDERWRITING REVIEW

2018 Qualified Allocation Plan

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- 9 Applicants revised Proforma corrects the not to exceed 1.4% Debt Service Coverage Ratio however, the correction has caused the repayment of the deferred developer fee to extend beyond the QAP 15 year limit.

See Adjusted Proforma

UNDERWRITING REVIEW

2018 Qualified Allocation Plan

Project	Jackson Square Apartments		Reviewed: Challenge Response
Funding Type	Tax Credit Only Rehabilitation &	Parish:	Jackson
Type of Construction:	Acquisition / Multi Family	Building Style:	Row House
Occupancy Type:	Family		
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UNDERWRITING REVIEW
2018 Qualified Allocation Plan

Jackson Square Apartments

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UNDERWRITING REVIEW - CLOSING COMMENTS

2018 Qualified Allocation Plan

Jackson Square Apartments

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Underwriting Notes:

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