

January, 24, 2025

VIA E-MAIL

Samuel McDaniel
Dallas Public Facility Corporation
1500 Marilla Street, Room 6CN
Dallas, Texas 75201

Mr. McDaniel,

Hilltop Securities (HTS) has prepared an initial underwriting assessment from the developer provided proforma and sources & uses for The Humphrey 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, 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 \$895,116. Using a 3% escalator on future rents, a 15-year rent subsidy of \$13,449,443 is expected. The 80% rents provided by the developer show a 3% - 36% discount to market depending on unit type.

• **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) \$250,000
- Sales Tax Savings Fee (approximately 25% of the Sales Tax Savings)
- Annual Rent Payment \$324,000 commencing once the property reaches 90% physical occupancy. Thereafter the payments shall increase by 3.0% per year.
- Sale or Refinance Fee (15% of the net refinance or sales proceeds at first sale, then 2% of the gross sales price on any subsequent sale event.)

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

1. Based on the 2024 assessed value per DCAD.
2. Based on 80% of the total cost of the development
3. Estimated property taxes based on the closing date and construction schedule.

The remaining analysis that included 15 year estimated property taxes one year from the 2024 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 125.55% is generated using a 5% Cap rate to estimate the sale or refinance fee. Using a 7% Cap rate generates a 101.17% Public Benefit Percentage.
- **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 1 to 8 post stabilization will be under the 1.15 DCR threshold. Additionally, the first 3 years after stabilization will be under a 1.00 DCR. Accordingly, Hilltop does not believe the development with the proposed affordability requirements would be feasible without the participation of DPFC and the property tax exemption.



Dallas Public Finance Corporation
The Humphrey
Rent Subsidy and Property Tax Abatement Comparison - (Workforce Housing)
Draft as of 1/24/2025



100% AMI - Dallas County				60% AMI			Rent Savings		80% AMI			Rent Savings		Market			Rent Savings
Avg. Rent		Room Type	Sq. Ft.	Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	AMI %	Total Annual
1,932		Efficiency	535	1,160	5	27%	2,195	26,340	1,546	17	3%	901	10,812	1,599	22	83%	37,152
2,070		1bd/1ba	606	1,242	16	41%	13,712	164,544	1,656	64	21%	28,352	340,224	2,099	80	101%	504,768
2,482		2bd/2ba	812	1,490	6	40%	6,054	72,648	1,986	23	21%	11,799	141,588	2,499	29	101%	214,236
2,868		3bd/2ba	1,033	1,721	2	52%	3,756	45,072	2,295	6	36%	7,824	93,888	3,599	7	125%	138,960
Total/Avg				1,312	29	39.21%	25,717	308,604	1,743	110	19.06%	48,876	586,512	2,179	138		895,116

Unit Mix		# of Units
10%	at 60% AMI	29
40%	at 80% AMI	110
50%	at Market	138
Total		277

	60% AMI	80% AMI
Efficiency	17%	15%
1bd/1ba	55%	58%
2bd/2ba	21%	21%
3bd/2ba	7%	5%



Dallas Public Facility Corporation
The Humphrey
General Partner Revenue/Property Tax Abatement Analysis - Workforce Housing
Draft as of 1/24/2025



Total Project Cost
\$88,792,630

	5% Cap Rate at Y15 Sale	7% Cap Rate at Y15 Sale
PFC Structuring Fee	\$ 250,000.00	\$ 250,000.00
Annual Lease Payment	4,598,217.58	4,598,217.58
General Partner - GP (15% of Net Sale Proceeds) First Sale	11,313,501.99	5,479,320.70
General Partner - GP (2% of Gross Sale Price) Subsequent Sale		
General Contractor - (25% of sales tax savings)	433,639.64	433,639.64
Total GP Partnership Related Revenues	\$ 16,595,359.21	\$ 10,761,177.93
15 Year Rent Subsidy	\$ 13,449,442.73	\$ 13,449,442.73
GP Revenues + Rent Subsidy	\$ 30,044,801.94	\$ 24,210,620.66
Estimate of Taxes Abated	\$9,523,714.00	\$9,523,714.00
Mil Rate	2.235030%	2.235030%
Cap Rate	6.25%	6.25%
40% of Estimate of Taxes Abated	\$3,809,485.60	\$3,809,485.60

Footnote:

a.	Total Cash Flow based off of "Proforma- The Humpheys- 12-19-24" numbers =	40,402,135.00
	Partnership Expenses =	6,026,048.10
	Cash Flow Est. =	34,376,086.90



Dallas Public Facility Corporation
The Humphrey
Public Benefit Analysis
Draft as of 1/24/2025



Year	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Property Taxes	23,929,792	10,802	545,088	842,160	1,587,634	1,635,263	1,684,320	1,734,850	1,786,896	1,840,502	1,895,717	1,952,589	2,011,167	2,071,502	2,133,647	2,197,656
Rent Savings	13,449,443		298,372	447,558	895,116	921,969	949,629	978,117	1,007,461	1,037,685	1,068,815	1,100,880	1,133,906	1,167,923	1,202,961	1,239,050
(15% of Net Sale Proceeds) First Sale*	11,313,502															11,313,502
Structuring Fee	250,000	250,000														
Sales Tax Savings Fee	433,640	216,820		216,820												
Annual Lease Payment	4,598,218				324,000	333,720	343,732	354,044	364,665	375,605	386,873	398,479	410,434	422,747	435,429	448,492
Total	30,044,802	466,820	298,372	664,378	1,219,116	1,255,689	1,293,360	1,332,161	1,372,126	1,413,290	1,455,688	1,499,359	1,544,340	1,590,670	1,638,390	13,001,044

Public Benefit Percentage %	125.55%	Total rent savings + HFC/PFC revenue	÷	Total Property Taxes Abated
		30,044,802		23,929,792

New Construction

*Assumes Sale at Year 15 with a 5% Cap Rate

Year	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Property Taxes	23,929,792	10,802	545,088	842,160	1,587,634	1,635,263	1,684,320	1,734,850	1,786,896	1,840,502	1,895,717	1,952,589	2,011,167	2,071,502	2,133,647	2,197,656
Rent Savings	13,449,443		298,372	447,558	895,116	921,969	949,629	978,117	1,007,461	1,037,685	1,068,815	1,100,880	1,133,906	1,167,923	1,202,961	1,239,050
(15% of Net Sale Proceeds) First Sale*	5,479,321															5,479,321
Structuring Fee	250,000	250,000														
Sales Tax Savings Fee	433,640	216,820		216,820												
Annual Lease Payment	4,598,218				324,000	333,720	343,732	354,044	364,665	375,605	386,873	398,479	410,434	422,747	435,429	448,492
Total	24,210,621	466,820	298,372	664,378	1,219,116	1,255,689	1,293,360	1,332,161	1,372,126	1,413,290	1,455,688	1,499,359	1,544,340	1,590,670	1,638,390	7,166,862

Public Benefit Percentage %	101.17%	Total rent savings + HFC/PFC revenue	÷	Total Property Taxes Abated
		24,210,621		23,929,792

New Construction

*Assumes Sale at Year 15 with a 7% Cap Rate



Dallas Public Facility Corporation
The Humphrey
15 Year Stabilized Pro Forma
1/24/2025



Year		2028 1	2029 2	2030 3	2031 4	2032 5	2033 6	2034 7	2035 8	2036 9	2037 10	2038 11	2039 12	2040 13	2041 14	2042 15	Total
Effective Gross Income from Operations	2%	8,191,187	8,436,923	8,690,031	8,950,732	9,219,254	9,495,831	9,780,706	10,074,127	10,376,351	10,687,642	11,008,271	11,338,519	11,678,675	12,029,035	12,389,906	152,347,190
Operating Expenses	3%	2,103,626	2,166,735	2,231,737	2,298,689	2,367,650	2,438,679	2,511,839	2,587,195	2,664,810	2,744,755	2,827,097	2,911,910	2,999,268	3,089,246	3,181,923	39,125,159
Total Debt Service		4,865,201	4,864,058	4,862,846	4,861,560	4,860,197	4,858,750	4,857,216	4,855,589	4,853,863	4,852,033	4,850,092	4,848,033	4,845,849	4,843,533	4,841,076	72,819,896
Net Operating Income		6,087,561	6,270,188	6,458,294	6,652,043	6,851,604	7,057,152	7,268,867	7,486,932	7,711,541	7,942,887	8,181,174	8,426,609	8,679,407	8,939,789	9,207,983	\$ 113,222,031
DCR		1.25	1.29	1.33	1.37	1.41	1.45	1.50	1.54	1.59	1.64	1.69	1.74	1.79	1.85	1.90	
CF Available for Waterfall after Hard Debt		1,222,360	1,406,130	1,595,448	1,790,483	1,991,407	2,198,402	2,411,651	2,631,343	2,857,678	3,090,854	3,331,082	3,578,576	3,833,558	4,096,256	4,366,907	40,402,135
DPFC Lease Payment		324,000	333,720	343,732	354,044	364,665	375,605	386,873	398,479	410,434	422,747	435,429	448,492	461,947	475,805	490,079	6,026,048
Expenses Total		324,000	333,720	343,732	354,044	364,665	375,605	386,873	398,479	410,434	422,747	435,429	448,492	461,947	475,805	490,079	6,026,048
Cashflow Available		898,360	1,072,410	1,251,716	1,436,439	1,626,742	1,822,797	2,024,778	2,232,864	2,447,244	2,668,107	2,895,653	3,130,084	3,371,611	3,620,451	3,876,828	34,376,087



Dallas Public Facility Corporation
The Humphrey
15 Year Stabilized Pro Forma with Property Taxes
1/24/2025



Proforma	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	Total
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Effective Gross Income from Operations	\$ 8,191,187	\$ 8,436,923	\$ 8,690,031	\$ 8,950,732	\$ 9,219,254	\$ 9,495,831	\$ 9,780,706	\$ 10,074,127	\$ 10,376,351	\$ 10,687,642	\$ 11,008,271	\$ 11,338,519	\$ 11,678,675	\$ 12,029,035	\$ 12,389,906	152,347,190
Operating Expenses	\$ 2,103,626	\$ 2,166,735	\$ 2,231,737	\$ 2,298,689	\$ 2,367,650	\$ 2,438,679	\$ 2,511,839	\$ 2,587,195	\$ 2,664,810	\$ 2,744,755	\$ 2,827,097	\$ 2,911,910	\$ 2,999,268	\$ 3,089,246	\$ 3,181,923	39,125,159
Estimated Property Taxes (2.23503% MIL Rate)	1,587,634	1,635,263	1,684,320	1,734,850	1,786,896	1,840,502	1,895,717	1,952,589	2,011,167	2,071,502	2,133,647	2,197,656	2,263,586	2,331,493	2,401,438	29,528,259
Operating Expenses With Taxes	3,691,260	3,801,998	3,916,057	4,033,539	4,154,546	4,279,181	4,407,556	4,539,784	4,675,977	4,816,257	4,960,744	5,109,566	5,262,854	5,420,739	5,583,361	68,653,418
Total Developer's Estimated Debt Service	\$ 4,865,201	\$ 4,864,058	\$ 4,862,846	\$ 4,861,560	\$ 4,860,197	\$ 4,858,750	\$ 4,857,216	\$ 4,855,589	\$ 4,853,863	\$ 4,852,033	\$ 4,850,092	\$ 4,848,033	\$ 4,845,849	\$ 4,843,533	\$ 4,841,076	72,819,896
Net Operating Income	\$ 4,499,927	\$ 4,634,925	\$ 4,773,974	\$ 4,917,193	\$ 5,064,708	\$ 5,216,650	\$ 5,373,150	\$ 5,534,343	\$ 5,700,374	\$ 5,871,385	\$ 6,047,527	\$ 6,228,953	\$ 6,415,821	\$ 6,608,296	\$ 6,806,545	\$ 83,693,772
Additional Income Needed to Achieve 1.15 DCR	\$ 1,095,053.68	\$ 958,741.24	\$ 818,299.32	\$ 673,601.03	\$ 524,518.08	\$ 370,912.90	\$ 212,648.87	\$ 49,584.34	\$ (118,431.89)	\$ (291,547.39)	\$ (469,921.49)	\$ (653,714.94)	\$ (843,094.85)	\$ (1,038,232.68)	\$ (1,239,307.43)	\$ 49,109
DCR	0.92	0.95	0.98	1.01	1.04	1.07	1.11	1.14	1.17	1.21	1.25	1.28	1.32	1.36	1.41	
CF Available for Waterfall after Hard Debt	(365,274)	(229,133)	(88,872)	55,633	204,511	357,900	515,934	678,754	846,511	1,019,352	1,197,435	1,380,920	1,569,972	1,764,763	1,965,469	10,873,876
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual Cash Flow	(365,274)	(229,133)	(88,872)	55,633	204,511	357,900	515,934	678,754	846,511	1,019,352	1,197,435	1,380,920	1,569,972	1,764,763	1,965,469	10,873,876
Cumulative Net Cash Flow	(365,274)	(594,406)	(683,278)	(627,646)	(423,134)	(65,234)	450,699	1,129,453	1,975,964	2,995,317	4,192,752	5,573,672	7,143,644	8,908,407	10,873,876	

**Dallas Public Facility Corporation
The Humphrey
75 Year Estimates**



Year	Y15 Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Total Property Taxes	23,929,792	10,802	545,088	842,160	1,587,634	1,635,263	1,684,320	1,734,850	1,786,896	1,840,502	1,895,717	1,952,589	2,011,167	2,071,502	2,133,647	2,197,656
City of Dallas Property Taxes	7,742,788	3,495	176,370	272,492	513,699	529,110	544,983	561,333	578,173	595,518	613,383	631,785	650,738	670,261	690,368	711,080
Rent Savings	13,449,443		298,372	447,558	895,116	921,969	949,629	978,117	1,007,461	1,037,685	1,068,815	1,100,880	1,133,906	1,167,923	1,202,961	1,239,050
Structuring Fee	250,000															
Sales Tax Savings Fee	433,640			216,820												
Annual Lease Payment	4,598,218	0	0	0	324,000	333,720	343,732	354,044	364,665	375,605	386,873	398,479	410,434	422,747	435,429	448,492
Y15 Total	18,731,300	466,820	298,372	664,378	1,219,116	1,255,689	1,293,360	1,332,161	1,372,126	1,413,290	1,455,688	1,499,359	1,544,340	1,590,670	1,638,390	1,687,542
Year	Y30 Total	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Total Property Taxes	66,030,029	2,263,586	2,331,493	2,401,438	2,473,481	2,547,686	2,624,116	2,702,840	2,783,925	2,867,443	2,953,466	3,042,070	3,133,332	3,227,332	3,324,152	3,423,877
City of Dallas Property Taxes	21,364,853	732,412	754,384	777,016	800,326	824,336	849,066	874,538	900,774	927,797	955,631	984,300	1,013,829	1,044,244	1,075,572	1,107,839
Rent Savings	37,185,774	1,276,221	1,314,508	1,353,943	1,394,562	1,436,398	1,479,490	1,523,875	1,569,591	1,616,679	1,665,179	1,715,135	1,766,589	1,819,587	1,874,174	1,930,399
Structuring Fee	250,000															
Sales Tax Savings Fee	433,640															
Annual Lease Payment	13,189,921	461,947	475,805	490,079	504,781	519,925	535,523	551,588	568,136	585,180	602,735	620,818	639,442	658,625	678,384	698,736
Y30 Total Revenue	51,059,335	1,738,168	1,790,313	1,844,022	1,899,343	1,956,323	2,015,013	2,075,463	2,137,727	2,201,859	2,267,915	2,335,952	2,406,031	2,478,212	2,552,558	2,629,135
Year	Y45 Total	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
Total Property Taxes	131,620,827	3,526,593	3,632,391	3,741,362	3,853,603	3,969,211	4,088,288	4,210,936	4,337,264	4,467,382	4,601,404	4,739,446	4,881,629	5,028,078	5,178,921	5,334,288
City of Dallas Property Taxes	42,587,588	1,141,074	1,175,306	1,210,565	1,246,882	1,284,289	1,322,817	1,362,502	1,403,377	1,445,478	1,488,843	1,533,508	1,579,513	1,626,898	1,675,705	1,725,977
Rent Savings	74,166,206	1,988,311	2,047,961	2,109,399	2,172,681	2,237,862	2,304,998	2,374,148	2,445,372	2,518,733	2,594,295	2,672,124	2,752,288	2,834,857	2,919,902	3,007,499
Structuring Fee	250,000															
Sales Tax Savings Fee	433,640															
Annual Lease Payment	26,575,516	719,698	741,289	763,527	786,433	810,026	834,327	859,357	885,137	911,691	939,042	967,213	996,230	1,026,117	1,056,900	1,088,607
Y45 Total Revenue	101,425,361	2,708,009	2,789,249	2,872,927	2,959,115	3,047,888	3,139,325	3,233,504	3,330,509	3,430,425	3,533,337	3,639,338	3,748,518	3,860,973	3,976,802	4,096,107
Year	Y60 Total	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
Total Property Taxes	233,809,153	5,494,317	5,659,146	5,828,921	6,003,788	6,183,902	6,369,419	6,560,502	6,757,317	6,960,036	7,168,837	7,383,902	7,605,419	7,833,582	8,068,590	8,310,647
City of Dallas Property Taxes	75,651,916	1,777,756	1,831,089	1,886,021	1,942,602	2,000,880	2,060,906	2,122,734	2,186,416	2,252,008	2,319,568	2,389,155	2,460,830	2,534,655	2,610,694	2,689,015
Rent Savings	131,780,512	3,097,724	3,190,656	3,286,376	3,384,967	3,486,516	3,591,111	3,698,845	3,809,810	3,924,104	4,041,828	4,163,082	4,287,975	4,416,614	4,549,113	4,685,586
Structuring Fee	250,000															
Sales Tax Savings Fee	433,640															
Annual Lease Payment	47,429,836	1,121,265	1,154,903	1,189,551	1,225,237	1,261,994	1,299,854	1,338,850	1,379,015	1,420,386	1,462,997	1,506,887	1,552,094	1,598,656	1,646,616	1,696,015
Y60 Total Revenue	179,893,988	4,218,990	4,345,559	4,475,926	4,610,204	4,748,510	4,890,965	5,037,694	5,188,825	5,344,490	5,504,825	5,669,969	5,840,068	6,015,271	6,195,729	6,381,601
Year	Y75 Total	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
Total Property Taxes	393,015,235	8,559,967	8,816,766	9,081,269	9,353,707	9,634,318	9,923,347	10,221,048	10,527,679	10,843,510	11,168,815	11,503,879	11,848,996	12,204,466	12,570,600	12,947,718
City of Dallas Property Taxes	127,165,063	2,769,686	2,852,776	2,938,360	3,026,510	3,117,306	3,210,825	3,307,150	3,406,364	3,508,555	3,613,812	3,722,226	3,833,893	3,948,910	4,067,377	4,189,398
Rent Savings	221,541,725	4,826,153	4,970,938	5,120,066	5,273,668	5,431,878	5,594,835	5,762,680	5,935,560	6,113,627	6,297,036	6,485,947	6,680,525	6,880,941	7,087,369	7,299,990
Structuring Fee	250,000															
Sales Tax Savings Fee	433,640															
Annual Lease Payment	79,920,186	1,746,895	1,799,302	1,853,281	1,908,879	1,966,146	2,025,130	2,085,884	2,148,461	2,212,914	2,279,302	2,347,681	2,418,111	2,490,655	2,565,374	2,642,336
Y75 Total Revenue	302,145,551	6,573,049	6,770,240	6,973,347	7,182,548	7,398,024	7,619,965	7,848,564	8,084,021	8,326,541	8,576,337	8,833,628	9,098,636	9,371,596	9,652,743	9,942,326