

August 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 Banyan Flats 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 \$444,048. Over a 10-year period the rents subsidy is estimated to be \$5,090,513 using a 3% escalator on future rents. The 80% rents provided by the developer show a 0% discount to market on the efficiency unit and a 9% discount to market on the 1 bedroom units. The 80% 2 and 3 bedroom units show a larger discount to market with a 20% discount and a 22% discount, respectively.
- **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
 - Sale or Refinance Fee (Not Included in GP Revenue Summary)
- **Estimated Property Taxes** – Construction has already begun on the property. As such three 10 year property tax estimates have been completed.
 1. Based on 80% of the total cost of the development
 2. Based on the 2023 assessed value per DCAD.
 3. Based on the 2020 pre-construction assessed value per DCAD

The remaining analysis that included 10 year estimated property taxes two years from the 2023 assessed value was used then eight years from 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 10-year period against the estimated property taxes over a 10-year period a Public Benefit Percentage of 62.98% 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 year 6 to 10 of the transaction will be under the 1.15 DCR threshold. Additionally, years 7 to 10 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

Banyan Flats

General Partner Revenue/Property Tax Abatement Analysis - Workforce Housing
Draft as of 8/17/2023



Total Project Cost
\$63,173,502

PFC Structuring Fee	\$	250,000.00
Annual Lease Payment (25% of estimated taxes)		2,740,013.29
General Partner - GP (15% of Net Sale Proceeds) First Sale		
General Partner - GP (2% of Gross Sale Price) Subsequent Sale		
Total GP Partnership Related Revenues	\$	2,990,013.29

10 Year Rent Subsidy	\$	5,090,512.68
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Estimate of Taxes Abated	\$12,831,260.33
Mil Rate	2.51038%
Cap Rate	6.50%
25% of Estimate of Taxes Abated	\$3,207,815.08

Footnote:

a.	Total Cash Flow based off of "4. 10 Year Proforma Updated" numbers =	15,384,488.59
	Partnership Expenses =	2,740,013.29
	Cash Flow	12,644,475.30



15 Year Pro Forma with Property Taxes
Dallas Public Facility Corporation
Banyan Flats



Proforma Year	1	2	3	4	5	6	7	8	9	10	Total
Effective Gross Income from Operations	\$ 931,933	\$ 5,678,382	\$ 5,791,949	\$ 5,907,788	\$ 6,025,944	\$ 6,146,463	\$ 6,269,392	\$ 6,394,780	\$ 6,522,676	\$ 6,653,129	56,322,437
Operating Expenses	\$ -	\$ -	\$ 354,482	\$ 1,292,119	\$ 1,333,710	\$ 1,367,492	\$ 1,402,133	\$ 1,437,653	\$ 1,474,076	\$ 1,511,424	10,173,088
Estimated Property Taxes (2.51038% MIL Rate)	424,801	437,546	1,345,981	1,386,360	1,427,951	1,470,790	1,514,913	1,560,361	1,607,171	1,655,387	12,831,260
Operating Expenses With Taxes	424,801	437,546	1,700,462	2,678,479	2,761,661	2,838,282	2,917,046	2,998,014	3,081,247	3,166,811	23,004,348
Total Developer's Estimated Debt Service	\$ -	\$ -	\$ -	\$ 1,747,806	\$ 2,621,709	\$ 3,235,470	\$ 3,542,351	\$ 3,542,351	\$ 3,542,351	\$ 3,542,351	21,774,388
Net Operating Income	\$ 507,132	\$ 5,240,836	\$ 4,091,487	\$ 3,229,309	\$ 3,264,284	\$ 3,308,181	\$ 3,352,347	\$ 3,396,766	\$ 3,441,428	\$ 3,486,318	\$ 33,318,089
Additional Income Needed to Achieve 1.15 DCR	\$ (507,131.65)	\$ (5,240,836.23)	\$ (4,091,487.03)	\$ (1,219,332.50)	\$ (249,318.06)	\$ 412,609.23	\$ 721,356.73	\$ 676,936.80	\$ 632,274.95	\$ 587,384.91	\$ (8,277,543)
DCR				1.85	1.25	1.02	0.95	0.96	0.97	0.98	
CF Available for Waterfall after Hard Debt	507,132	5,240,836	4,091,487	1,481,503	642,574	72,711	(190,004)	(145,584)	(100,922)	(56,032)	11,543,701

Property Tax Abatement Analysis



Dallas Public Facility Corporation
Banyan Flats



Total Cost	63,173,502
80% of Total Cost	50,538,802
NOI/TC	0.514670041 (assumed Cap)
Mil Rate	2.51038%
Cap Rate	6.50%
Loaded Cap	9.01038%

80% of Total Cost As Assessed Value \$50,538,801.60

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	Total
0.745800%	DALLAS	\$376,918.38	\$388,225.93	\$399,872.71	\$411,868.89	\$424,224.96	\$436,951.71	\$450,060.26	\$463,562.07	\$477,468.93	\$491,793.00	\$4,320,946.85
1.184935%	DALLAS ISD	\$598,851.95	\$616,817.51	\$635,322.03	\$654,381.69	\$674,013.14	\$694,233.54	\$715,060.54	\$736,512.36	\$758,607.73	\$781,365.96	\$6,865,166.47
0.227946%	DALLAS COUNTY	\$115,201.18	\$118,657.21	\$122,216.93	\$125,883.44	\$129,659.94	\$133,549.74	\$137,556.23	\$141,682.92	\$145,933.40	\$150,311.41	\$1,320,652.39
0.115899%	DALLAS COLLEGE	\$58,573.97	\$60,331.18	\$62,141.12	\$64,005.35	\$65,925.51	\$67,903.28	\$69,940.38	\$72,038.59	\$74,199.75	\$76,425.74	\$671,484.87
0.235800%	PARKLAND HOSPITAL	\$119,170.49	\$122,745.61	\$126,427.98	\$130,220.82	\$134,127.44	\$138,151.26	\$142,295.80	\$146,564.68	\$150,961.62	\$155,490.47	\$1,366,156.16
2.510380%	Total Taxes	\$1,268,715.97	\$1,306,777.45	\$1,345,980.77	\$1,386,360.19	\$1,427,951.00	\$1,470,789.53	\$1,514,913.21	\$1,560,360.61	\$1,607,171.43	\$1,655,386.57	\$14,544,406.73

2023 Assessed Value \$16,921,800.00

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	Total
0.745800%	DALLAS	\$126,202.78	\$129,988.87	\$133,888.53	\$137,905.19	\$142,042.35	\$146,303.62	\$150,692.72	\$155,213.51	\$159,869.91	\$164,666.01	\$1,446,773.49
1.184935%	DALLAS ISD	\$200,512.33	\$206,527.70	\$212,723.53	\$219,105.24	\$225,678.39	\$232,448.75	\$239,422.21	\$246,604.88	\$254,003.02	\$261,623.11	\$2,298,649.16
0.227946%	DALLAS COUNTY	\$38,572.57	\$39,729.74	\$40,921.64	\$42,149.28	\$43,413.76	\$44,716.18	\$46,057.66	\$47,439.39	\$48,862.57	\$50,328.45	\$442,191.24
0.115899%	DALLAS COLLEGE	\$19,612.20	\$20,200.56	\$20,806.58	\$21,430.78	\$22,073.70	\$22,735.91	\$23,417.99	\$24,120.53	\$24,844.14	\$25,589.47	\$224,831.86
0.235800%	PARKLAND HOSPITAL	\$39,901.60	\$41,098.65	\$42,331.61	\$43,601.56	\$44,909.61	\$46,256.90	\$47,644.60	\$49,073.94	\$50,546.16	\$52,062.54	\$457,427.18
2.510380%	Total Taxes	\$424,801.48	\$437,545.53	\$450,671.89	\$464,192.05	\$478,117.81	\$492,461.35	\$507,235.19	\$522,452.24	\$538,125.81	\$554,269.58	\$4,869,872.93

Pre-Construction Assessed Value \$835,511.00

Mil Rate	Taxing Authority	1	2	3	4	5	6	7	8	9	10	Total
0.745800%	DALLAS	\$6,231.24	\$6,418.18	\$6,610.72	\$6,809.05	\$7,013.32	\$7,223.72	\$7,440.43	\$7,663.64	\$7,893.55	\$8,130.36	\$71,434.20
1.184935%	DALLAS ISD	\$9,900.26	\$10,197.27	\$10,503.19	\$10,818.28	\$11,142.83	\$11,477.12	\$11,821.43	\$12,176.07	\$12,541.36	\$12,917.60	\$113,495.41
0.227946%	DALLAS COUNTY	\$1,904.51	\$1,961.65	\$2,020.50	\$2,081.11	\$2,143.55	\$2,207.85	\$2,274.09	\$2,342.31	\$2,412.58	\$2,484.96	\$21,833.12
0.115899%	DALLAS COLLEGE	\$968.35	\$997.40	\$1,027.32	\$1,058.14	\$1,089.89	\$1,122.58	\$1,156.26	\$1,190.95	\$1,226.68	\$1,263.48	\$11,101.03
0.235800%	PARKLAND HOSPITAL	\$1,970.13	\$2,029.24	\$2,090.12	\$2,152.82	\$2,217.40	\$2,283.93	\$2,352.44	\$2,423.02	\$2,495.71	\$2,570.58	\$22,585.39
2.510380%	Total Taxes	\$20,974.50	\$21,603.74	\$22,251.85	\$22,919.40	\$23,606.99	\$24,315.20	\$25,044.65	\$25,795.99	\$26,569.87	\$27,366.97	\$240,449.15



Dallas Public Facility Corporation
Banyan Flats



100% AMI		60% AMI				Rent Savings		80% AMI			Rent Savings		Market			Rent Savings		Avg Savings	
Avg. Rent	Bedroom	Sq. Ft.	Avg. Rent	Units	Benefit % Comp to Market	Monthly	Annual	Avg. Rent	Units	Benefit % Comp to Market	Monthly	Annual	Avg. Rent	Units	AMI %	Total Annual	60%	80%	
1,847	Efficiency	488	1,045	9	19%	2,160	25,920	1,285	35	0%	-	-	1,285	43	70%	25,920	1.7	-	
1,980	1bd/1ba	749	1,114	14	32%	7,490	89,880	1,501	54	9%	7,992	95,904	1,649	68	83%	185,784	4.5	4.8	
2,375	2bd/2ba	1,165	1,334	6	41%	5,556	66,672	1,798	25	20%	11,550	138,600	2,260	31	95%	205,272	2.5	5.1	
2,745	3bd/2ba	1,374	1,540	1	42%	1,110	13,320	2,077	2	22%	1,146	13,752	2,650	3	97%	27,072	0.4	0.4	
Total/Avg			1,152	30	30.33%	16,316.00	195,792.00	1,510	116	8.96%	20,688.00	248,256.00	1,692	145		444,048	30.33%	8.96%	

Unit Mix	# of Units
10% at 60% AMI	30
40% at 80% AMI	116
50% at Market	145
Total	291

	Units	Avg. Rent	Disc. to Market
Total Market Rate	145	1,692	
Total Affordable	146	1,436	15%

Year	Total	1	2	3	4	5	6	7	8	9	10
Property Taxes	12,831,260	424,801	437,546	1,345,981	1,386,360	1,427,951	1,470,790	1,514,913	1,560,361	1,607,171	1,655,387
Rent Savings	5,090,513	444,048	457,369	471,091	485,223	499,780	514,773	530,217	546,123	562,507	579,382
Acquisition Fee + Exit	250,000	250,000									
HFC Lease Payment	2,740,013			308,132	317,376	326,897	336,704	346,805	357,209	367,926	378,963
Total	8,080,526	694,048	457,369	779,223	802,599	826,677	851,477	877,022	903,332	930,432	958,345

Benefit % **62.98%** ** % of revenue to the HFC and rent savings and for property tax abatement