

July 1, 2019

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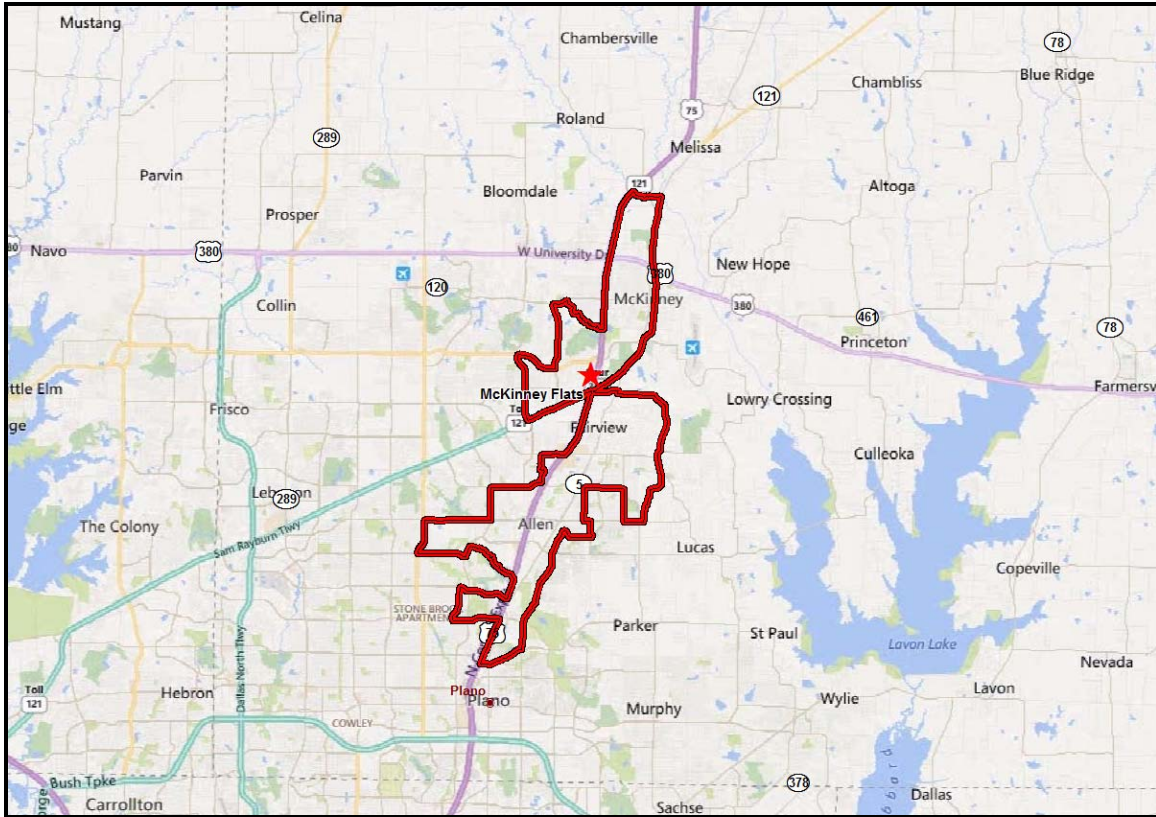
Re: Preliminary Analysis  
McKinney Flats  
McKinney, Texas

Greetings:

Per your request, we have conducted a preliminary demand analysis for the site located on Collin McKinney Parkway in McKinney, Collin County, Texas. A final analysis would be provided in a full market study.

**For this analysis, we utilized a “primary market area” encompassing 32.92 square miles. These boundaries follow the census tracts listed:**

Census Tracts	Census Tracts	Census Tracts	Census Tracts
<b>480850305.14</b>	<b>480850306.01</b>	<b>480850307.01</b>	<b>480850307.02</b>
<b>480850308.01</b>	<b>480850308.02</b>	<b>480850314.06</b>	<b>480850315.05</b>
<b>480850315.06</b>	<b>480850315.07</b>	<b>480850315.08</b>	<b>480850316.35</b>
<b>480850320.13</b>			



This area was used as it complies with the definition of a “Primary Market Area” (PMA) as defined by the Texas Department of Housing and Community Affairs (TDHCA). At the same time, the PMA was limited to a population of 100,000. The analyst expects additional demand to come from outside of the PMA

### HOUSEHOLD DEMAND

The MapInfo demographics estimate the demand growth for new rental units to be 148 units per year. The HISTA data suggests that the growth for new rental units will be 283 units per year.

**FORECAST APARTMENT HOUSEHOLD DEMAND TABLE - ANYSITE**

<b>YEAR</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>DEMAND</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>148</b>

**FORECAST APARTMENT HOUSEHOLD DEMAND TABLE - HISTA**

<b>YEAR</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>DEMAND</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>283</b>

**GAP DEMAND – HOUSEHOLD GROWTH BASED**

According to our sources, there are no other multifamily projects known to under construction, in lease-up, or in planning within the Primary Market Area.

**“GAP DEMAND”  
FUTURE DEMAND NET AGAINST FUTURE SUPPLY**

		<b>2019-2023</b>	<b>2020-2024</b>
<b>Data Source</b>		<b>MapInfo</b>	<b>HISTA</b>
<b>Total Demand 2019 to 2023</b>		<b>739</b>	<b>1,414</b>
<b>New Supply</b>	<b>Total</b>	<b>93% Stabilized</b>	<b>93% Stabilized</b>
<b>Projects in Lease-up</b>			
<b>Vera Watters Creek</b>	<b>266</b>	<b>107</b>	<b>107</b>
<b>The Reflection at Montgomery Ridge</b>	<b>342</b>	<b>268</b>	<b>268</b>
<b>Projects Under Construction</b>			
<b>729 Junction Drive</b>	<b>366</b>	<b>340</b>	<b>340</b>
<b>Montgomery Ridge I</b>	<b>363</b>	<b>338</b>	<b>338</b>
<b>Alexan Legacy Central I</b>	<b>385</b>	<b>358</b>	<b>358</b>
<b>The Kinstead</b>	<b>376</b>	<b>350</b>	<b>350</b>
<b>Citron Allen Station</b>	<b>445</b>	<b>414</b>	<b>414</b>
<b>Merritt McGowan Manor (LIHTC)</b>	<b>136</b>	<b>126</b>	<b>126</b>
<b>Projects in Planning</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subject</b>	<b>236</b>	<b>219</b>	<b>219</b>
<b>Total Supply Change In Market</b>	<b>2,915</b>	<b>2,521</b>	<b>2,521</b>
<b>Net Gap In Supply and Demand</b>		<b>-1,782</b>	<b>-1,107</b>

Based on the estimates provided by MapInfo and HISTA data, the market will be over - supplied over the next five years.

However, evidence suggests that LIHTC projects tend to derive most of their demand from households already living in the area. The “Overall Capture Rate” calculation in found 4,306 renter households that are income qualified. Thus in our mind, this project is feasible even without additional growth in the number of renter households.

Additionally, only one of the projects, Merritt McGowan Manor (136 units) currently in the supply pipeline will be affordable. All of the other projects currently in lease - up or under construction will target households with higher income. Many of those households will earn too much to qualify for the proposed subject's 60% AMI units.

### **BALANCE OF SUPPLY AND DEMAND**

The Primary Market Area is located primarily within portions of the Allen, Fairfield, and McKinney submarkets, as reported by Apartment MarketData. According to the Apartment MarketData Multi-Housing Market Condition Report for May 2019, 13,991 units were surveyed in these submarkets. The following table summarizes average occupancy, rents, and unit sizes for units within these submarket areas.

<b>2019</b>	<b>Units</b>	<b>Occupancy</b>	<b>Rate</b>	<b>Size</b>	<b>Occupied</b>	<b>Rent</b>
<1970	40	100.0%	\$1.399	740	40	\$1,035.26
1970's	60	100.0%	\$1.283	855	60	\$1,096.97
1980's	1,706	99.0%	\$1.283	811	1,689	\$1,041.02
1990's	2,715	97.8%	\$1.581	961	2,654	\$1,519.24
2000's	5,704	96.8%	\$1.368	979	5,520	\$1,340.24
2010's	3,766	97.3%	\$1.617	949	3,666	\$1,535.12
<b>Overall</b>	<b>13,991</b>	<b>97.4%</b>	<b>\$1.468</b>	<b>946</b>	<b>13,630</b>	<b>\$1,389.03</b>

The following table analyzes the current supply and demand for rental units. From this table, we assess that the PMA can immediately absorb 616 units without falling below a stabilized occupancy of 93%. This pent up demand will help insure absorption of the subject units.

<b>Total Units 2019</b>	<b>13,991</b>
<b>Total Units Vacant 2019</b>	<b>364</b>
<b>Units leased at Stabilized 93% occupancy</b>	<b>13,012</b>
<b>Units left to lease to reach 93% occupancy</b>	<b>(616)</b>

**CAPTURE RATE - AFFORDABLE UNITS**

**ELIGIBLE HOUSEHOLDS BY INCOME**

HH Size	50% of AMI		60% of AMI		70% of AMI	
	min	Max	min	max	min	max
1			\$28,050	\$34,920		
2			\$28,050	\$39,900		
3			\$33,660	\$44,880		
4			\$33,660	\$49,860		
5			\$38,880	\$53,880		
6			\$38,880	\$57,840		

**CALCULATION OF REQUIRED INCOME**

Unit Type	Income Type	Subject Rent	Utility Allowance	Total Rent	Max. Rent	Annual Income Req.	Annual Income Cap*
1-1	60%	\$ 885	\$ 50	\$ 935	\$ 935	\$ 28,050	\$ 39,900
2-2	60%	\$ 1,047	\$ 75	\$ 1,122	\$ 1,122	\$ 33,660	\$ 49,860
3-2	60%	\$ 1,201	\$ 95	\$ 1,296	\$ 1,296	\$ 38,880	\$ 57,840

**INCOME BANDING OF THE  
PRIMARY QUALIFIED RENTER HOUSEHOLDS**

SUBJECT	# OF	PERCENT
\$ 28,050 - \$ 29,999	211	1.5%
\$ 30,000 - \$ 39,999	1,306	9.3%
\$ 40,000 - \$ 49,999	1,743	12.3%
\$ 50,000 - \$ 57,840	1,046	7.4%
<b>Primary Qualified Households</b>	<b>4,306</b>	<b>30.5%</b>

HISTA Data

<b>ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY</b>		
<b>Type of Demand*</b>	<b>Units of Demand</b>	<b>% of Total Demand</b>
<b>2019</b>	<b>4,306</b>	<b>92.3%</b>
<b>2020 &amp; 2021</b>	<b>-63</b>	<b>-1.4%</b>
<b>External Demand (10%)</b>	<b>424</b>	<b>9.1%</b>
<b>TOTAL DEMAND</b>	<b>4,668</b>	<b>100.0%</b>

\* Income eligible without rental assistance

Now that we know the total demand, we have to account for other affordable projects in the trade area that have not leased up and maintained a stabilized occupancy of 90% for the previous 12 months. There are no other LIHTC projects known to be in planning or under construction within the PMA.

<b>TDHCA</b>	<b>Name of Project</b>	<b># of Units</b>	<b>Distance</b>	<b>Population</b>	<b># of HTC Units</b>
<b>TBD</b>	<b>Subject</b>	<b>236</b>	<b>-</b>	<b>Family</b>	<b>236</b>
<b>17036</b>	<b>Merritt McGowan</b>	<b>136</b>	<b>3.7 miles</b>	<b>Family</b>	<b>67</b>
				<b>TOTAL</b>	<b>303</b>

Based on the information taken table above, we calculate the inclusive capture rate for the subject to be as follows:

$$\frac{\text{Subject's L/I Units} + \text{Other Previous L/I Units}}{\text{Total Units of Income Qualified Demand}} = \text{Capture Rate}$$

$$\frac{303 \text{ Total L/I Units}}{4,668 \text{ Units of Demand}} = 6.5\% \text{ Capture Rate}$$

The TDHCA maximum capture rate of 10% for an urban project would allow for up to 400 additional 60% AGMI units within the PMA.

## **SUMMARY**

Based on our preliminary analysis, the subject will be readily accepted by the market. The overall average occupancy is 97.4% and the average rental rate for projects built since 2010 is \$1.617 per square foot. Maximum 60% AGMI rental rates would be readily achievable.

Sincerely,

*Rick Proffer*

Rick Proffer, CAPS, CPM  
Market Analyst