

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 Bishop 8th Street development. Permanent debt information was not available at the time of the HTS analysis, therefore permanent debt is assumed at a 60% loan to value of the asset (\$34,886,292) at a 5.75% rate over a 30-year amortization. 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 \$ 857,112. Over a 15-year period the rents subsidy is estimated to be \$ 15,941,352 using a 3% escalator on future rents. AMI set asides are evenly distributed throughout the different units. A good advantage to market rents is received through all affordable unit types except for the 80% efficiency units, these units are currently priced \$188 more than the comparable market rate efficiency unit.
- **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 \$58 million. Using 80% of this amount creates a post completion estimated taxes of approximately \$1.2 million to be abated. The current combined property taxes of the properties as they exist today are estimated at just over \$200,000.
- **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 98.53% 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 5 years of the transaction will be under the 1.15 DCR threshold. Additionally, after payment of required fees outside of the operating expenses Bishop 8th Street shows a negative cumulative cash flow until year 14. 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 8th Street
General Partner Revenue - Workforce Housing
Draft as of 6/21/2023



Total Project Cost:
\$58,143,820

PFC Structuring Fee (\$1,000/ Unit)	\$	232,000.00
General Partner - GP (Annual LP \$224,669 Y1)		3,838,767.36
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)		436,315.32
Total GP Partnership Related Revenues	\$	4,507,082.69

15 Year Rent Subsidy	\$	15,941,352.28
GP Revenues + Rent Subsidy	\$	20,448,434.97

Estimate of Taxes Abated	\$20,753,378.86
Mil Rate	2.510380%
Cap Rate	6.50%
20% of Estimate of Taxes Abated	\$8,301,351.55

Footnote:

Total Cash Flow based off of "6.2.23 15 yr Bishop Arts From Template w Unit		
a.	Mix - 15yr - BB" numbers =	27,515,075.64
	Partnership Expenses =	9,377,530.36

Bishop 8th Street																		
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	\$ -	\$ 2,053,987	\$ 5,486,683	\$ 5,694,916	\$ 5,866,524	\$ 6,042,950	\$ 6,224,340	\$ 6,410,845	\$ 6,602,621	\$ 6,799,827	\$ 7,002,630	\$ 7,211,199	\$ 7,425,709	\$ 7,646,342	\$ 7,873,283	88,341,856	-	
Operating Expenses	\$ -	\$ 998,250	\$ 1,633,921	\$ 1,735,513	\$ 1,783,029	\$ 1,830,671	\$ 1,878,443	\$ 1,926,350	\$ 1,974,395	\$ 2,022,582	\$ 2,070,916	\$ 2,119,402	\$ 2,168,044	\$ 2,216,846	\$ 2,265,814	26,624,176		
Estimated Property Taxes (2.51038% MIL Rate)	203,045	1,202,736	1,238,818	1,275,982	1,314,262	1,353,690	1,394,300	1,436,129	1,479,213	1,523,590	1,569,297	1,616,376	1,664,868	1,714,814	1,766,258	20,753,379		
Operating Expenses With Taxes	203,045	2,200,986	2,872,739	3,011,495	3,097,291	3,184,361	3,272,743	3,362,479	3,453,608	3,546,172	3,640,213	3,735,778	3,832,912	3,931,660	4,032,072	47,377,555		
Total Developer's Estimated Debt Service	\$ -	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	\$ 2,443,043	34,202,604		
Net Operating Income	\$ (203,045)	\$ (146,999)	\$ 2,613,944	\$ 2,683,421	\$ 2,769,233	\$ 2,858,589	\$ 2,951,597	\$ 3,048,366	\$ 3,149,013	\$ 3,253,655	\$ 3,362,417	\$ 3,475,421	\$ 3,592,797	\$ 3,714,682	\$ 3,841,211	\$ 40,964,301		
Additional Income Needed to Achieve 1.15 DCR	\$ 203,045.06	\$ 2,956,498.45	\$ 195,555.52	\$ 126,079.06	\$ 40,266.53	\$ (49,089.61)	\$ (142,096.92)	\$ (238,865.91)	\$ (339,513.03)	\$ (444,155.63)	\$ (552,916.93)	\$ (665,921.01)	\$ (783,297.72)	\$ (905,182.69)	\$ (1,031,711.28)	\$ (1,631,306)		
DCR		-0.06	1.07	1.10	1.13	1.17	1.21	1.25	1.29	1.33	1.38	1.42	1.47	1.52	1.57			
CF Available for Waterfall after Hard Debt	(203,045)	(2,590,042)	170,901	240,377	326,190	415,546	508,553	605,322	705,970	810,612	919,373	1,032,377	1,149,754	1,271,639	1,398,168	6,761,697		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Fees	-	-	77,850	137,167	142,373	146,663	151,074	155,609	160,271	165,066	169,996	175,066	180,280	185,643	191,159	196,832	2,235,049	
Franchise Taxes	-	-	2,567	6,858	7,119	7,333	7,554	7,780	8,014	8,253	8,500	8,753	9,014	9,282	9,558	9,842	110,427	
Insurance - Property/Liability	-	-	162,207	199,752	205,320	210,888	216,456	222,024	227,592	233,160	238,728	244,296	249,864	255,432	261,000	266,568	3,193,287	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses Total	-	242,624	343,777	354,812	364,884	375,084	385,413	395,877	406,479	417,224	428,115	439,158	450,357	461,717	473,242	5,538,763		
Annual Cash Flow	(203,045)	(2,832,666)	(172,876)	(114,435)	(38,694)	40,462	123,140	209,445	299,491	393,388	491,258	593,219	699,397	809,922	924,926	1,222,934		
Cumalative Net Cash Flow	(203,045)	(3,035,711)	(3,208,587)	(3,323,022)	(3,361,716)	(3,321,254)	(3,198,113)	(2,988,668)	(2,689,177)	(2,295,789)	(1,804,531)	(1,211,311)	(511,914)	298,008	1,222,934			



City of Dallas Public Facility Corporation
Bishop 8th Street -Workforce Housing
Public Benefit
Draft as of 6/21/2023



Year	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Property Taxes	20,753,379	203,045	1,202,736	1,238,818	1,275,982	1,314,262	1,353,690	1,394,300	1,436,129	1,479,213	1,523,590	1,569,297	1,616,376	1,664,868	1,714,814	1,766,258
Rent Savings	15,941,352	857,112	882,825	909,310	936,589	964,687	993,628	1,023,437	1,054,140	1,085,764	1,118,337	1,151,887	1,186,443	1,222,037	1,258,698	1,296,459
Acquisition Fee	232,000	232,000														
Annual Lease Payment	3,838,767	0	224,669	231,409	238,351	245,502	252,867	260,453	268,267	276,315	284,604	293,142	301,936	310,994	320,324	329,934
General Contractor Fee	436,315	218,158	218,158													
Total	20,448,435	1,307,270	1,325,652	1,140,719	1,174,941	1,210,189	1,246,495	1,283,889	1,322,406	1,362,078	1,402,941	1,445,029	1,488,380	1,533,031	1,579,022	1,626,393

Public Benefit Percentage %	98.53%	Total rent savings + HFC/PFC revenue	÷	Total Property Taxes Abated
		20,448,435		20,753,379

Property Tax Abatement Analysis



Total Cost	58,143,820
NOI/TC	1.061465862 (assumed Cap)
Mil Rate	2.51%
Cap Rate	6.50%
Loaded Cap	9.01038%

City of Dallas Public Facility Corporation
Bishop 8th Street -Workforce Housing
Estimated Property Taxes
Draft as of 6/21/2023



80% of Total Cost As Assessed Value\$46,515,056.00

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
0.745800%	DALLAS	\$346,909.29	\$357,316.57	\$368,036.06	\$379,077.15	\$390,449.46	\$402,162.94	\$414,227.83	\$426,654.67	\$439,454.31	\$452,637.94	\$466,217.07	\$480,203.59	\$494,609.69	\$509,447.98	\$524,731.42	\$6,452,135.97
1.184935%	DALLAS ISD	\$551,173.18	\$567,708.37	\$584,739.63	\$602,281.81	\$620,350.27	\$638,960.78	\$658,129.60	\$677,873.49	\$698,209.69	\$719,155.98	\$740,730.66	\$762,952.58	\$785,841.16	\$809,416.40	\$833,698.89	\$10,251,222.49
0.227946%	DALLAS COUNTY	\$106,029.21	\$109,210.09	\$112,486.39	\$115,860.98	\$119,336.81	\$122,916.91	\$126,604.42	\$130,402.55	\$134,314.63	\$138,344.07	\$142,494.39	\$146,769.22	\$151,172.30	\$155,707.47	\$160,378.69	\$1,972,028.14
0.115899%	DALLAS COLLEGE	\$53,910.48	\$55,527.80	\$57,193.63	\$58,909.44	\$60,676.73	\$62,497.03	\$64,371.94	\$66,303.10	\$68,292.19	\$70,340.95	\$72,451.18	\$74,624.72	\$76,863.46	\$79,169.36	\$81,544.45	\$1,002,676.46
0.235800%	PARKLAND HOSPITAL	\$109,682.50	\$112,972.98	\$116,362.17	\$119,853.03	\$123,448.62	\$127,152.08	\$130,966.64	\$134,895.64	\$138,942.51	\$143,110.79	\$147,404.11	\$151,826.23	\$156,381.02	\$161,072.45	\$165,904.63	\$2,039,975.41
2.510380%	Total Taxes	\$1,167,704.66	\$1,202,735.80	\$1,238,817.88	\$1,275,982.41	\$1,314,261.89	\$1,353,689.74	\$1,394,300.43	\$1,436,129.45	\$1,479,213.33	\$1,523,589.73	\$1,569,297.42	\$1,616,376.35	\$1,664,867.64	\$1,714,813.66	\$1,766,258.07	\$21,718,038.47

2023 Total Assesed Value\$8,088,220.00

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
0.745800%	DALLAS	\$60,321.94	\$62,131.60	\$63,995.55	\$65,915.42	\$67,892.88	\$69,929.67	\$72,027.56	\$74,188.38	\$76,414.03	\$78,706.46	\$81,067.65	\$83,499.68	\$86,004.67	\$88,584.81	\$91,242.35	\$1,121,922.66
1.184935%	DALLAS ISD	\$95,840.15	\$98,715.35	\$101,676.81	\$104,727.12	\$107,868.93	\$111,105.00	\$114,438.15	\$117,871.30	\$121,407.43	\$125,049.66	\$128,801.15	\$132,665.18	\$136,645.14	\$140,744.49	\$144,966.83	\$1,782,522.69
0.227946%	DALLAS COUNTY	\$18,436.77	\$18,989.88	\$19,559.57	\$20,146.36	\$20,750.75	\$21,373.27	\$22,014.47	\$22,674.91	\$23,355.15	\$24,055.81	\$24,777.48	\$25,520.81	\$26,286.43	\$27,075.02	\$27,887.27	\$342,903.97
0.115899%	DALLAS COLLEGE	\$9,374.17	\$9,655.39	\$9,945.05	\$10,243.40	\$10,550.71	\$10,867.23	\$11,193.24	\$11,529.04	\$11,874.91	\$12,231.16	\$12,598.10	\$12,976.04	\$13,365.32	\$13,766.28	\$14,179.27	\$174,349.31
0.235800%	PARKLAND HOSPITAL	\$19,072.02	\$19,644.18	\$20,233.51	\$20,840.51	\$21,465.73	\$22,109.70	\$22,772.99	\$23,456.18	\$24,159.87	\$24,884.66	\$25,631.20	\$26,400.14	\$27,192.14	\$28,007.91	\$28,848.15	\$354,718.91
2.510380%	Total Taxes	\$203,045.06	\$209,136.41	\$215,410.50	\$221,872.82	\$228,529.00	\$235,384.87	\$242,446.42	\$249,719.81	\$257,211.40	\$264,927.75	\$272,875.58	\$281,061.85	\$289,493.70	\$298,178.51	\$307,123.87	\$3,776,417.53

Property	2023 Value	2023 Taxes
502 W 8th St	406,000	10,192.14
504 W 8th St	389,760	9,784.46
508 W 8th St	430,360	10,803.67
512 W 8th St	349,160	\$8,765.24
516 W 8th St	442,260	11,102.41
520 W 8th St	438,480	11,007.51
524 W 8th St	454,720	11,415.20
528 W 8th St	397,880	9,988.30
532 W 8th St	430,360	10,803.67
533 W 8th St	1,353,660	\$33,982.01
525 W 8th St	457,380	11,481.98
521 W 8th St	446,040	11,197.30
519 W 8th St	446,040	11,197.30
515 W 8th St	463,260	11,629.59
505 W 8th St	1,182,860	29,694.28
Totals	8,088,220	203,045



Dallas Public Facility Corporation
Bishop 8th Street -Workforce Housing
Rent Subsidy and Property Tax Abatement Comparison
Draft as of 6/21/2023



100% AMI - Dallas County			60% AMI			Rent Savings		80% AMI			Rent Savings		Market - Max Allowable AMI - [__]%			Rent Savings	Avg Savings	
			Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	Disc. % to Market	Monthly	Annual	Avg. Rent	Units	AMI %	Total Annual		
1,847	Efficiency		1,108	1	14%	182	2,184	1,478	3	-15%	(564)	(6,768)	1,290	2	70%	(4,584)	0.1	(0.4)
1,980	1bd/1ba		1,188	23	44%	21,758	261,096	1,584	91	26%	50,050	600,600	2,134	112	108%	861,696	10.2	23.5
Total/Avg			24	43.07%		21,940.00	263,280.00	94	24.49%		49,486.00	593,832.00	114			857,112	43.1%	24.5%

Unit Mix	# of Units
% at 60% AMI	24
% at 80% AMI	94
% at Market	114
Total	232

Rent Savings	
Year 1	857,112
Year 2	882,825
Year 3	909,310
Year 4	936,589
Year 5	964,687
Year 6	993,628
Year 7	1,023,437
Year 8	1,054,140
Year 9	1,085,764
Year 10	1,118,337
Year 11	1,151,887
Year 12	1,186,443
Year 13	1,222,037
Year 14	1,258,698
Year 15	1,296,459
Total	15,941,352