

June 22, 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 The Marcus and The Power – Light developments. 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, 41% 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 \$747,480. Over a 15-year period the rents subsidy is estimated to be \$13,902,316 using a 3% escalator on future rents. AMI set asides are evenly distributed throughout the different units. A sizeable advantage to market rents is received through all affordable unit types except for the 80% efficiency units, these units are only received a 4% discount to the market efficiency units.
- **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)
 - Annual Rent Payment
 - General Contractor Fee (Half Received at Closing and Half Received at Certificate of Occupancy)
 - Sale or Refinance Fee (Not Included in GP Revenue Summary)
- **Estimated Property Taxes –** A breakout of all taxing entities using the 2023 assessed value and mileage rates obtained from DCAD and assumes a 3% increase annually as well as a breakout of all taxing entities using 80% of the total cost and increasing 3% are included in the HTS analysis. The total cost of the development is just over \$90 million. Using 80% of this amount creates a post completion estimated taxes of just over \$1.8 million to be abated. The current combined property taxes of both properties as they exist today are estimated at just over \$21,000.
- **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 68.36% is generated, not including the sale or refinance fee. Also note the 15-year property taxes are using the 2023 assessed value taxes for year 1 as the development will not be completed by year end and an increase to the assessed value is not expected.

- **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 first 7 years of the transaction will be under the 1.15 DCR threshold. Additionally, after payment of required fees outside of the operating expenses The Marcus/ Power – Light shows a cumulative negative cash flow until year 11. 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

The Marcus/ Power - Light

General Partner Revenue - Workforce Housing

Draft as of 6/21/2023



Total Project Cost:

\$90,103,663

PFC Structuring Fee	\$	377,000.00
General Partner - GP (Annual LP \$379,156 Y1)		6,478,382.32
General Partner - Sale or Refinance Fee (15% of Net Sale Proceeds on first sale event and 2% of Gross Sale Price on Subsequent Events)		
General Contractor - GC Fee (25% of sales tax savings)		1,027,910.78
Total GP Partnership Related Revenues	\$	7,883,293.10

15 Year Rent Subsidy	\$	13,902,316.15
GP Revenues + Rent Subsidy	\$	21,785,609.25

Estimate of Taxes Abated		\$31,867,533.27
Mil Rate		2.510380%
Cap Rate		6.50%
20% of Estimate of Taxes Abated		\$12,747,013.31

Footnote:

a.	Total Cash Flow based off of "The Marcus-Cedars Operating Proforma_15 year & Power-Light Operating Proforma_15 year" numbers =	45,357,718.00
	Partnership Expenses =	14,292,777.32



Dallas Public Facility Corporation
 The Marcus/ Power - Light- Workforce Housing
 Rent Subsidy and Property Tax Abatement Comparison
 Draft as of 6/21/2023



100% AMI - Dallas County	Room Type		Sq. Ft.		60% AMI			80% AMI			Market			Rent Savings		
	Avg. Rent	Efficiency	Efficiency	Efficiency	Avg. Rent	Units	Disc. % to Market	Avg. Rent	Units	Disc. % to Market	Avg. Rent	Units	AMI %	Monthly	Annual	Total Annual
1,847	604	604	1,083	1,083	1,444	5	4%	1,444	18	4%	1,500	6	81%	280	3,360	8,364
1,847	695	695	1,160	1,160	1,547	19	12%	1,547	74	12%	1,750	23	88%	1,008	12,096	37,116
1,980	702	702	1,160	1,160	1,547	19	12%	1,547	74	12%	1,750	23	88%	3,857	46,284	74,604
1,980	879	879	1,392	1,392	1,856	7	19%	1,856	25	19%	2,300	7	97%	15,022	180,264	307,704
2,375	1,023	1,023	1,392	1,392	1,856	25	19%	1,856	25	19%	2,300	7	97%	11,100	133,200	198,576
2,375	1,254	1,254	1,608	1,608	2,145	1	18%	2,145	6	18%	2,600	2	95%	455	5,460	17,364
2,745	1,316	1,316	1,608	1,608	2,145	6	18%	2,145	6	18%	2,600	6	95%	2,730	32,760	44,664
2,745	1,595	1,595	38 34.23%			155 12.29%			183			450,720		747,480		

Unit Mix	# of Units
% at 60% AMI	38
% at 80% AMI	155
% at Market	183
Total	376

Rent Savings	
Year 1	747,480
Year 2	769,904
Year 3	793,002
Year 4	816,792
Year 5	841,295
Year 6	866,534
Year 7	892,530
Year 8	919,306
Year 9	946,885
Year 10	975,292
Year 11	1,004,551
Year 12	1,034,687
Year 13	1,065,728
Year 14	1,097,700
Year 15	1,130,631
Total	13,902,316

The Marcus/ Power - Light

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
Proforma																
Effective Gross Income from Operations	\$ -	\$ 2,853,105	\$ 8,003,304	\$ 8,642,007	\$ 8,903,405	\$ 9,172,390	\$ 9,449,193	\$ 9,734,050	\$ 10,027,208	\$ 10,328,317	\$ 10,639,440	\$ 10,959,043	\$ 11,288,003	\$ 11,626,603	\$ 11,975,139	\$ 133,601,807
Operating Expenses	\$ -	\$ 1,160,880	\$ 1,667,072	\$ 1,724,900	\$ 1,772,589	\$ 1,820,535	\$ 1,869,744	\$ 1,917,235	\$ 1,965,986	\$ 2,015,035	\$ 2,064,382	\$ 2,114,035	\$ 2,164,004	\$ 2,214,299	\$ 2,264,938	\$ 26,794,214
Estimated Property Taxes (2.51038% Mill Rate)	\$ 21,322	\$ 1,853,842	\$ 3,933,757	\$ 3,977,550	\$ 2,086,671	\$ 2,097,771	\$ 2,100,764	\$ 2,225,525	\$ 2,292,591	\$ 2,361,639	\$ 2,431,691	\$ 2,504,848	\$ 2,579,993	\$ 2,657,353	\$ 2,737,113	\$ 31,867,533
Operating Expenses With Taxes	\$ 21,322	\$ 3,024,322	\$ 5,866,829	\$ 3,702,250	\$ 3,889,260	\$ 3,918,306	\$ 4,029,448	\$ 4,142,750	\$ 4,258,777	\$ 4,376,094	\$ 4,496,273	\$ 4,618,883	\$ 4,743,997	\$ 4,871,692	\$ 5,002,043	\$ 58,661,747
Total Developer's Estimated Debt Service	\$ -	\$ 491,202	\$ 4,088,226	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,758,565	\$ 4,606,232	\$ 61,509,875
Net Operating Income	\$ (21,322)	\$ (171,217)	\$ 4,416,475	\$ 4,939,757	\$ 5,094,145	\$ 5,254,084	\$ 5,419,745	\$ 5,591,300	\$ 5,768,931	\$ 5,952,823	\$ 6,143,167	\$ 6,340,160	\$ 6,544,006	\$ 6,754,911	\$ 6,973,096	\$ 75,000,060
Additional Income Needed to Achieve 1.15 DCR	\$ 21,322.41	\$ 736,099.43	\$ 261,985.30	\$ 532,592.87	\$ 378,204.37	\$ 218,265.49	\$ 52,604.61	\$ (118,950.27)	\$ (296,581.52)	\$ (480,472.80)	\$ (670,817.02)	\$ (867,810.28)	\$ (1,071,655.84)	\$ (1,282,561.04)	\$ (1,675,929.19)	\$ (4,263,703)
DCR		-0.35	1.09	1.04	1.07	1.10	1.14	1.17	1.21	1.25	1.29	1.33	1.38	1.42	1.51	
CF Available for Waterfall after Hard Debt	(21,322)	(662,419)	348,249	181,192	335,580	495,519	661,180	832,735	1,010,366	1,194,258	1,384,602	1,581,595	1,785,441	1,996,346	2,366,864	13,490,185
Management Fees	-	83,568	224,429	242,124	249,448	256,986	264,741	272,724	280,938	289,393	298,095	307,051	316,270	325,759	335,526	3,747,052
Franchise Taxes	-	3,567	10,004	10,803	11,130	11,465	11,812	12,168	12,534	12,911	13,299	13,699	14,110	14,533	14,969	167,004
Insurance - Property/Liability	-	182,100	243,430	250,344	257,304	264,312	271,369	278,478	285,639	292,854	300,125	307,453	314,841	322,289	329,801	3,900,339
Expenses Total	-	269,395	477,863	503,271	517,882	532,763	547,922	563,370	579,111	595,158	611,519	628,203	645,221	662,581	680,296	7,814,395
Annual Cash Flow	(21,322)	(931,654)	(129,614)	(322,079)	(182,302)	(37,244)	(113,258)	269,365	599,100	773,083	953,392	1,140,220	1,332,765	1,537,765	1,865,588	5,675,790
Cumulative Net Cash Flow	(21,322)	(952,977)	(1,082,591)	(1,404,670)	(1,586,972)	(1,624,215)	(1,510,957)	(1,241,592)	(810,337)	(431,255)	(14,845)	1,151,237	2,855,457	3,988,222	5,675,790	



City of Dallas Public Facility Corporation
 The Marcus/ Power - Light
 Public Benefit
 Draft as of 6/21/2023



Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Property Taxes	21,322	1,863,842	1,919,757	1,977,350	2,036,671	2,097,771	2,160,704	2,225,525	2,292,291	2,361,059	2,431,891	2,504,848	2,579,993	2,657,393	2,737,115
Rent Savings	747,480	769,904	793,002	816,792	841,295	866,534	892,530	919,306	946,885	975,292	1,004,551	1,034,687	1,065,728	1,097,700	1,130,631
Acquisition Fee	377,000														
Annual Lease Payment		379,156	390,531	402,247	414,314	426,743	439,546	452,732	466,314	480,303	494,713	509,554	524,841	540,586	556,803
General Contractor Fee	513,955	513,955													
Total	1,638,435	1,663,016	1,183,532	1,219,038	1,255,609	1,293,278	1,332,076	1,372,038	1,413,199	1,455,595	1,499,263	1,544,241	1,590,568	1,638,285	1,687,434

Public Benefit Percentage %	68.36%
Total rent savings + HFC/PFC revenue	21,785,609
Total Property Taxes Abated	31,867,533
	÷



Property Tax Abatement Analysis

Total Cost	90,103,663
NOI/TC	1,186,051,593 (assumed Cap)
Mill Rate	2.51%
Cap Rate	6.50%
Loaded Cap	9,010,388%

City of Dallas Public Facility Corporation
 The Marcus/ Power - Light - Workforce Housing
 Estimated Property Taxes
 Draft as of 6/21/2023



80% of Total Cost As Assessed Value \$72,082,930.40

Mill Rate	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 Total
Taxing Authority															
0.745800% DALLAS	\$537,594.49	\$553,722.33	\$570,334.00	\$587,444.02	\$605,067.34	\$623,219.36	\$641,915.94	\$661,173.42	\$681,008.62	\$701,438.88	\$722,482.05	\$744,156.51	\$766,481.20	\$789,475.64	\$813,159.91
1.184935% DALLAS ISD	\$854,135.87	\$879,759.95	\$906,152.75	\$933,337.33	\$961,337.45	\$990,177.57	\$1,019,882.90	\$1,050,479.39	\$1,081,993.77	\$1,114,453.58	\$1,147,887.19	\$1,182,323.90	\$1,217,793.52	\$1,254,327.32	\$1,291,957.14
0.227946% DALLAS COUNTY	\$164,310.16	\$169,239.46	\$174,316.65	\$179,546.14	\$184,932.53	\$190,480.50	\$196,194.92	\$202,080.77	\$208,143.19	\$214,387.49	\$220,819.11	\$227,443.68	\$234,266.99	\$241,295.00	\$248,533.85
0.115899% DALLAS COLLEGE	\$83,543.40	\$86,049.70	\$88,631.19	\$91,290.12	\$94,028.88	\$96,849.69	\$99,755.18	\$102,747.84	\$105,830.27	\$109,005.18	\$112,275.34	\$115,643.60	\$119,112.91	\$122,686.29	\$126,366.88
0.235800% PARKLAND HOSPITAL	\$169,971.55	\$175,070.70	\$180,322.82	\$185,732.50	\$191,304.48	\$197,043.61	\$202,954.92	\$209,043.57	\$215,314.87	\$221,774.32	\$228,427.55	\$235,280.38	\$242,338.79	\$249,608.95	\$257,097.22
2.510380% Total Taxes	\$1,809,555.47	\$1,863,842.13	\$1,919,757.40	\$1,977,350.12	\$2,036,670.62	\$2,097,770.74	\$2,160,703.86	\$2,225,524.98	\$2,292,290.73	\$2,361,059.45	\$2,431,891.23	\$2,504,847.97	\$2,579,993.41	\$2,657,393.21	\$2,737,115.01

2023 Total Assessed Value \$849,370.00

Mill Rate	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 Total
Taxing Authority															
0.745800% DALLAS	\$6,334.60	\$6,524.64	\$6,720.38	\$6,921.99	\$7,129.65	\$7,343.54	\$7,563.85	\$7,790.76	\$8,024.48	\$8,265.22	\$8,513.17	\$8,768.57	\$9,031.63	\$9,302.58	\$9,581.65
1.184935% DALLAS ISD	\$10,064.48	\$10,366.42	\$10,677.41	\$10,997.73	\$11,327.66	\$11,667.49	\$12,017.52	\$12,378.04	\$12,748.39	\$13,131.87	\$13,525.82	\$13,931.60	\$14,349.55	\$14,780.03	\$15,223.43
0.227946% DALLAS COUNTY	\$1,936.10	\$1,994.19	\$2,054.01	\$2,115.63	\$2,179.10	\$2,244.48	\$2,311.81	\$2,381.16	\$2,452.60	\$2,526.18	\$2,601.96	\$2,680.02	\$2,760.42	\$2,843.24	\$2,928.53
0.115899% DALLAS COLLEGE	\$984.41	\$1,013.94	\$1,044.36	\$1,075.69	\$1,107.96	\$1,141.20	\$1,175.44	\$1,210.70	\$1,247.02	\$1,284.43	\$1,322.97	\$1,362.66	\$1,403.54	\$1,445.64	\$1,489.01
0.235800% PARKLAND HOSPITAL	\$2,002.81	\$2,062.90	\$2,124.79	\$2,188.53	\$2,254.19	\$2,321.81	\$2,391.47	\$2,463.21	\$2,537.11	\$2,613.22	\$2,691.62	\$2,772.36	\$2,855.53	\$2,941.20	\$3,029.44
2.510380% Total Taxes	\$21,322.41	\$21,962.09	\$22,620.95	\$23,299.58	\$23,998.57	\$24,718.52	\$25,460.08	\$26,223.88	\$27,010.60	\$27,820.91	\$28,655.54	\$29,515.21	\$30,400.66	\$31,312.68	\$32,252.07

2023 Value 2023 Taxes

Power & Light	206,450	5,182.68
Marcus	642,920	16,139.74
Total	849,370	21,322.41