

October 6, 2023

VIA E-MAIL

Aaron Eaquinto  
Dallas Public Facility Corporation  
1500 Marilla Street, Room 6CN  
Dallas, Texas 75201

Mr. Eaquinto,

Hilltop Securities (HTS) has prepared an initial underwriting assessment from the developer provided proforma and sources & uses for Bishop Ridge development. I hereby certify that Hilltop Securities has experience underwriting affordable multifamily residential developments and do not have a financial interest in the proposed development, developer, or public facility user for this proposed development. Below is a summary of the analysis completed.

**Rent Subsidy-** The developer has included 10% of the units at 60% AMI, 40% of the units at 80% AMI and the remaining units will be at a fair market rate. The year 1 rents subsidy is currently estimated at \$722,844. Using a 3% escalator on future rents, a 15-year rent subsidy of \$ 13,444,113 is expected. The 80% rents provided by the developer show a 5% - 7% discount to market on the efficiency units. However, the total discount to market for all 80% units is expected to be 17.6%.

• **Estimated GP Revenues-** The term sheet/ MOU indicates the following fees are expected to be returned to Dallas Public Facility Corporation (DPFC). A summary of fees received over 15 years is included in HTS analysis.

- PFC Structuring Fee (Received at Closing) \$279,000
- Annual Rent Payment \$223,200 beginning commencing 6 months after stabilization and increasing 2.5% years 2-10 and Dallas-Ft. Worth CPI, with a cap of 3.0% per year for years 11-75.
- Sale or Refinance Fee (Not Included in GP Revenue Summary)

• **Estimated Property Taxes** – two 15 year property tax estimates have been completed.

1. Based on 80% of the total cost of the development
2. Based on the 2022 assessed value per DCAD.

The remaining analysis that included 15 year estimated property taxes one year from the 2023 assessed value, a half value from the 80% of the construction cost for one year, and the remaining 13 years are the 80% of construction cost estimate. Hilltop believes this will give an accurate representation of how the property will be valued during the rest of construction through completion if the property were to stay on the tax rolls.

• **Rent Subsidy and PTA Comparison** – Comparing the rent saving generated by the property and the fees to be earned by DPFC over a 15-year period against the estimated property taxes over a 15-year period a Public Benefit Percentage of 75.84% is generated, not including the sale or refinance fee.

- **15-year Proforma with Property Taxes** – Including the estimated taxes to the operating expenses will likely cause stress issues which would not provide a comfortable Debt Service Coverage (DCR) needed for this project to be financed. Industry minimum DCR is 1.15. If a property tax abatement is not received the years 3 to 7 of the transaction will be under the 1.15 DCR threshold. Additionally, year 2 will be under a 1.00 DCR, possibly causing a default on required debt payments. Accordingly, we do not believe the development with the proposed affordability requirements would be feasible without the participation of DPFC and the property tax exemption.



# Dallas Public Facility Corporation

Bishop Ridge  
General Partner Revenue - Workforce Housing  
Draft as of 5/19/2023



Total Project Cost:  
\$66,777,514

Dev. Proposed

PFC Structuring Fee (\$1000/ Unit)	\$	279,000.00
General Partner - GP (Annual LP \$223,200 Y1)		3,701,750.11
General Partner - Sale or Refinance Fee (5% of Net Sale Proceeds if IRR is less than 20%; 10% if IRR is more than 20%)		
General Contractor - GC Fee (25% of sales tax savings)		520,862.81
Total GP Partnership Related Revenues	\$	4,501,612.92

15 Year Rent Subsidy	\$	13,444,113.31
GP Revenues + Rent Subsidy	\$	17,945,726.23

Estimate of Taxes Abated	\$23,662,892.21
Mil Rate	2.510380%
Cap Rate	6.50%
20% of Estimate of Taxes Abated	\$9,465,156.88

Footnote:

Total Cash Flow based off of "Bishop Ridge_PFC Financials	
a.	(Adair_Bowie_Clyde_Drexel)" numbers = 34,583,886.00
	Partnership Expenses = 3,701,750.11
	Deferred Developer Fee + Interest = -
	Cash Flow Est. to the ILP, GP & SLP = 30,882,135.89
	Cash Flow Est. to the ILP ~ 10% = 3,088,213.59
	Cash Flow Est. to the GP & SLP ~ 90% = 27,793,922.30

Property Tax Abatement Analysis



Total Cost	66,777,514
NOI/TC	1.242475304 (assumed Cap)
Mil Rate	2.51%
Cap Rate	6.50%
Loaded Cap	9.01038%

City of Dallas Public Facility Corporation  
Bishop Ridge -Workforce Housing  
Estimated Property Taxes  
Draft as of 5/22/2023



80% of Total Cost As Assessed Value                      \$53,422,011.20

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
0.745800%	DALLAS	\$398,421.36	\$410,374.00	\$422,685.22	\$435,365.78	\$448,426.75	\$461,879.55	\$475,735.94	\$490,008.02	\$504,708.26	\$519,849.51	\$535,444.99	\$551,508.34	\$568,053.59	\$585,095.20	\$602,648.05	\$7,410,204.56
1.184935%	DALLAS ISD	\$633,016.11	\$652,006.59	\$671,566.79	\$691,713.79	\$712,465.21	\$733,839.16	\$755,854.34	\$778,529.97	\$801,885.87	\$825,942.44	\$850,720.72	\$876,242.34	\$902,529.61	\$929,605.50	\$957,493.66	\$11,773,412.09
0.227946%	DALLAS COUNTY	\$121,773.34	\$125,426.54	\$129,189.33	\$133,065.01	\$137,056.96	\$141,168.67	\$145,403.73	\$149,765.85	\$154,258.82	\$158,886.59	\$163,653.18	\$168,562.78	\$173,619.66	\$178,828.25	\$184,193.10	\$2,264,851.82
0.115899%	DALLAS COLLEGE	\$61,915.58	\$63,773.04	\$65,686.24	\$67,656.82	\$69,686.53	\$71,777.12	\$73,930.44	\$76,148.35	\$78,432.80	\$80,785.78	\$83,209.36	\$85,705.64	\$88,276.81	\$90,925.11	\$93,652.87	\$1,151,562.48
0.235800%	PARKLAND HOSPITAL	\$125,969.10	\$129,748.18	\$133,640.62	\$137,649.84	\$141,779.33	\$146,032.71	\$150,413.70	\$154,926.11	\$159,573.89	\$164,361.11	\$169,291.94	\$174,370.70	\$179,601.82	\$184,989.87	\$190,539.57	\$2,342,888.49
2.510380%	Total Taxes	\$1,341,095.48	\$1,381,328.35	\$1,422,768.20	\$1,465,451.25	\$1,509,414.78	\$1,554,697.23	\$1,601,338.14	\$1,649,378.29	\$1,698,859.64	\$1,749,825.43	\$1,802,320.19	\$1,856,389.79	\$1,912,081.49	\$1,969,443.93	\$2,028,527.25	\$24,942,919.43

2022 Assesed Value                      \$2,432,630.00

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
0.745800%	DALLAS	\$18,142.55	\$18,686.83	\$19,247.44	\$19,824.86	\$20,419.60	\$21,032.19	\$21,663.16	\$22,313.05	\$22,982.45	\$23,671.92	\$24,382.08	\$25,113.54	\$25,866.94	\$26,642.95	\$27,442.24	\$337,431.81
1.184935%	DALLAS ISD	\$28,825.08	\$29,689.84	\$30,580.53	\$31,497.95	\$32,442.89	\$33,416.17	\$34,418.66	\$35,451.22	\$36,514.75	\$37,610.20	\$38,738.50	\$39,900.66	\$41,097.68	\$42,330.61	\$43,600.53	\$536,115.26
0.227946%	DALLAS COUNTY	\$5,545.08	\$5,711.44	\$5,882.78	\$6,059.26	\$6,241.04	\$6,428.27	\$6,621.12	\$6,819.75	\$7,024.34	\$7,235.08	\$7,452.13	\$7,675.69	\$7,905.96	\$8,143.14	\$8,387.44	\$103,132.52
0.115899%	DALLAS COLLEGE	\$2,819.39	\$2,903.98	\$2,991.09	\$3,080.83	\$3,173.25	\$3,268.45	\$3,366.50	\$3,467.50	\$3,571.52	\$3,678.67	\$3,789.03	\$3,902.70	\$4,019.78	\$4,140.37	\$4,264.59	\$52,437.66
0.235800%	PARKLAND HOSPITAL	\$5,736.14	\$5,908.23	\$6,085.47	\$6,268.04	\$6,456.08	\$6,649.76	\$6,849.25	\$7,054.73	\$7,266.37	\$7,484.36	\$7,708.89	\$7,940.16	\$8,178.37	\$8,423.72	\$8,676.43	\$106,686.00
2.510380%	Total Taxes	\$61,068.26	\$62,900.30	\$64,787.31	\$66,730.93	\$68,732.86	\$70,794.85	\$72,918.69	\$75,106.25	\$77,359.44	\$79,680.22	\$82,070.63	\$84,532.75	\$87,068.73	\$89,680.79	\$92,371.22	\$1,135,803.25

624 Lancaster	422,030
627 Lancaster	238,670
405 N. Ewing	1,412,550
1303 E. Jefferson	359,380
Total	2,432,630

15 Year Pro Forma with Property Taxes

Proforma																	
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	
Effective Gross Income from Operations	\$ -	\$ 2,810,705	\$ 5,198,774	\$ 6,213,768	\$ 6,401,199	\$ 6,593,844	\$ 6,791,861	\$ 6,995,414	\$ 7,204,671	\$ 7,419,806	\$ 7,640,998	\$ 7,868,430	\$ 8,102,292	\$ 8,342,780	\$ 8,590,096	96,174,638	
Operating Expenses	\$ -	\$ 440,351	\$ 807,613	\$ 867,095	\$ 890,612	\$ 914,129	\$ 937,646	\$ 961,163	\$ 984,680	\$ 1,008,197	\$ 1,031,714	\$ 1,055,231	\$ 1,078,748	\$ 1,102,265	\$ 1,125,782	13,205,226	
Estimated Property Taxes (2.51038% MIL Rate)	61,068	1,381,328	1,422,768	1,465,451	1,509,415	1,554,697	1,601,338	1,649,378	1,698,860	1,749,825	1,802,320	1,856,390	1,912,081	1,969,444	2,028,527	23,662,892	
Operating Expenses With Taxes	61,068	1,821,679	2,230,381	2,332,546	2,400,027	2,468,826	2,538,984	2,610,541	2,683,540	2,758,022	2,834,034	2,911,621	2,990,829	3,071,709	3,154,309	36,868,118	
Total Developer's Estimated Debt Service	\$ -	\$ 1,411,016	\$ 2,832,546	\$ 3,383,147	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	\$ 3,705,347	48,385,526	
Net Operating Income	\$ (61,068)	\$ 989,026	\$ 2,968,393	\$ 3,881,222	\$ 4,001,172	\$ 4,125,018	\$ 4,252,877	\$ 4,384,873	\$ 4,521,131	\$ 4,661,784	\$ 4,806,964	\$ 4,956,809	\$ 5,111,463	\$ 5,271,071	\$ 5,435,787	\$ 59,306,520	
Additional Income Needed to Achieve 1.15 DCR	\$ 61,068.26	\$ 633,642.75	\$ 289,035.10	\$ 9,397.30	\$ 259,976.83	\$ 136,131.28	\$ 8,272.19	\$ (123,723.66)	\$ (259,982.31)	\$ (400,634.52)	\$ (545,814.76)	\$ (695,660.16)	\$ (850,313.46)	\$ (1,009,922.02)	\$ (1,174,637.70)	\$ (3,663,165)	
DCR		0.70	1.05	1.15	1.08	1.11	1.15	1.18	1.22	1.26	1.30	1.34	1.38	1.42	1.47		
CF Available for Waterfall after Hard Debt	(61,068)	(421,990)	135,847	498,075	295,825	419,671	547,530	679,526	815,784	956,437	1,101,617	1,251,462	1,406,116	1,565,724	1,730,440	10,920,994	
Annual Lease Payment 624 N. Lancaster	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual Lease Payment 627 N. Lancaster	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual Lease Payment 405 N. Ewing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual Lease Payment 1303 E. Jefferson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual Lease Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Expenses Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual Cash Flow	(61,068)	(421,990)	135,847	498,075	295,825	419,671	547,530	679,526	815,784	956,437	1,101,617	1,251,462	1,406,116	1,565,724	1,730,440	10,920,994	
Cumalative Net Cash Flow	(61,068)	(483,059)	(347,212)	150,863	446,688	866,359	1,413,889	2,093,415	2,909,199	3,865,635	4,967,252	6,218,714	7,624,830	9,190,554	10,920,994		



Dallas Public Facility Corporation  
Bishop Ridge - Workforce Housing  
Rent Subsidy and Property Tax Abatement Comparison  
Draft as of 5/19/2023



Avg Savings																			
100% AMI - Dallas County				60% AMI			Rent Savings		80% AMI			Rent Savings		Market - Max Allowable AMI - [ ]%			Rent Savings		
Avg. Rent		Room Rype	Sq. Ft.	Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	AMI %	Total Annual	60%	80%
1303 Jefferson	1,703	Efficiency		1,022	1	30%	436	5,232	1,363	4	7%	380	4,560	1,458	4	86%	9,792	0.3	0.3
405 Ewing	1,703	Efficiency		1,023	2	29%	854	10,248	1,364	6	6%	516	6,192	1,450	8	85%	16,440	0.6	0.4
624 Lancaster	1,703	Efficiency		1,022	1	28%	406	4,872	1,363	2	5%	130	1,560	1,428	3	84%	6,432	0.3	0.1
627 Lancaster	1,703	Efficiency		1,022	1	28%	406	4,872	1,363	2	5%	130	1,560	1,428	3	84%	6,432	0.3	0.1
1303 Jefferson	1,825	1bd/1ba		1,095	8	40%	5,848	70,176	1,461	34	20%	12,410	148,920	1,826	41	100%	219,096	3.2	6.8
405 Ewing	1,825	1bd/1ba		1,095	3	36%	1,812	21,744	1,461	16	14%	3,808	45,696	1,699	19	93%	67,440	1.1	2.2
624 Lancaster	1,825	1bd/1ba		1,095	3	40%	2,181	26,172	1,461	11	20%	3,971	47,652	1,822	13	100%	73,824	1.2	2.2
627 Lancaster	1,825	1bd/1ba		1,095	3	39%	2,097	25,164	1,461	11	19%	3,663	43,956	1,794	13	98%	69,120	1.2	2.0
1303 Jefferson	2,190	2bd/2ba		1,314	2	42%	1,872	22,464	1,753	8	22%	3,976	47,712	2,250	10	103%	70,176	0.8	1.8
405 Ewing	2,190	2bd/2ba		1,314	2	43%	2,000	24,000	1,753	7	24%	3,927	47,124	2,314	8	106%	71,124	0.9	1.7
624 Lancaster	2,190	2bd/2ba		1,314	1	41%	922	11,064	1,753	4	22%	1,932	23,184	2,236	4	102%	34,248	0.4	0.9
627 Lancaster	2,190	2bd/2ba		1,314	1	39%	848	10,176	1,753	4	19%	1,636	19,632	2,162	4	99%	29,808	0.4	0.8
1303 Jefferson	2,530	3bd/2ba		1,518	1	38%	942	11,304	2,025	3	18%	1,305	15,660	2,460	4	97%	26,964	0.4	0.5
405 Ewing	2,530	3bd/2ba		1,518	1	43%	1,168	14,016	2,025	1	25%	661	7,932	2,686	2	106%	21,948	0.4	0.2
Total/Avg				30	38.03%	21,792.00	261,504.00	113	17.63%	38,445.00	461,340.00	136	722,844	38.0%	17.6%				

Unit Mix	# of Units
% at 60% AMI	30
% at 80% AMI	113
% at Market	136
<b>Total</b>	<b>279</b>

Rent Savings	
Year 1	722,844
Year 2	744,529
Year 3	766,865
Year 4	789,871
Year 5	813,567
Year 6	837,974
Year 7	863,114
Year 8	889,007
Year 9	915,677
Year 10	943,147
Year 11	971,442
Year 12	1,000,585
Year 13	1,030,603
Year 14	1,061,521
Year 15	1,093,366
<b>Total</b>	<b>13,444,113</b>



City of Dallas Public Facility Corporation  
Bishop Ridge -Workforce Housing  
Public Benefit  
Draft as of 5/22/2023



Year	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Property Taxes	23,662,892	61,068	1,381,328	1,422,768	1,465,451	1,509,415	1,554,697	1,601,338	1,649,378	1,698,860	1,749,825	1,802,320	1,856,390	1,912,081	1,969,444	2,028,527
Rent Savings	13,444,113	722,844	744,529	766,865	789,871	813,567	837,974	863,114	889,007	915,677	943,147	971,442	1,000,585	1,030,603	1,061,521	1,093,366
Acquisition Fee	279,000	279,000														
Annual Lease Payment	3,701,750	0	223,200	228,780	234,500	240,362	246,371	252,530	258,844	265,315	271,948	278,746	287,109	295,722	304,594	313,731
General Contractor Fee	520,863	520,863														
Total	17,945,726	1,522,707	967,729	995,645	1,024,371	1,053,929	1,084,345	1,115,644	1,147,851	1,180,992	1,215,095	1,250,188	1,287,694	1,326,325	1,366,114	1,407,098

Public Benefit Percentage %	75.84%	Total rent savings + HFC/PFC revenue	÷	Total Property Taxes Abated
		17,945,726		23,662,892