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THE USE OF THE LOW-INCOME HOUSING TAX CREDIT TO FINANCE AFFORDABLE HOUSING

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INTRODUCTION AND PURPOSE

The production of rental housing which is affordable to very low-income people is shaped by many national housing policies. Since 1986 the Low Income Housing Tax Credit, a tax-based incentive to promote investment in affordable housing, has been the major financing device used to produce low-income rental housing. The purpose of this paper is to examine whether the Tax Credit is the most effective means of producing this housing when compared with direct federal funding in the form of 100% capital grants. Since the LIHTC is now the major financing source for the production of low income rental housing in the United States, it is important to determine if it is truly more efficient than other sources, both public and private, which are used as financing sources.

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The hypothesis of this paper is that the LIHTC is less effective and more costly as a financing mechanism for affordable rental housing production than other mechanisms such as capital grants. Effectiveness will be measured along several comparative dimensions, including the financial production cost of the units, the benefit to very low income families and persons, and the transaction costs of the use of the program, both actual dollar costs and the human costs in time and difficulty of using the program. The last dimension mentioned is particularly important in reviewing the use of the Credit by non-profit community based housing organizations, which now constitute a significant sector of housing production. The paper will also examine the extent to which the Tax Credit program leverages private funding in the financing of housing production for low-

income people, and the use of public and private funding in these projects. Public-private financing has become an important financing tool in the past two decades.

Two case studies will be presented to contrast Tax Credit financed and capital grant financed rental housing projects. These are two senior citizen apartment projects in Muskegon, Michigan, that are a similar size and were built within two years of each other. The author was principally responsible for developing the financing for both of these projects. Since they are located in the same geographic area, building costs are comparable in general, with some variation due to design. The same architect provided design services to both projects.

METHODOLOGY

The methodology of this study consists of a literature review, a description of the Tax Credit Program and how it works, as well as a review of articles on other financing mechanisms which have been used to finance affordable low-income housing in the United states over the past 30 years. Case study material from the two comparable senior projects developed by Trinity Non-Profit Housing Corporation in Muskegon, Michigan in the past three years is also used to illustrate the differences in cost between using a capital grant financing program, the Section 202 program, and the Low Income Housing Tax Credit program. All of the basic financing information on the projects is included as appendices. These proformas are presented to show actual costs of the two projects.

HISTORICAL OVERVIEW OF FINANCING PROGRAMS

There have been two basic approaches to financing the construction of affordable rental housing in the United States—direct public funding, in one form or another, and tax-incentive based programs to stimulate private sector investment in housing construction. These two approaches continue to determine the financing of affordable housing in the United States.

In the arena of direct public funding for housing, the first major national legislation to assist the production of affordable rental housing for poor people was the Housing Act of 1937, which allowed cities across the country to establish Public Housing Authorities and provide funding for the construction of public housing projects. Rents in these projects were low enough for the poor to afford them. The projects were publicly administered and provided good housing for many years for millions of families. Public housing had many critics as it aged and in many cases fell into disrepair, and as families with more problems often moved into the housing units. It is said public housing is unpopular with everyone except the people who live in it, and the people who are waiting to get in. Public housing accounts for about five percent of all rental housing in the nation, and is still the most affordable housing for the very poor. Public housing tenants typically average only 25% of the national median income. It is the original model of the direct capital grant form of financing affordable housing. Public housing is the least expensive form of rental housing for very low-income families and individuals, and in most cities,

has long waiting lists for units, despite general criticism of the program over the past two decades.

As support for direct public provision of services declined in the 1970's, many private non-profit corporations were formed. These corporations served as vehicles through which public money was channeled to fund production of affordable housing. During this period, the HUD 202 program was re-established. This program is a direct capital grant program, which provides financing to non-profit organizations to develop affordable housing for the elderly. (Initially this program included both elderly and handicapped housing, but now is limited to elderly.) . This program formerly provided a very long-term loan for the construction of the project, which was amortized through rents and deep rental subsidies tied to the project. Because of the deep subsidy, such projects tended to be financially stable and generally did not experience financial problems unless they were badly managed. Since 1990 the program has been funded as a capital grant rather than as a loan program, but still provides deep rent subsidies for tenants. Each tenant pays 30% of his/her income in rent, no matter how low the income may be. The difference between the tenant contribution and the rent that would be necessary, (on a proportionate basis), to amortize the construction cost and pay for operations, is covered by a federal subsidy.

Beginning in the early 1970's, private sector strategies were increasingly used to stimulate investment in affordable housing, in addition to public funding programs. These programs provided incentives to the private sector in the form of various tax benefits or write-offs. Private developers used the tax benefit provided through

depreciation and accelerated depreciation as an incentive to build low-income housing. These supply-side incentives were implemented as an alternative to direct government involvement in the production of housing. Until that point, public housing had been the major production program for affordable rental housing. With the decrease in Federal support which began in the 1970's, and the increasing reliance on the private sector to solve social problems, many financing strategies were tried. Throughout the 1970's, the most widely used strategies involved tax incentives for investors to invest in affordable housing, much as they might invest in other things. Affordable housing became another competing investment among many. As Case points out (Case 1991, 343), between 1979-1990 virtually all private investment in affordable housing was through limited partnerships formed to use tax incentives. A typical project would be conceived and costed out by a private developer, who would then obtain part of the funding for the project from a loan, by either a bank or the state housing finance agency, and the rest of the funding from the sale of tax benefits through a limited partnership.

Until 1981, the cost of a project could be depreciated over 40 years. Depreciation is a paper tax loss which can be claimed by investors to reduce their tax liability. In 1981 the Economic Recovery Tax Act was passed in the midst of an economic recession to offer further incentives for investment in housing. Under this law, accelerated depreciation was allowed. This meant that the whole cost of the project could be depreciated in 15 years rather than 40. The assumption was made for tax purposes that the full useful life of the building was 15 years rather then 40. For example, if a typical project might cost $3,000,000 to build, 1/15 of that amount, or $200,000 could be taken

as a tax loss each year for 15 years by the limited partner investors in the project. At that rate, it was clearly a very attractive investment. As Illustration I shows, after the ERTA legislation was enacted in 1981, the number of multi-family housing starts increased by almost 1/3, up to 641,000 units in 1982.

Then in 1986, in the midst of huge cuts in direct federal funding for housing, the Low-Income Housing Tax Credit program was established as a part of the Tax Reform Act of 1986. The Tax Credit is now one of the primary sources of financing for affordable housing. The Tax Reform Act of 1986 provided for a broad reform of the Internal Revenue Code, closing several loopholes in the Code. Housing advocates fought for the Low Income Housing Tax Credit as a substitute for accelerated depreciation, which was eliminated by the Act. Advocates hoped the LIHTC program would provide the same tax incentive for the development of low-income rental multi-family housing. As Stegman points out, " The tax reform debate raged at a time when the Reagan administration and Congress already had eliminated several of HUD's low income production programs. President Reagan's fiscal year 1987 budget proposed deferrals and recessions of billions of dollars of previously appropriated low-income housing funds, termination of the Section 202 program, and elimination of the Farmers Home Administration housing programs." (Stegman 1992, 359) Advocates generally felt that the Tax Credit might soon be "the only game in town" for affordable housing production, and must be supported for that reason. There was also the belief that non-profit organizations would participate in the program to a greater extent than they did at first. It took non-profits several years to become skilled in the intricacies of structuring tax credit projects.

Since 1987 the Tax Credit Program has been widely used by for-profit and, increasingly, by non-profit developers as a way to provide equity in the financing of affordable housing. In the meantime, direct funding for affordable housing was cut by approximately 75% from 1980-1990. Illustration II shows the drastic decline in assisted housing starts which took place during the 1980's. Concurrent with the decline in federal support for housing, homelessness and shelter poverty increased. Michael Stone documents the federal disengagement from affordable housing: "Financial and operational support for existing public housing was diminished. The Federal government moved away from sponsoring production and subsidization of new and rehabilitated housing for low and moderate income households.... Taken together, these trends have meant a reduction in the always-limited and contradictory federal commitment for the long-term and deep financial assistance for the affordability needs of low-income households. In the early 1970's federally subsidized housing production reached the highest level in history, but by the mid-1980's it was at the lowest level since the end of World War II." (Stone 1993, 155)

THE TAX CREDIT PROGRAM

The Low Income Housing Tax Credit was introduced as an alternative to stimulate production in the private sector. This program provides a direct tax credit for investors against tax liability, as opposed to a tax loss provided by depreciation. It also provides a credit for ten years. However, since the value of a dollar is assumed to be less ten years into the future than at the present, (due to inflation), the actual value of the credit in

current dollars declines somewhat each year. This is called a present value calculation and is used by investors in determining how much they are willing to pay for the credit.

The Low Income Housing Tax Credit Program is jointly administered by the U.S. Department of the Treasury and state housing finance agencies. Annually, the Internal Revenue Service allocates tax credits to each state in an amount equal to $1.25 per state resident. The Tax Credits may be used on a dollar for dollar basis to reduce federal income tax liability. When investors purchase partial ownership in housing projects financed partially through tax credits, they can use the credit to reduce their tax liability. It provides a 10-year credit to investors for each housing unit set aside for low-income use for at least 18 years. The capital raised is available to help finance housing projects for persons at or below 60% of the Area Median Income. (This is a standard set by HUD for each county in the United States, and adjusted annually.) The state housing finance agency determines which projects will be awarded credits and how much credit each will receive.

When a developer applies to the state housing finance agency for an allocation of credit, he/she must submit a detailed development budget. In order for a project to be eligible as a low income housing tax credit project, one of two conditions must be met: either the project must have 20% or more of the units occupied by persons whose income is 50% of the area median income (as set by HUD) or 40 % of the units must be occupied by persons whose income is 60% of the area median income or less. To be eligible to receive

the tax credit, a unit must be rented to a person or family whose income is no greater than 60% of area median income.

The credit is allocated in three different categories: acquisition, rehabilitation and new construction. For acquisition costs (other than land), a credit of approximately 4% over a 10-year period may be awarded. Therefore the value of the credit is 40% (4% X 10 years) of the cost of acquisition. For rehabilitation and new construction, the credit is allocated at approximately 9%, and its value is 90% of the allowable costs (eligible basis) of the rehabilitation or new construction. The actual final rate at which the credit is calculated is set at the time the project is placed in service and is determined by the rate of the applicable Treasury bills in the month in which the project is placed in service. Hence for most calculations, the terms used are 4% credit or 9% credit. Once an allocation of credit has been made, the developer can then find investors to purchase the credits and provide equity to the project. Syndicators, both public and private, often act as the facilitators to find the investors and help structure the partnership which will allow the investor to access the credit. However the investor does not pay a dollar-for dollar fee for the credit, but purchases it at a discounted rate. In the beginning of the program, investors were paying about 50 cents on the dollar. Currently, investors are paying about 72 cents on the dollar for the credit. The credit is more beneficial to corporate investors than individual investors. This is because corporate investors can claim 100% of the credit, whereas individual investors can only claim the credit to the extent they are taxed. Thus, if an individual is in the 28% tax bracket, he or she can only take the credit up to 28%, not 100%. Therefore virtually all investors in low income housing tax credits are

corporations, often financial institutions. For financial institutions which are regulated by the Federal Reserve Bank, the investment has additional benefits. Not only is it an investment against tax liability, but it also qualifies in meeting the financial institution's community investment requirements under the Community Reinvestment Act.

Initially, the Credit program was not as widely used as housing advocates hoped. It was a complex program and the credit was somewhat difficult to calculate, due to complex tax rules as to what part of the costs of the project could be included in the calculation and which could not. However, after the first year, developers began to use it much more widely and states began to use up all of their allocation of credits. Throughout the United States, the program was administered by state housing finance agencies, which also had to begin to develop targeting and scoring mechanisms to allocate the credit among the projects which applied for credit. Use of the credit increased steadily over the next several years, with 172,000 units of housing placed in service between 1992-1994. (GAO Study 1997, 37). Illustration III shows the total number of units produced from the program's inception through 1990.

It should be noted that the credit provides equity for housing projects but does not pay the whole cost of the project, unlike a capital grant. Hence approximately half of the funding for a Tax Credit financed project comes from grants or debt financing in the form of bank loans or loans from intermediaries or state housing finance agencies. The financing structure of a capital grant project and a tax credit project are shown graphically in

Illustration IV. (This illustration refers to public housing but applies equally to the structuring of 202 projects discussed in the next section.)

THE SECTION 202 PROGRAM

The Section 202 program of HUD was originally authorized by Congress in 1959 and has been modified several times to emerge as the primary federal financing vehicle for elderly housing. From 1959 to 1972, the program provided an interest subsidy on loans to non-profits to build housing for elderly persons. After 1968 President Nixon tried to phase out the program in favor of the FHA Section 236 program, which provided loans to both non-profit and for-profit sponsors of housing. However, it was re-authorized under the Housing Act of 1974 and targeted to serve low-income elderly at 80% of Area Median Income. Rental subsidies (Section 8) were attached to all units so that tenants would pay no more than 25% of their income for housing. In 1984 the income eligibility limit was lowered to 50% of Area Median Income to serve still lower income people. In 1990, as part of the provisions of the National Affordable Housing Act, the Section 202 program became a capital grant program rather than a subsidized loan program. This program is a widely used program for financing housing production. The number of units of housing for which the federal government allocates funds to build each year is far less than the demand for the funds, making the program very competitive. After 1989, handicapped housing, (which previously was included as a part of the 202 program) was separated out from elderly housing and funded under the new program Section 811. Only non-profit organizations are permitted as sponsors of 202 projects. The program also

provides deep rent subsidies with the financing, so that each resident of a project pays rent of no more than 30% of his/ her income. If a person's income were $100 per month, he/she would pay only $33 per month. In this way, extremely low-income senior citizens can afford decent housing. The 202 program, although it was a direct capital grant program, provided financing for the private non-profit production of housing rather than government-owned housing, such as public housing. As Wallace points out, the 202 was originally a loan program but became a capital grant program in 1990 "for the same reasons as with public housing." Public housing was originally financed through public bond sales. However the interest which had to be paid on these bonds was higher than the interest which had to be paid for general government borrowing. Therefore, according to Wallace, "It is more efficient for the government to pay directly, up front, even if this payment must be financed through general government borrowing, because interest costs on general government borrowing are less than interest rates on private financing (through bond sales)" (Wallace 1995, 792.)

CASE STUDIES

Two case studies which illustrate the use of the Low Income Housing tax credit and the HUD 202 program as methods of financing will be presented. They provide good parallels since both are elderly projects of approximately equal size, constructed in the same area (Muskegon, Michigan) within two years of each other. Both were developed by the same non-profit developer and used the same architect for both projects. The projects were built by different contractors.

TRINITY MANOR

Trinity Manor is a 46-unit single story senior housing complex built on a 2.5-acre site on the northeast side of Muskegon. The site was wooded and undeveloped. The building is designed as an elongated W-form, in order to use a long, narrow site without the impression of a long, single story building.

The initial application was filed with HUD in March, 1995. Site control had taken about six months to negotiate with the seller, since he wanted $117,000 for the site, and HUD would only allow $95,000. The $95,000 was the highest appraised value of the site, but the owner was adamant about the selling price. Trinity finally obtained a small bank loan to make up the difference between what HUD would allow and the actual selling price. The initial application was accepted by HUD, and Trinity was invited to submit a Conditional Commitment proposal. The final commitment documents were submitted and the closing took place on January 31, 1996.

After the Conditional Commitment was accepted, the project was put out to bid for the construction. Sealed bids were received on the construction costs, and a final bid was accepted at $1,963,660 from Reenders Construction Company. Work began in the spring of 1996. Construction proceeded smoothly, with the exception of some additional cost items which required the release of $60,000 in additional HUD funds for the project. Final project cost was $2,419,300 or $52,593 per unit. The final project cost included

acquisition cost of the land, and construction "soft costs" such as architectural fees, market studies and environmental studies.

The construction was simple frame construction, slab on grade building on a flat site which was mostly sandy soil. The exterior finish is vinyl siding. There is a small lounge at both ends of the building, with a central lounge in the middle and a large community room with kitchen facilities. There are also three small offices off the central lounge. There are 45 one-bedroom units and one two-bedroom apartment, which has typically been used as a manager's unit. Each unit has a complete kitchen, bedroom, living-dining area and bath. Each unit also includes a small patio. Three of the units are fully handicap-accessible, with roll-in showers and lowered cabinets. There are two laundry rooms in the building. Parking is available for each resident, though many do not drive or own cars. The wooded character of the site has been preserved as much as possible, maintaining attractive views from the apartments. Shopping, churches and other amenities are located within a mile of the site. Meals can be provided through the local Area Agency on Aging to residents who are ill.

M. A. HOUSTON APARTMENTS

M. A. Houston Apartments is a 52-unit senior project in Muskegon Heights. The building was a three-story small hospital which had been closed for approximately 15 years and had reverted to the city as a tax-foreclosed property. The City donated the property to Trinity for development as senior housing. Our initial architectural inspection

showed the building to be structurally sound, but not large enough to create the number of apartments needed. A design was presented to Trinity to add a wing onto the original structure which would allow us to add 30 more units to the building. The Tax Credit application was submitted to MSHDA in July, 1996, concurrently with an application for a MSHDA loan for the loan portion of the financing and a request to MSHDA's Community Development Division for a grant of $1,000,000 in HOME funding. Total project cost was projected at $3,885,698. The Tax Credit Allocation was received in September, 1997, and the closing on the financing, syndicated through the Michigan Capital Fund for Housing, took place in December, 1997. Rohde Construction was selected as the contractor and construction began in January, 1998 and was completed in December, 1998.

Prior to the closing of the MSHDA loan portion of the financing, the Director of Multi-Family Housing at MSHDA had imposed a new design requirement on the original design. He felt strongly that the entire exterior should be finished in brick rather than the original design which called for siding with brick strips between floors. This requirement added $ 280,453 to the cost. In addition, shortly after the interior demolition work began, more asbestos was discovered in the floor tiles and pipe insulation than was first estimated, so removal costs were about $90,000 more than originally estimated. Much more additional site work also was required to bring in additional water mains for the sprinkler system plus additional landscaping, adding $276,301 to the cost; finally, MSHDA required the addition of a construction contingency of $129, 437 to the project financing due to the unforeseen construction problems which sometimes arise. Thus the

final construction cost then came in at $3,627,892, which was $723,547 higher than our first estimate. The final total development cost on this project was $4,609,245. Due to the increased costs, Trinity requested and received an additional 5% increase in the amount of the Tax Credit Allocation.

Each floor has a lounge area and laundry room, and there is a large lounge area and community center on the first floor. The units have the same configuration and amenities as those at Trinity Manor—kitchen with appliances, living-dining area, bedroom and bath. Each has a small patio or balcony. Parking is available for each tenant in the building, although many do not drive. There is a small shopping area across the street, with a large grocery/drug store within six blocks. Some services, such as blood-pressure testing, are provided on-site through Mercy Health Services, and services are available through the Area Agency on Aging.

Construction and site factors that affect the cost of the projects varied. The site for Trinity Manor cost $115,000; the site for MA Houston was donated to Trinity by the City of Muskegon Heights. Trinity Manor is a single story building; while M. A. Houston is a three-story building, necessitating an elevator. The exterior finish of the Trinity Manor is vinyl siding; the exterior brick finish of Houston was much more costly. There was substantial asbestos abatement required at Houston. There were additional financing fees and escrows charged by MSHDA on the loan portion of the financing which HUD does not charge under the 202 program. MSHDA required an operating assurance escrow of $136,169, which was funded out of syndication proceeds.

Parallel construction costs are presented below for the two projects:

COST	MANOR	HOUSTON
Construction	1,963,660	3,627,892
Acquisition	115,000	0
Architectural fees	94,859	144,014
Tap fees, bond permits	24,750	44,645
TOTAL	2,198,269	3,816,551

The contractor estimates that the construction costs in general increased by 6% from January, 1996 to November, 1997. If construction costs for Trinity Manor are increased by 6% to equalize for the increased cost over time, the total construction cost would be $2,081,480. Construction costs were higher at Houston due to asbestos abatement issues, unforeseen site issues, exterior wall finish, and the requirement of an elevator because it was a three-story building. Per square foot construction costs were $95.23 for the Houston and $68.78 for Trinity Manor. Construction costs were also increased by approximately $280,000 on the Houston project due to a design requirement imposed by MSHDA (complete exterior brick finish), whereas these requirements were not imposed by HUD on the 202 project)

The "soft" costs (non-construction) differ greatly. A developer fee of $595,719 is included in the Houston project ($136,969 of which is held by MSHDA as an operating assurance escrow for the duration of the tax credit period, at least 18 years.) The legal costs associated with the syndication, plus the monitoring and compliance fees charged

by MSHDA, add another $132,523 to the total cost of the project. Of this amount, $36,144 is MSHDA loan financing costs. There were $20,000 in legal and audit costs for Trinity Manor. In total, the Houston project had $728,042 in additional costs to the project which were not construction related, compared to $20,000 for Trinity Manor. The overall total cost of the Houston project was $88,639 per unit, as opposed to $52,593 per unit for Trinity Manor. Excluding all differences in construction and site acquisition costs, the use of the Tax Credit program alone added $14,000 per unit to the cost of the project.

These two successful projects will be used as examples in the evaluation factors discussed below.

EVALUATION OF PROGRAM EFFECTIVENESS AND EFFICIENCY

FACTOR 1. COST OF PRODUCTION

Certain costs are included in the production of housing through the tax credit which are not part of direct capital grant programs. These costs are primarily legal and monitoring costs and the developer fee.

Legal fees for the syndication are considerable, because tax credit projects require the development of complex partnership documents drafted by tax attorneys specializing in this program. A limited partnership must be formed between the general partner –the

non-profit or other developer—and the investors, for the investors to claim the credit. In Michigan this partnership is called a limited dividend housing association limited partnership. Although this cost must be subtracted from the eligible basis on which the actual credit is calculated, it is a part of the overall development cost. Legal fees on a typical project of 50-100 units may range from $30,000 to $90,000, depending on the complexity of the deal. In the case study cited above, legal fees were $48,600. These fees are included as part of the development cost and must be paid through other sources of financing than the credit, often from loan proceeds. Legal fees for the 202 program are minimal, generally in the $5,000-$8,000 range, and consist of mostly due-diligence real estate legal work, rather than the complex tax-attorney work required for the syndication. These fees are included in the grant for the project

In addition, there are other fees which are a part of the cost. State housing finance agencies that administer the Tax Credit program have responsibilities to the U. S. Department of the Treasury to monitor compliance with program requirements for the 18-year period of the credit. This requires staff time to perform monitoring functions. Hence, most states now have added monitoring fees to other application fees. These fees must be paid separately by the project sponsor. In the example cited, this amounted to $35,235 in additional cost to the project. The syndicator required an additional $25,000 escrow to be set aside for exit taxes. This escrow was also funded out of the developer fee portion of the equity, and is held as a safeguard against any unknown taxes that may be charged if the building is sold at the end of the 18 year compliance period.

The inclusion of a developer fee in tax credit projects is another important cost element. A developer fee is a fee that a for-profit or non-profit organization is allowed to add to the total project cost, up to 15% of the basic costs of development (defined as construction and related costs, such as architectural and engineering costs). This fee is for the developer's time and costs in preparing project documentation and packaging the deal. All tax credit funded projects include developer fees. The developer fee may not be the full 15% allowed by the IRS if it raises the cost of the project so much that it is no longer feasible. For the non-profit, developer fees provide ongoing operational support for the organization. In the current housing environment, direct federal support for the operations of non-profits is very limited; therefore earning income through developer fees is a major source of support. It is also consistent with the non-profit goal of becoming financially self-sufficient with less dependence on grant income, and with the current policies for "organizational self-sufficiency". Typically the developer fee is paid out over a period of 2-4 years in increments, set by events in the development process, such as close of financing, completion of construction, and 95% occupancy. In the case study cited above, the developer fee was $595,519. Of this amount the housing finance agency held $136,969 in escrow as an operating reserve escrow to prevent default on the mortgage in the event of unforeseen problems in the continued full occupancy of the project. The developer fee is generally not allowed in a capital grant program. The absence of a developer fee lowers per unit costs of production of housing. However developer fees provide operational support for non-profits as well as maximizing the profit of for-profit developers (many of whom are also the contractors on the project).

The GAO study of 1997 showed an average unit cost for tax credit units of $60,000 in 1994. The cost of the various financing programs is somewhat difficult to measure since the Tax Credit program provides only partial funding for projects, while capital grants provide full funding. Hence, the analysis of the public cost of each program is complex. Although the GAO study of 1997 estimates that the average cost of a tax credit financed unit was $60,000, only $27,000 is actually provided by the tax credit benefit. Since the tax credit equity raised is a percentage of the forgone tax revenue, the actual loss to the Treasury is higher because investors do not pay full dollar value for the credit but receive full dollar value in tax benefit. This must be used as the amount of public investment. As Wallace notes, "The upshot is that the tax credits represent much more in revenue loss to the federal government, in present value terms, than they represent in current investment value to private investors. The money from investors does not all go into the project as equity. Between 20 and 30 percent of the gross amount raised from investors typically is applied to "syndication costs"—that is, paying for the services and profit of the legal, accounting, and marketing experts required to make the connection between the investors and the developers of the project." (Wallace 1995, 797) Current pricing of the credit at 72-4 cents on the dollar means that there is about a 28-26% loss to the federal government in additional foregone revenue. The GAO estimated that from 1987-89 the program required 5.7 billion dollars in forgone revenue. On a per unit basis for units produced during that period, the public cost in forgone revenue is $24,153.

Costs from the two case studies cited above make this clearer. Trinity Manor is a 46-unit new construction project financed wholly through the 202 program, and completed in

November 1996. M. A. Houston Apartments is a 52-unit senior project, using the same architect, which is partially new construction and partially rehabilitation, completed in December 1998. The per unit cost of the Tax Credit project was $88,639, although only $50,982 of that cost was provided through tax credit equity. The per unit cost of the 202 project was $51,422; the entire cost of the project is publicly funded. Since tax credit equity is a percentage of foregone revenue and not paid on a dollar-for-dollar basis, the actual value of the foregone revenue per unit was $70,809. This number is calculated at 100% of the foregone revenue. The $50,093 per unit tax credit investment in the project represents a sale price of 72 cents on the dollar.

Other public costs of the tax credit, which need to be considered, include the Community Development Block Grant (CDBG) and HOME programs. The GAO studies of 1990 and 1997, the Wallace analysis, The *State of the Nation's Housing,* and other studies have demonstrated that additional subsidies must be used in conjunction with the tax credit to further lower the amount of borrowed funds necessary for the project to make it affordable to very low-income people. Only by lowering the amount of debt can the mortgage payment be reduced to produce rents low enough to be affordable to these tenants. This will be discussed in the next section. In the case studies cited, for example, the Houston project also has $1,040,000 in federal HOME grant funds as part of the financing. This represents a further federal subsidy in the construction of the project.

The cost differences between the two methods of financing discussed above relate entirely to the cost of the production of the housing. However, another issue which must

be taken into consideration is the cost of the ongoing operation of the project. In general, tax credit projects do not have any ongoing, direct federal rent subsidies, hence do not cost the federal government any ongoing allocation of funds. The Section 202 projects, as mentioned earlier, do contain rent subsidies through the life of the project (40 years) to subsidize the difference between what the tenants pay and the amount needed annually to amortize construction costs and ongoing operations of the project. Some tax credit projects have some units that provide rent subsidies from the state. In addition, individuals who hold Section 8 Certificates or federal Rent Vouchers are eligible to live in either 202 projects or tax credit projects, and thus bring federal rent subsidies with them. But the ongoing cost to the federal government in terms of rent subsidies is much higher in Section 202 projects than in tax credit projects.

FACTOR 2. BENEFIT TO LOW INCOME PEOPLE

There has been much discussion of whether the Tax Credit program can produce rents as low as capital grant programs. Both Stegman and Wallace document that in 1991 the average rent in family housing funded by the tax credit was $491.00 per month, compared to $109.00 in public housing. Since rents in tax credit projects are statutorily set at 30% of the family's income, the $491 rent would be paid by a family earning $19,640 in 1991.

The GAO study conducted in 1997 also addressed the issue of affordability to very low-income people. The GAO study found that in 1996 the average annual income of

residents in tax credit projects placed in service during the period between 1992-94 was $13,300. Illustration V shows the average income in tax credit projects. The $13,300 income found by the GAO study is lower than the previous income levels found, and may reflect program changes made in 1990 eliminating excess profits to developers, thereby lowering debt service and rents for very low income persons. The study found that 60% of the tenants had incomes below $15,000. The General Accounting Office estimated that 75% of the tenants had incomes below 50% of the Area Median Income, as calculated by HUD and updated annually. Illustration VI. shows household incomes in tax credit projects as a percentage of Area Median Income. Wallace documents that at the same period, 33% of the residents of federally funded projects had incomes at 20% of the Area Median Income.

A very recent study, published in 1999, analyzes the effects of the Tax Credit over the ten years of its existence. This study also documents that the tax credit program does not produce units which are affordable to the very poor, at least not without considerable subsidy. They state that

> "the difficulty in reaching the poorest households is not unique to the LIHTC program. Various federal production programs that preceded the LIHTC program and also focused on providing affordable housing by subsidizing the development of privately owned rental housing also had difficulty in meeting the housing needs of the poorest household without additional subsidy." (Cummings and Di Pasquale, 279)

In their sample of 2,554 Low Income Housing Tax Credit projects they found that the median rent of $436 would correlate to an average median income of $17,440, or 48% of the national Area Median Income. They observe that this problem may be caused by the use of Section 8 income limits, set by HUD. These are often higher than the actual

average incomes, since they may be averaged for an area or a county. Illustration VII. graphically depicts this problem for several metropolitan areas of the country. As an example, the Area Median Incomes for Muskegon County are higher than the average incomes in Muskegon Heights (where the M. A. Houston project is located), due to higher income areas and suburbs in the county. Rents set at 60% of the county AMI are then higher than what many residents of Muskegon Heights can afford.

The GAO study as well as others have documented that during this period, an estimated 39% of households living in tax credit projects received other federal assistance in the form of direct rental assistance (either Section 8 Certificates or Housing Vouchers.) In addition to receiving rental assistance, many households benefited indirectly from government-subsidized loans and grants provided to projects. Such assistance reduced debt service costs, thereby allowing owners to charge lower rents than would have been possible without this additional assistance. The study estimates that almost one-third of the tax credit properties placed in service between 1992-94 were financed by Rural Housing Services mortgages which carry 1%, 40-year interest rates and terms. An estimated 37% of the tax credit properties received subsidized loans and/or grants from other federal sources such as CDBG or HOME funds, or from quasi-private sources such as the Federal Home Loan Bank. Some Federal funds reduce the Credit from the 9% Credit to the 4% credit, but CDBG funds do not. Also it is possible to structure HOME funds as a deferred loan, so that they also do not reduce the credit percentage. The Cummings and Di Pasquale study further emphasizes the need for what they term concessionary financing. A recent study by Thomas Sinclair, which will be published in

a forthcoming issue of The *Journal of Public Administration Research and Theory,* comparing states' differing uses of the Low Income Housing Tax Credit and the HOME programs, notes that "The principal lesson is that program diversity-especially diversity in (financing) methods—may be a desirable strategy for maximizing desired policy outcomes." (Sinclair, 1999)

A further problem which may be expected to arise in the next five to ten years in tax credit projects is the problem already experienced in other federally funded tax-incentive programs, the problem called "expiring use". When subsidies or tax benefits cease, many developers convert low-income projects to market rate housing, resulting in displacement and homelessness for low income tenants. Section 202 projects carry 40-year rent subsidies, and are not subject to this problem, but tax credit projects were initially restricted only to a 15-year compliance period. Changes in the program enacted in 1992 required a longer compliance period, and it is generally now 30 years. Early projects, built in 1987-88 will begin to reach the end of their compliance periods in 2003, as this may result in some displacement of residents as projects are converted to market rate housing.

FACTOR 3. TRANSACTION COSTS

Transaction costs for capital grant and tax credit developments differ considerably. It requires a great deal of time and sophistication on the part of developers—either for profit or non-profit—to "package" a tax credit deal. Both capital grant and tax credit

projects average two years in development from the beginning phase of initial feasibility determination to completion of construction. Many projects require two years in financing alone, before the start of construction. Both tax credit and 202 funding require the preparation of several very detailed applications with many attachments.

The 202 program requires a three-stage application process—an initial application, a conditional application and a final commitment. Each of these documents requires the preparation of detailed construction budgets and documentation of site control, non-profit status and the coordination of market studies and environmental reviews. However, the process is straightforward and relatively clear, though detailed.

The Tax Credit program requires much more financial packaging. Since the credit provides only partial funding, many other sources must be added. The housing industry refers to this as "subsidy layering". In Michigan the initial tax credit application is a 46-page application including detailed development budgets, a 15-year projected operating cash flow, calculation of the credit and projected sources of the other parts of the development financing, with tentative commitments if possible. This application, if successful in receiving an initial allocation of credit, is followed by two other applications: one for carryover credit and one for the final allocation of credit, because the actual development numbers always change from the initial projections to the final agreed on building price.

In addition to the tax credit application, other applications must be prepared for multiple sources of financing. If part of the financing is a loan from the state housing finance agency, there is another application to be prepared and other requirements to meet. For example, the Michigan State Housing Development Authority Multi-family loan program requires aerial photographs of the site. Considering that most tax credit financed projects have no less than three, but often up to ten sources of financing, it is clear that the time and expertise required to put these deals together is enormous. Often the most complicated deals are held up as models for the industry. As Stegman documents, "Not long ago I had the opportunity to review 24 tax credit projects that were widely regarded as "state of the art" deals. Each project contained an average of five separate financing sources." (Stegman 1992, 362). The title of one book of case studies says it all: "Deals from Hell: How Creative Non Profits can pull off Affordable Multifamily Housing with ONLY 11 Funders". Although non-profits package these deals, the amount of time required, and the level of skill is very great. Deals with more than three financing sources also typically take more than three years to complete.

In the case studies cited above, the 202 project required three separate funding submissions to HUD, each containing similar documents. The Tax Credit project required four submissions to MSHDA: the initial application, request for carryover since the project would not be completed in the same year the credit was granted, the final commitment application, and another application to request the addition 5% increase due to increased cost. This project also required a full application to MSHDA for a loan through the Multi-family Loan Program, with more documentation and a separate

environmental study to request the use of the HOME program funds. If loan financing was requested through a commercial bank rather than MSHDA, a separate loan application would be prepared. The number of person-hours required to prepare applications and secure additional documentation and studies was approximately four times greater for the Tax Credit project. Annual compliance and monitoring reports are also filed with the state housing finance agency for all tax credit financed projects.

THE ROLE OF THE INTERMEDIARIES IN FACILITATING TAX CREDIT PROJECTS

Early in the 1980's intermediary organizations were formed to provide capital and services to non-profit housing organizations. The Local Initiatives Support Corporation, a spin-off of the Ford Foundation formed in 1980, is the classic model of the intermediary organization. LISC provides technical support and loan funds to the non-profits in the cities it serves. After the Tax Reform Act of 1986, it helped organize the National Equity Fund tosyndicate tax credit projects, particularly those developed by non-profits. In many cases, it was the only syndicator available to non-profits.

The intermediaries were also key in providing and funding specialized training and technical assistance to staff of non-profits, making it possible for them to use the program. Although many non-profits hire a consultant to produce a 202 application, it is much less complex and many non-profits develop the applications themselves. On the other hand, the Tax Credit program is much more complex and requires much greater

skill to package the funding. This is because of the multiple applications to multiple funding agencies, and the working knowledge of tax law that is involved. Intermediaries such as LISC, Neighborhood Reinvestment Corporation, and the Development Training Institute offer specialized training in packaging tax credit deals. Without this training and technical assistance on specific projects, many non-profits would not be able to access this program at all. Most of these training programs also offer some subsidy or scholarships to non-profits to defray the cost of the training. University programs also now provide some of the hands-on technical training needed by non-profit staff to learn the financing and development skills needed to produce viable projects with these financing tools.

ANALYSIS

It is clear that the Low Income Housing Tax Credit has succeeded in producing hundreds of thousands of units of housing over the eleven years of its existence. Refinements in the legislation have required the program to target its housing to lower income people than was the case during the first years of the program. The production of units under the HUD 202 program is far lower than under the Tax Credit Program.

However, the number of units of housing produced is not a particularly good indicator of the greater value of the tax credit program over the 202 program. Housing production is almost entirely a function of financing. The 202 program has always been funded at a very minimal level. For example, the current year's funding allocation for the Grand Rapids HUD office is 19 units for non-metropolitan areas and 46 units for metropolitan areas. The Detroit HUD Office's allocation is 9 units for non-metropolitan areas and 117

units for metropolitan areas. Thus there is only funding for 191 units in Michigan, (one of the more populous states,) for the year 2000. The total budget authority approved for these units is $13,767,656. By contrast, 1,751 units of housing will be funded through the Tax Credit program this year.

The cost of production of Tax Credit units is clearly higher than in federal capital grant programs, due to higher transaction costs and the presence of large developer fees. Case study data from the two similar projects developed by the same non-profit in Muskegon, Michigan indicated that the per unit cost for the Tax Credit Project was $88,639, while the per unit cost for the 202 project was $52,593. Although this is not all public funding, the actual amount of public funding in the form of foregone revenue per unit was $70,809. The cost to the Treasury in foregone revenue has improved somewhat over what it was at the beginning of the program, due to higher pricing for the sale of the credit. It now averages about 72 cents on the dollar, whereas at the beginning of the program it averaged about 50 cents on the dollar.

There are also some costs associated with the operation of tax credit projects that do not apply to 202 projects. These include a monitoring fee which many state housing finance agencies charge for compliance monitoring to assure that all tenants meet Tax Credit income limits. There are larger auditing fees due to more complex audit requirements, and additional reporting requirements for the syndicators. These ongoing monitoring and compliance requirements increase operating costs, and remain in place for a minimum of 18 years. On the other hand, Section 202 projects carry ongoing operating subsidies in

the form of rent subsidies, which is a cost in federal dollars that is not a part of tax credit projects.

The issue of leveraging of private funds into the production of affordable housing is very important. The program has been "sold" to legislators and the general public as a way to bring private money to bear on this effort, as part of the general trend to seek private sector solutions to public policy issues. It is true that the program does leverage considerable private funds, through investor equity into these projects. One could debate the policy of raising funds through investment rather than progressive taxation, which would raise more public money for housing. But in the current housing environment, this might be fruitless. The program has been successful in the area of leveraging, though with the caveat that the money is leveraged by means of foregone public revenue in the form of taxes.

One of the major criticisms of the tax credit program has been that it did not serve the lowest income people. Program regulations require that units be rented to persons whose income does not exceed 60% of the Area Median Income, as set annually by HUD. In most areas of the country, this is above the income level of very low-income people. As the program has become more competitive, states have been able to require targeting to much lower income people by awarding more points to applications with lower income targeting. In order for developers to be competitive in their applications, they have to lower income renters.

According to the 1997 GAO study, 75% of the households living in tax credit projects as of 1994 (the last national data survey) had incomes below 50% of the AMI. This lower income targeting was made possible mostly through the use of both federal rent subsidies and grants to decrease the cost of development. The GAO documented that in 1994, 39% of the tax credit projects received additional federal subsidies in the form of HOME or CDBG grants, and Rural Housing Service loans at 1%. In addition, only 19% of public housing residents had incomes at 50% of the AMI; the rest had lower incomes.

Tax credit rents averaged $491. in 1994 compared to $109. in public housing. Those who received rental assistance had much lower incomes than those who did not. "Moreover without this rental assistance these households might not have been able to have afforded to live in their units." (GAO Study, 1997, 37).

Thus it appears that although the Tax Credit program has achieved deeper targeting to reach lower income persons over the past several years, housing financed by capital grants still serves significantly lower income persons. The rent subsidy that 202 projects carry allows them to maintain rents at 30% of tenant income levels. The recent national study by Cummings and Di Pasquale also documents that the tax credit program has not been very successful in serving the very lowest income families and individuals.

DIFFICULTY OF FINANCING

Although units are produced through the use of the Tax Credit, the transaction costs (both financial and human) remain high. The sheer complexity of packaging tax credit

projects, in terms of assembling loans and grants from three to ten sources, completing all the documentation and calculations required for each funding source, prolongs the average packaging time to two years at a minimum. Many projects require three or more years' time to put financing together before construction begins. This transaction cost in human terms militates against production, and limits non-profit participation.

CONCLUSION AND POLICY IMPLICATIONS

In conclusion, although the Tax Credit has worked as a production program, it is costly, both financially and in terms of the human effort required to package the multiple sources of financing required. Capital grants would be a more effective means of financing. As Stone observes, "The capital grant method of financing calls for much less budget authority because it provides for federal grants for those units "up-front" rather than providing annual direct outlays and tax expenditures over a long period of time" (Stone 1995, 259). Chester Hartman has observed that the tax credit program is "feeding the sparrows by feeding the horses." (Hartman 1992, 12)

The HOME program is a Federal capital grant program introduced with the passage of the National Affordable Housing Act of 1990. HOME program dollars are administered through individual cities and by state housing finance agencies. These funds are currently used flexibly to meet housing needs as defined in comprehensive plans prepared by state agencies. HOME funds may be used for home improvement programs, acquisition, rehabilitation and resale programs, homebuyer counseling programs,

homeless and transitional housing programs. These funds are used for the up-front costs of projects and for homebuyer assistance, but do not provide ongoing rent subsidies such as Section 8 Certificates. HOME funds may be used in financing multi-family projects, usually as part of a layered financing scenario which includes tax credit equity and loans. Generally the HOME program has been widely used and administered locally to meet locally identified needs. It could be expanded to provide sole-source capital grant funding for projects. It would have to be greatly expanded, however; one of the reasons it has not met with more legislative resistance is because it is not costly. HOME funds are used to fund less expensive projects—up to $250,000—or as part of a larger package. There is currently a $30,000 per unit subsidy limit except for special needs projects, which allow up to $40,000 per unit subsidy. In multifamily projects there is a ceiling of $1,000,000 in HOME funds which may be expended in any one project. A typical 50-unit multifamily project will cost between three and four million dollars at the present, so HOME funds could not be used as sole-source funding without changes in program regulations. Also it currently costs between $55,000-$70,000 per unit to build multifamily housing, so the current unit subsidy limits would have to be expanded if HOMR funds were to be used as sole-source funding. However, if HOME were expanded, provided greater funding and part of the governing regulations changed to allow larger amounts to be used in a project, it could be easily used as a single source grant program for financing affordable housing. The advantage of the HOME program over other HUD programs is its degree of local administration and autonomy in meeting local needs. (This is sometimes also a problem, as many non-profits have experienced, with petty bureaucratic quarrels and favoritism occurring at the local level.)

However the political power of the real estate and financial industries determines how affordable housing production gets financed. The major obstacle to capital grants as a financing program is the current political climate in which private sector solutions to persistent problems of affordable housing are seen as better than public funding. Capital grant funding is a visible part of the federal budget; unclaimed tax revenue is not visible.

But capital grant funding is still used. As the crisis in affordable housing worsened throughout the 1980's, and more and more people became homeless, the federal response to housing the homeless was almost entirely through capital grant programs, such as the Mc Kinney Homeless Act of 1987. Capital grants for homeless, transitional and special needs housing through the Mc Kinney Act, the HOME Program and the Community Development Block Grant program are the usual way of providing housing for these populations. There is a great dichotomy in policy approaches to financing permanent housing, and emergency or temporary housing. A policy initiative needs to be undertaken by housing advocates to increase the levels of funding for the 202 program, stressing the importance of the program in preventing homelessness among the elderly. Also, since the Tax Credit program is politically popular and has survived various efforts to "sunset" the authorizing legislation, it is also important to advocate for reforms which would make it more useable by non-profits, and remedy some of the problems noted above.

One important improvement is for intermediaries to pay some of the up-front pre-development costs of tax credit projects. Small pre-development grants often make it possible for a non-profit to begin a tax-credit-funded project which they could not otherwise undertake. Greater involvement of the intermediaries in supporting some of the transaction costs of these projects would make it even more feasible for non-profits to participate. Some effort needs to be made to require state housing finance agencies to assume part of the monitoring costs of such projects also. They generally are very reluctant to consider this approach, arguing that extra staffing costs are incurred by the program without any additional state funding to cover these costs.

It is also important to recognize that developer fees on tax credit projects now contribute significantly to the operating budgets of most large non-profits. Unless another source of direct federal or state operating support is found for non-profits, the credit program will continue to be a critical source of operating support.

ILLUSTRATION I. HOUSING STARTS IN THE UNITED STATES 1975-1990

Table 3. **Housing Starts in the United States 1975-89**

Year	Single family	Multifamily
1975	897	269
1976	1,167	369
1977	1,437	525
1978	1,418	582
1979	1,172	546
1980	855	445
1981	711	386
1982	663	394
1983	1,065	641
1984	1,098	668
1985	1,071	671
1986	1,182	630
1987	1,156	477
1988	1,088	407
1989	1,009	377

Source: F.W. Dodge Corporation, Lexington, Mass.

ILLUSTRATION II. FEDERALLY ASSISTED HOUSING STARTS, YEARS 1969-1991

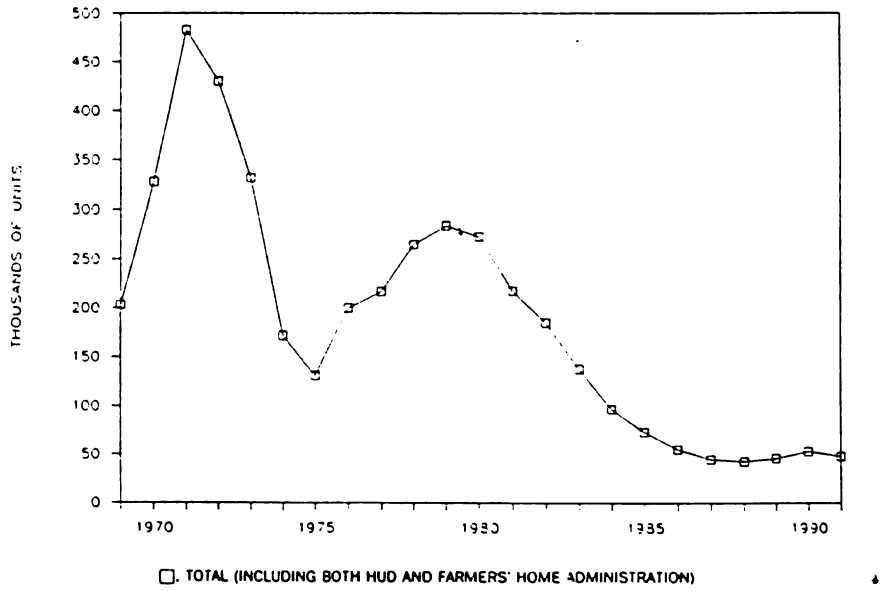


FIGURE 5.9. Federally Subsidized Housing Starts, Fiscal Years 1969–1991. [*Sources*: Computed from HUD and Low-Income Housing Information Service data.]

ILLUSTRATION III. FEDERALLY ASSSISTED HOUSING UNITS 1990

Table 2. **Federally Assisted Housing Units, 1990**

Program Type	Total Units[a] (Thousands)	Percent below 50% Median Income	Percent Nonprofit
Public housing	1,400[b]	81[c]	(public)
Privately owned rental housing			
Section 202 elderly	237	64.5 under $7,500 (1988)[d]	100
Older assisted (below-market interest and rent supplements) (1960s and 1970s) (Section 236, 221(d)(3))	794	77[e]	22
Newer assisted (project-based rental assistance) (1970s and early 1980s) (Section 8)	362[e]	90[e]	NA
Rural rental housing (Section 515, below-market interest and rent supplements)	450	68[f]	5[g]
Low-income housing tax credit	335[h]	28[i]	27
Tenant-based assistance (Section 8)	1,400[j]	100[k]	(public)
Urban homeownership (Section 235, below-market interest)	137	NA	NA
Rural homeownership (Section 502, below-market interest)	1,188	NA	3

ILLUSTRATION IV. SOURCES AND USES OF FUNDS FOR EQUIVALENT PUBLIC HOUSING AND TAX CREDIT PROJECTS

Figure 1: Sources and Uses of Funds for Equivalent Public Housing and Tax Credit Projects

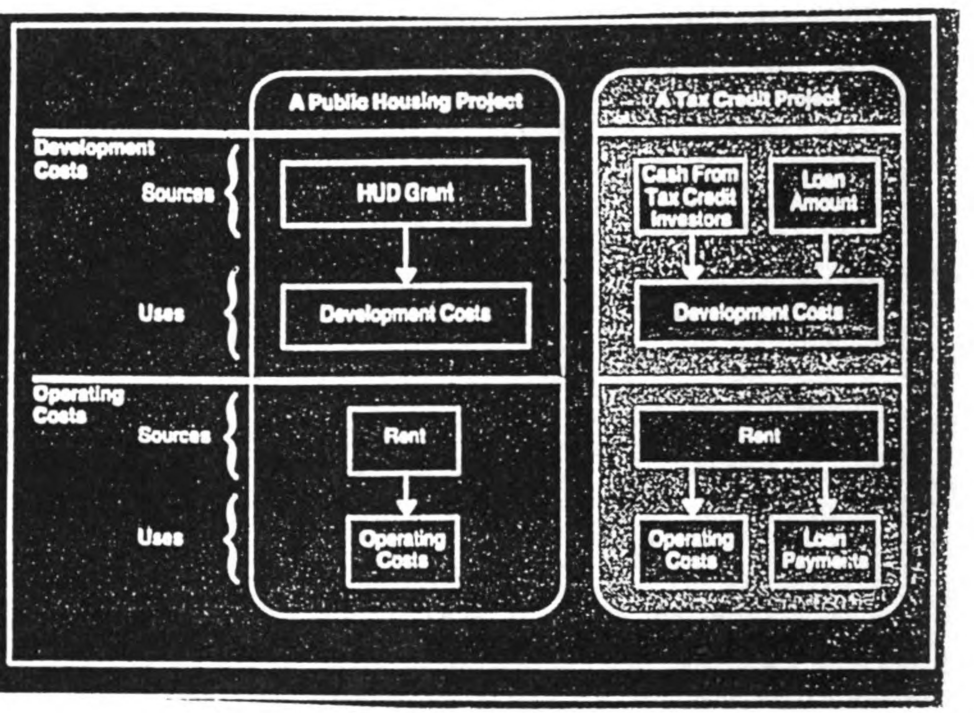
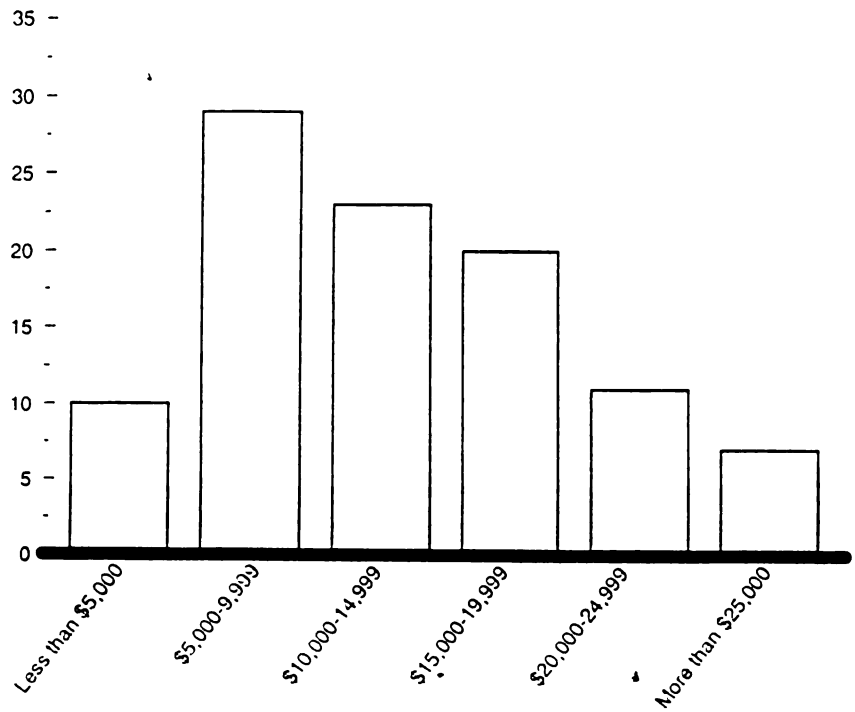


ILLUSTRATION V. ESTIMATED 1996 INCOMES OF HOUSEHOLDS IN TAX CREDIT UNITS

Figure 2.1: Estimated 1996 Incomes of Households in Tax Credit Units



Source: GAO's analysis of data provided by tax credit project managers.

ILLUSTRATION VI. ESTIMATED 1996 INCOMES IN TAX CREDIT UNITS RELATIVE TO THE AREA MEDIAN INCOME

Figure 2.2: Estimated 1996 Incomes of Households in Tax Credit Units Relative to Applicable Area Median ncome

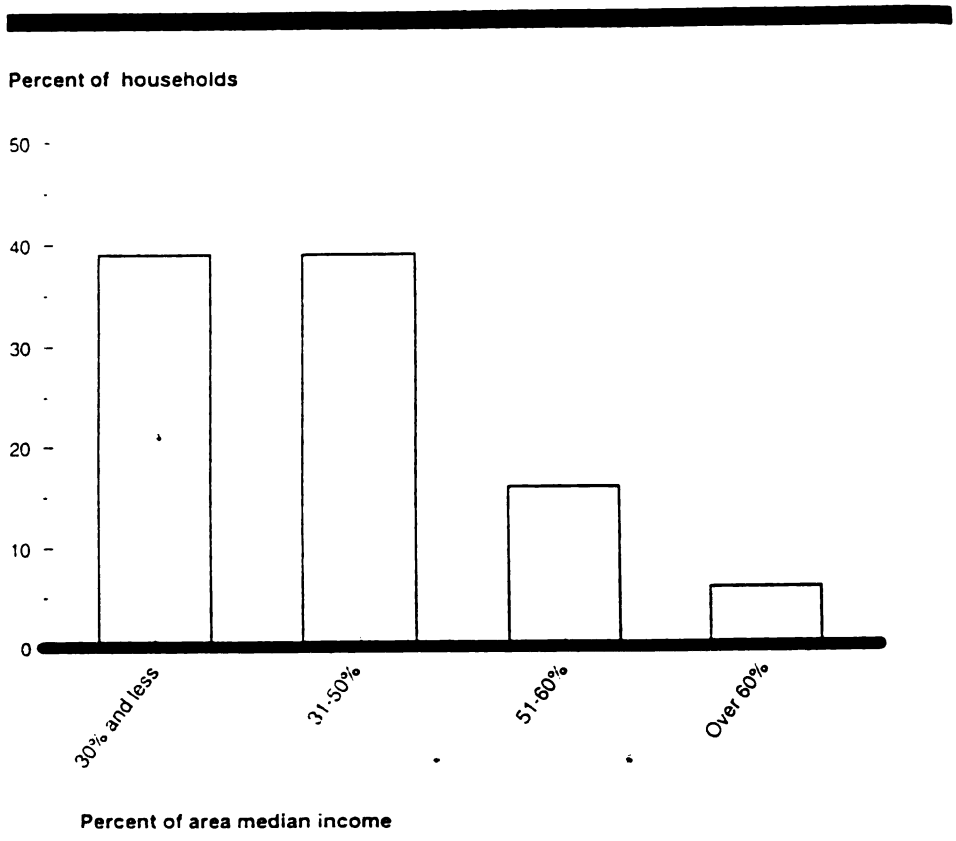


ILLUSTRATION VII. COMPARISON OF MEDIAN INCOMES AND INCOME LIMITS ADJUSTED TO HOUSEHOLDS OF FOUR PERSONS

	Calculated Incomes from City Research Rents	Area Median Incomes (AMI)		HAMFI Limits	HAMFI as a Percent of All AMI	HAMFI as a Percent of Renter AMI	City Research Incomes as a Percent of Section 8 Median Incomes
		All Households	Renters				
Atlanta, GA	$23,995	$48,000	$26,400	$52,100	109	197	46
Baltimore, MD	23,763	48,731	30,000	52,400	108	175	45
Boston, MA	34,400	57,770	36,000	56,500	98	157	61
Chicago, IL	24,519	46,772	25,000	54,100	116	216	45
Cincinnati, OH	21,512	42,900	24,468	46,700	109	191	46
Cleveland, OH	12,759	42,348	20,000	44,600	105	223	29
Detroit, MI	24,687	48,085	23,000	50,100	104	218	49
Fort Worth, TX	19,543	42,200	26,000	47,500	113	183	41
Kansas City, KS/MO	18,752	48,500	27,432	43,600	90	159	43
Los Angeles, CA	20,589	43,509	26,400	51,300	118	194	40
Miami, FL	21,418	35,600	21,830	44,600	125	204	48
Minneapolis–St. Paul, MN	22,093	49,836	26,860	54,600	110	203	40
New York, NY	19,362	42,500	29,000	49,000	115	169	40
Orlando, FL	21,432	40,995	27,300	41,900	102	153	51
Philadelphia, PA	19,561	47,430	25,300	49,300	104	195	40
Portland, OR	22,299	42,000	26,460	44,400	106	168	50
Raleigh, NC	17,888	47,500	30,600	50,700	107	166	35
Seattle, WA	22,904	48,990	31,000	52,800	108	170	43
Washington, DC	28,208	42,000	28,000	68,300	163	244	41

Sources: City Research incomes calculated by dividing City Research rents by 30 percent. Area median incomes from Public Use Microdata Sample (PUMS) of the 1990 Census. HUD data provided to authors by HUD.
Notes: HAMFI is HUD-adjusted Section 8 median family income limits. HAMFI was calcuated as two times very low income limit for households of four for 1996. Very low income limit is defined as 50 percent of HAMFI. All dollar figures are in 1996 dollars.

DEVELOPMENT PROFORMS: M. A. HOUSTON TOWERS

SECTION VIII - PROJECT COSTS

In Column 1, list actual costs. In Columns 2 and 3, list the amounts (or appropriate portion thereof) from Column 1 if they are includible in basis and the 4% credit is applicable. In Column 4, list the actual costs from Column 1 which are includible in basis for the 9% credit. (For example, if the project is federally subsidized and therefore eligible for 4% credit, all eligible basis costs should be in Columns 2 and 3.)

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New Construction
LAND				
Land Purchase	1			
Closing/Title & Recording				
Real Estate Expenses				
Other Land Related Expenses				
Sub Total				
BUILDING ACQUISITION				
Existing Structures				
Demolition (Exterior)				
Other, Describe:_____				
Sub Total				
SITE WORK				
On Site	218,721			
Off Site Improvement	-			
Landscaping	57,580			
Other, Describe: Non-building demo abatement and	216,251			
Sub Total	492,552			

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New construction
NEW CONSTRUCTION/REHAB				
New Structures	2,588,735			
Rehabilitation				
Garages/Carports	16,500			
Accessory Building	-			
General Requirements	184,423			
Builder Overhead	66,537			
Builder Profit	149,708			
Construction Contingency	129,437			
Other, Describe:_____				
Sub Total	3,135,340			
PROFESSIONAL FEES				
Design Architect	144,014			
Supervisory Architect				
Real Estate Attorney	30,000			
Engineer/Survey				
Permits and Fees				
Tap Fees/Soil Borings	44,645			
Other, Describe: soft costs contingency	7, 383			
Sub Total	226,042			
INTERIM CONSTRUCTION COSTS				
Hazard Insurance				
Liability Insurance	5,000			
Interest				
Loan Origination Fee				
Loan Enhancement	21,644			
Title & Recording Taxes	7,500			
Other, Describe:_____				
Sub Total	34,144			

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New construction
PERMANENT FINANCING				
Bond Premium				
Credit Report				
Loan Origination Fee	14,430			
Loan Credit Enhancement				
Legal Fees				
Title & Recording Taxes				
Other, Describe:_____				
Sub Total	14,430			
OTHER COSTS				
Feasibility Study	5,000			
Market Study	4,000			
Environmental Study	9,800			
Tax Credit Fees	13,749			
Compliance Fees	9,100			
Marketing/Rent-up	10,000			
Cost Certification				
Bridge Loan Expenses (During Construction)				
Other, Describe: HOME Environment	968			
Furnishings	15,000			
Sub Total	67,617			
SYNDICATION COSTS				
Organizational	12,100			
Bridge Loan				
Tax Opinion	6,500			
PV Adjustment				
Other, Describe:_____				
Sub Total	18,600			

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New construction
DEVELOPER				
Developer Overhead[1]				
Developer Fee[1]	595,519			
Consultant Fee[1]	-			
Sub Total	595,519			
PROJECT RESERVES				
Rent Up Reserves				
Operating Reserves 1				
Replacement Reserves 2				
Other, Describe: Exit Tax Reserve	25,000			
Sub total				
TOTAL	25,000			

1. The project sponsor will fund operating assurance escrow of $136,169 out of the developer fees.

2. Replacement reserves funded out of operating cash flow

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Total Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New Construction
TOTAL (From Page 24)	4,609,245			4,532,110
LESS:				-
Grant Proceeds				-
Amount of Historic Credit				-
Amount of Non-Qualified Non-Recourse Financing				-
Amount of Excess Portion of Higher Quality Units				-
TOTAL ELIGIBLE BASIS				4,532,110
x 130% - Qualified Census Tract[2]				-
x APPLICABLE FRACTION[3]				100
TOTAL QUALIFIED BASIS				4,532,110
x APPLICABLE PERCENTAGE (4% OR 9%) CREDIT				9 per cent
TOTAL ANNUAL TAX CREDIT REQUESTED				407,889

NOTE:

[1]Fees are limited as follows:

-Consultant Fees (excluding "consultants normally used in the development process, such as market analysts, environmental consultants, etc) - must be included in and paid from the developer fee.

-Developer Fees - The combined total of the developer fee, developer overhead, and any consultant fees will be limited to 15% of total development cost. This is calculated as 15% of the total development cost minus the developer fee, develop overhead, and consultant fees.

-For projects involving acquisition and rehabilitation, an amount equal to at least 5% of the acquisition cost must be allocated to acquisition for purposes of attribution to the developer fee.

-General Requirements - 6% of construction contract, exclusive of builder profit, builder overhead, and general requirements.

-Builder Overhead - 2% of construction contract, exclusive of builder profit and builder overhead.

-Builder Profit - 6% of construction contract, exclusive of builder profit.

[2] Applicable only to qualified census tracts as determined by the Department of Housing and Urban Development, listed in the Tax Credit Application Packet. Does not apply on projects with Home Funds unless loaned at AFR.

[3] Applicable fraction equals the lesser of the percentage of low income units or total percentage of low income square footage.

DEVELOPMENT PROFORMA: TRINITY MANOR

U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF HOUSING — CAPITAL ADVANCE

RENTAL HOUSING

PROJECT INCOME ANALYSIS AND APPRAISAL — FIRM

PROJECT NAME: TRINITY MANOR — PROJECT NUMBER: 047-EE013

LOCATION AND DESCRIPTION OF PROPERTY

1.STREET NO.	2.STREET:	3.MUNICIPALITY:	4A.CENSUS TRACT	4B.PLACE CODE:	5.COUNTY:
	SHONAT ST.	MUSKEGON			MUSKEGON

6.STATE & ZIP CODE:	7. TYPE OF PROJECT:	8.NUMBER OF STORIES:	9.FOUNDATION TYPE:
MI 49444	ROW	1	SLAB ON GRADE

9A.BASEMENT FLOOR:	10.PROP./EXIST:	11.NUMBER OF UNITS:	12.NUM. BLDGS:
SLAB ON GRADE	PROP.	45-REV. 1-NON-REV.	1

13.ACCESSORY STRUCTURES: NA — 13A.LIST REC. FACILITIES: 2-LOUNGES 800 SQ FT. /COMMUNITY RM.-925

SITE INFORMATION: — BUILDING INFORMATION:

14.DIMENSIONS: 660.00 FT. BY 331.00 FT. OR 218460 SQ. FT. — 16.YR BUILT: 95 — 16A.CONVENTIONALLY BUILT

15.ZONING: — 17.STRUCTURAL SYSTEM: WOOD FRAME — 17A.FLOOR SYSTEM: CONC SLAB

17B.EXTERIOR FINISH: VINYL 90% CEMT.CT.10 — 18.HEATING/AC- SYSTEM GAS HOT H2O

B. INFORMATION CONCERNING LAND OR PROPERTY:

19.DATE ACQUIRED:	20.PURCHASE PRICE:	21.ADDITIONAL COSTS:	22.GROUND RENT:	23A.TOTAL COST	23B.OUTSTAND. BAL.	24.RELATIONS
/ /	$ 0	$ 0	$ 0	$ 0	$ 0	

25.UTILITIES — DIST. FROM SITE — 26.UNUSUAL SITE CONDITIONS:

WATER	PUBLIC	0	-CUTS	-FILLS	-ROCK FORMATION	-EROSION	X-NONE
SEWER	PUBLIC	0	-POOR DRAINAGE		-HIGH WATER TABLE	-RETAINING WALLS	
			X-OTHER SITE COVERED WITH TREES			-OFF SITE IMPROVEMENTS	

C. ESTIMATE OF INCOME:

27. NUMBER OF UNITS	RENT. LIV. AREA	COMPOSITION OF UNIT	OPERATING AMOUNT	TOTAL MON. OPERATING AMOUNT
45	546	1BR,KIT,LIV/DIN,1BA	$ 211.00	$ 9,495
0	0			
0	0			
0	0			
0	0			
0	0			
0	0			
0	0			

28. TOTAL ESTIMATED OPERATING AMOUNT FOR FOR ALL UNITS — $ 9,495

29.NUMBER OF PARKING

0 ATTENDED	OPEN SPACES	32	@ $ 0	PER MONTH	$	0
32 SELF PARK	COVERED SPACES	0	@ $ 0	PER MONTH	$	0

30.COMMERCIAL/MISC INCOME — AREA-GROUND LEVEL 0 SF/UNIT @ $ 0.00 PER SF/UNIT/MO. $ 0

OTHER LEVELS 0 SF/UNIT @ $ 0.00 PER SF/UNIT/MO. $ 0

LAUNDRY AREA SQ. FT.: 0 — NUMBER OF UNITS: 46 X UNIT MONTHLY RENT: $ 0.00 = $ 0

31. TOTAL ESTIMATED GROSS PROJECT OPERATING AMOUNT AT 100% OCCUPANCY — $ 9,495

32. TOTAL ANNUAL OPERATING AMOUNT (ITEM 31x12 MONTHS) — $ 113,940

32A. LINE 32 (113,940) x 0.00% OCCUPANCY — $ 113,940

33.GROSS FLOOR AREA:	34.NET RENTABLE RESIDENT. AREA:	35.NET RENTABLE COMMERCIAL AREA:
35,170 SQ. FT.	25,349 SQ. FT.	0 SQ. FT.

36.NON-REVENUE PRODUCING SPACE

NO. UNITS	LIV. AREA	COMPOSITION OF UNIT	TYPE OF EMPLOYEE
1	779		
0	0		

D.EQUIPMENT AND SERVICES INCLUDED IN RENT:

37.EQUIPMENT:		38.SERVICES:		39.SPECIAL ASSESSMENTS	
X-RANGES	-DISPOSAL	GAS: X-HEAT	X-HOT WATER	-PAYABLE	
X-REFRIG	-DISHWASHER	-COOKING	-AIR CONDITIONING	-NON-PAYABLE	
-AC CENT/SLEEVE	X-CARPET			B. PRINCIPAL BALANCE $	0
-KIT EXT FAN	X-DRAPES/BLINDS/RODS	ELECT: -HEAT	-HOT WATER		
C-LAUNDRY FAC.	-SWIMMING POOL	-COOKING	-AIR CONDITIONING	C. ANNUAL PAYMENT $	0
-OTHER:	-TENNIS COURT	-LIGHTS		D. REMAINING TERM:	0 YEARS

OTHER FUEL: X-HEAT X-HOT WATER..TRASH PICKUP

RUN DATE/TIME: 08/22/95 / 09:28:21 — FORM HUD-92264 (2-88)

ESTIMATE OF ANNUAL EXPENSE:

ADMINISTRATIVE-		
- ADVERTISING	$ 230	
- MANAGEMENT	$ 14,858	
THER	$ 9,660	
TOTAL ADMINISTRATIVE		$ 24,748
ERATING		
- ELEVATOR MAIN. EXP	$ 782	
- FUEL(HEATING		
DOMESTIC HOT WATER	$ 0	
- LIGHTING/MISC POWER	$ 6,348	
- WATER	$ 5,612	
- GAS	$ 8,556	
- GARBAGE & TRASH	$ 1,150	
- PAYROLL	$ 25,990	
- OTHER	$ 0	
TOTAL OPERATING		$ 48,438
- DECORATING	$ 782	
- REPAIRS	$ 7,360	
- EXTERMINATING	$ 460	
- INSURANCE	$ 4,370	
- GROUND EXPENSE	$ 7,360	
- OTHER	$ 1,840	
TOTAL MAINTENANCE		$ 22,172
REPLACEMENT RESERVE(.0060xTOTAL)		
STRUCTURES LINE 41	$ 9,185	
TOTAL OPERATING EXPENSE		$ 104,543
TAXES		
REAL ESTATE: EST. ASSESSED		
VALUE $ 0 @		
$ 0 PER $1000	$ 0	
PERSONAL PROP. EST ASSESSED		
VALUE $ 0 @		
$ 0 PER $1000	$ 0	
EMPL. PAYROLL TAX	$ 1,932	
OTHER-HEALTH BENEFITS,ETC	$ 1,564	
OTHER-	$ 0	
TOTAL TAXES		$ 3,496
TOTAL EXPENSES (ATTACH WORKSHEET)		$ 108,039

202/811 PER UNIT OPERATING AMOUNT

E29 ($ 108,039) x 1.05 / 12 = $ 9,453

$ 9,453 / 45-UNITS = $ 211.00

PER UNIT OPERATING AMOUNT = $ 211.00

F. INCOME COMPUTATION

30. ESTIMATED PROJECT GROSS INCOME (LINE C32 PAGE 1)	$ - N.A. -
31. OCCUPANCY (ENTIRE PROJECT) PERCENTAGE	- N.A. -
32. EFFECTIVE GROSS INCOME (L30xL31)	$ - N.A. -
33. TOTAL PROJECT EXPENSE (LINE 29)	$ - N.A. -
34. NET INCOME TO PROJECT (L32-L33)	$ - N.A. -
35. EXPENSE RATIO (LINE 29/LINE 32)	- N.A. -

G. REPLACEMENT COST:

36A. UNUSUAL LAND IMPROVEMENTS	$ 0	
36B. OTHER LAND IMPROVEMENTS	$ 147,000	
36C. TOTAL LAND IMPROVEMENTS		$ 147,000
STRUCTURES		
37. MAIN BUILDINGS	$ 1,530,838	
38. ACCESSORY BUILDINGS	$ 0	
39. GARAGES	$ 0	
40. ALL OTHER BUILDINGS	$ 0	
41. TOTAL STRUCTURES		$ 1,530,838
42. GENERAL REQUIREMENTS		$ 134,227
43. BUILDERS GEN. OVERHEAD @ 2.0000 %	$ 36,242	
44. BUILDERS PROFIT @ 5.0000 %	$ 90,603	
45. ARCH. FEE-DESIGN @ 3.6693 %	$ 71,144	
46. ARCH. FEE-SUPVR. @ 1.2231 %	$ 23,715	
47. BOND PREMIUM	$ 24,750	
48. OTHER-	$ 0	
49. TOTAL FEES		$ 246,454
50. TOT.FOR ALL IMPRMTS(LINE 36C,41,42,49)		$ 2,058,519
51. COST PER GROSS SQ. FT.	$ 58.53	
52. ESTIMATED CONSTRUCTION TIME...MONTHS: 12		
CARRYING CHARGES & FINANCING		
53. INT. 0 MOS. @ 0.00% ON $ 0	$ 0	
54. TAXES	$ 1,000	
55. INSURANCE	$ 4,500	
56. FHA MTG. INS. PRC. (0.50%)	$ 0	
57. FHA EXAM FEE (0.30%)	$ 0	
58. FHA INSPECT. FEE (0.50%)	$ 0	
59. FINANCING FEE (0.00%)	$ 0	
60. CONTINGENCY (2.00%)	$ 44,980	
61. FNMA/GNMA FEE (0.00%)	$ 0	
62. TITLE & RECORDING	$ 5,000	
63. TOTAL CARRYING CHGS & FINANCING		$ 55,480
LEGAL, ORGANIZATION & AUDIT FEE		
64. LEGAL	$ 10,000	
65. ORGANIZATION	$ 5,000	
66. COST CERTIFICATION,AUDIT FEE	$ 5,000	
67. TOTAL LEGAL,ORGANIZATION,AUDIT		$ 20,000
68. BUILDER AND SPONSOR PROFIT & RISK		$ 0
69. CONSULTANT FEE		$ 17,492
70. SUPPLEMENTAL MANAGEMENT FUND		$ 0
71. CONTINGENCY RESERVE		$ 0
72. TOTAL EST DEVELOPMENT COST (EXCL. OF LAND OR OFF-SITE COST)(50+63+67+68+69+70+71)		$ 2,151,491
73. WARRANTED PRICE OF LAND- J14(3)/ OUTSTANDING DEBT/AS IS VALUE 218460 SQ.FT. @ $ 0.45 PER SQ.FT.		$ 97,500
74. TOTAL ESTIMATED REPLACEMENT COST OF PROJECT (ADD 72 +73)		$ 2,248,991

ESERVED

THIS SECTION IS NO LONGER IN USE

ESTIMATE OF OPERATING DEFICIT

PERIODS	GROSS INCOME	OCCUPANCY %	EFFECTIVE GROSS	EXPENSES	NET INCOME	DEBT SERV. REQMT	DEFI
FIRST	$ 113,940	0.00%	$ 0	$ 0	$ 0	$ 0	$ 0
SECOND	$ 113,940	0.00%	$ 0	$ 0	$ 0	$ 0	$ 0
					TOTAL OPERATING DEFICIT		$ 0

PROJECT SITE ANALYSIS AND APPRAISAL:

IS LOCATION AND NEIGHBORHOOD ACCEPTABLE.....YES
IS SITE ADEQUATE IN SIZE FOR PROPOSED PROJECT..YES
IS SITE ZONING PERMISSIVE FOR INTENDED USE.....YES
ARE UTILITIES AVAILABLE NOW TO SERVE THE SITE..YES
IS THERE A MARKET AT THIS LOCATION FOR THE
RENTS BY COMPARISON SHOWN IN SECTION C..... YES

6. X SITE ACCEPTABLE FOR TYPE OF PROJECT PROPOSED UNDER SECTION 202
7. (IF CHECKED, ACCEPTANCE SUBJECT TO QUALIFICATIONS LISTED BELOW)

DATE OF INSPECTION: 12/27/94

INSPECTED BY: BRADLEY PAYNE

VALUE FULLY IMPROVED - SEE ATTACHED WORKSHEET
LOCATION OF PROJECT: MUSKEGON L.U.I. NUMBER: SIZE OF SUBJECT SITE: 218,460 SQ.FT.
VALUE OF SITE FULLY IMPROVED: $ 97,500
VALUE "AS IS" - SEE ATTACHED WORKSHEET
VALUE OF SITE "AS-IS" BY COMPARISON: $ 97,500

ACQUISITION COST: (LESS ARMS-LENGTH TRANSACTION)
BUYER: TRINITY VILLAGE NON-PROFIT HSING CORP ADDRESS: 2140 VALLEY, MUSKEGON, MI 49444
SELLER: RUTH M. ACTERHOFF, ET AL ADDRESS: 1065 4TH STREET, MUSKEGON, MI 49441
DATE: 04/22/94 PRICE: $ 115,000
SOURCE: OPTION AGREEMENT

OTHER COSTS:

(1) LEGAL FEES AND ZONING COSTS.....$	0
(2) RECORDING AND TITLE FEES.....$	0
(3) INTEREST ON INVESTMENT.....$	0
(4) OTHER.....$	0
(5) ACQUISITION COST (FROM "12" ABOVE)..$	115,000
(6) TOTAL COST TO SPONSOR.....$	115,000

* SEE ATTACHED NOTES FOR ADDITIONAL INFORMATION

14. VALUE OF LAND AND COST CERTIFICATION:

(1) FAIR MARKET VALUE OF LAND FULLY IMPROVED (FROM 9 ABOVE).$	97,500
(2) DEDUCT UNUSUAL ITEMS INCLUDED IN SECTION G, ITEM 36A....$	0
(3) WARRANTED PRICE OF LAND FULLY IMPROVED (REPLACEMENT COST ITEMS EXCLUDED-ENTER IN LINE G73).....$	97,500
FOR COST CERTIFICATION PURPOSES-	
(3)(A) DEDUCT COST OF DEMOLITION $ 0 AND REQ'D OFF-SITE $ 0 TO BE PAID BY MTGOR OR BY SPECIAL ASSESSMENTS.....$	0
(4) ESTIMATE OF 'AS-IS' BY SUBTRACTION FROM IMPROVED VALUE.$	97,500
(5) ESTIMATE OF 'AS-IS' BY DIRECT COMPARISON WITH SIMILAR UNIMPROVED SITES (FROM 11 ABOVE).....$	97,500
(6) 'AS-IS' BASED ON ACQUISITION COST TO SPONSOR (FROM 13(6) ABOVE).....$	115,000
(7) COMMISSIONER'S ESTIMATED VALUE OF LAND 'AS-IS' (THE LESSER OF 4 OR 5 ABOVE)*.....$	97,500

(IF 'AS-IS' IS MORE THAN 13(6), COMPLETE EXPLANATION IS REQUIRED.)

* WHERE LAND IS PURCHASED FROM LOCAL GOVERNMENT AGENCY FOR SPECIFIC REUSE LESSER OF 4,5,OR 6.

NCOME APPROACH TO VALUE:

STIMATED REMAINING ECONOMIC LIFE 0 YEARS

6. VALUE OF LEASED FEE (IF ANY)

NCOME APPROACH TO VALUE:

GROUND RENT $ 0 / CAP. RATE 0.00 %

APITALIZATION RATE DETERMINED BY -OVERALL RATE FROM COMPARABLE PROJECTS = VALUE OF LEASED FEE $ 0

RATE FROM BAND OF INVESTMENT -CASH FLOW TO EQUITY

TE SELECTED 0.00 %

NET INCOME (LINE F 34).....$ 0

APITALIZED VALUE (LINE 4 / LINE 3)..$ 0

OMPARISON APPROACH TO VALUE:

DDRESS FOR COMPARABLE SALE	DATE	SALE PRICE	NO. UNITS
	/ /	$ 0	0
	/ /	$ 0	0
	/ /	$ 0	0

NDICATED VALUE OF SUBJECT BY COMPARISON: $ 0

APPRAISAL SUMMARY

APITALIZATION: $ 0 SUMMATION: $ 2,248,991 COMPARISON: $ 0

HE FAIR MARKET VALUE (OR REPLACEMENT COST) OF THE PROPERTY, AS OF THE DATE BELOW, IS $ 0

O BE COMPLETED BY CONSTRUCTION COST ANALYST: N. THIS SECTION NOT IN USE AT THIS TIME

OST NOT ATTRIBUTABLE TO DWELLING USE

PARKING.....$	3,866
GARAGE.....$	0
COMMERCIAL.....$	0
SPECIAL EXT. LAND IMPROVEMENTS..$	0
OTHER.....$	79,200
TOTAL.....$	83,066
	4.9508 %

L EST. COST OF OFF-SITE REQUIREMENTS-

OFFSITES	EST. COST
NA.	$ 0
	$ 0
	$ 0
	$ 0
	$ 0
	$ 0
TOTAL OFF-SITE.....$	0

EMARKS, CONCLUSIONS AND SIGNATURES:

SEE ATTACHED REMARKS SHEET

(ARCHITECTURAL PROCESSOR)	8.22.95 (DATE)	(ARCHITECTURAL REVIEWER)
(VALUATION PROCESSOR)	8/22/95 (DATE)	(VALUATION REVIEWER)
(COST PROCESSOR)	(DATE)	(COST REVIEWER)

SEE ATTACHED CONCLUSIONS SHEET

(DIRECTOR HOUSING DEVELOPMENT)	8/22/95 (DATE)	
(FIELD OFFICE MANAGER/DEPUTY)	(DATE)	

DATE/TIME: 08/22/95 / 09:28:42

FORM HUD-92264 (2-88)

SECTION VIII - PROJECT COSTS

In Column 1, list actual costs. In Columns 2 and 3, list the amounts (or appropriate portion thereof) from Column 1 if they are includible in basis and the 4% credit is applicable. In Column 4, list the actual costs from Column 1 which are includible in basis for the 9% credit. (For example, if the project is federally subsidized and therefore eligible for 4% credit, all eligible basis costs should be in Columns 2 and 3.)

	Column 1 Actual Costs	Columns 2 & 3 Eligible Basis 4% Credit		Column 4 Eligible Basis 9% Credit
	Development Cost	Acquisition	Rehabilitation/New Construction	Rehabilitation/New Construction
LAND				
Land Purchase	1			
Closing/Title & Recording				
Real Estate Expenses				
Other Land Related Expenses				
Sub Total				
BUILDING ACQUISITION				
Existing Structures				
Demolition (Exterior)				
Other, Describe:_____				
Sub Total				
SITE WORK				
On Site	218,721			
Off Site Improvement	-			
Landscaping	57,580			
Other, Describe: Non-building demo abatement and	216,251			
Sub Total	492,552			

I. INCOME APPROACH TO VALUE:

1. ESTIMATED REMAINING ECONOMIC LIFE 0 YEARS
INCOME APPROACH TO VALUE:
2. CAPITALIZATION RATE DETERMINED BY -OVERALL RATE FROM COMPARABLE PROJECTS
RATE FROM BAND OF INVESTMENT -CASH FLOW TO EQUITY
3. RATE SELECTED 0.00 %
4. (NET INCOME (LINE F 34).....$ 0
5. CAPITALIZED VALUE (LINE 4 / LINE 3)..$ 0

6. VALUE OF LEASED FEE (IF ANY)
GROUND RENT $ 0 / CAP. RATE 0.00 %
= VALUE OF LEASED FEE $ 0

J. COMPARISON APPROACH TO VALUE:

	ADDRESS FOR COMPARABLE SALE	DATE	SALE PRICE	NO. UNITS
1.		/ /	$ 0	0
2.		/ /	$ 0	0
3.		/ /	$ 0	0

4. INDICATED VALUE OF SUBJECT BY COMPARISON: $ 0

APPRAISAL SUMMARY

5. CAPITALIZATION: $ 0 SUMMATION: $ 2,248,991 COMPARISON: $ 0

THE FAIR MARKET VALUE (OR REPLACEMENT COST) OF THE PROPERTY, AS OF THE DATE BELOW, IS $ 0

L. TO BE COMPLETED BY CONSTRUCTION COST ANALYST: M. THIS SECTION NOT IN USE AT THIS TIME

COST NOT ATTRIBUTABLE TO DWELLING USE

10.	PARKING.....$	3,866
11.	GARAGE.....$	0
12.	COMMERCIAL.....$	0
13.	SPECIAL EXT. LAND IMPROVEMENTS..$	0
14.	OTHER.....$	79,200
15.	TOTAL.....$	83,066
		4.9508 %

TOTAL EST. COST OF OFF-SITE REQUIREMENTS-

16. OFFSITES	EST. COST
N.A.	$ 0
	$ 0
	$ 0
	$ 0
	$ 0
	$ 0
17. TOTAL OFF-SITE.....$	0

N. REMARKS, CONCLUSIONS AND SIGNATURES:

** SEE ATTACHED REMARKS SHEET

Marian E. Gold	8-22-95	
(ARCHITECTURAL PROCESSOR)	(DATE)	(ARCHITECTURAL REVIEWER)
	8/22/95	
(VALUATION PROCESSOR)	(DATE)	(VALUATION REVIEWER)
John T. Straata		
(COST PROCESSOR)	(DATE)	(COST REVIEWER)

** SEE ATTACHED CONCLUSIONS SHEET

Alice E. Green	8/23/95	
(DIRECTOR HOUSING DEVELOPMENT)	(DATE)	
(FIELD OFFICE MANAGER/DEPUTY)	(DATE)	

DATE/TIME: 08/22/95 / 09:28:42 FORM HUD-92264 (2-88)

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