



Sphinx at Throckmorton Villas

A 219 Unit Affordable Mixed-Use Multifamily Development

SDC Throckmorton Villas, LP

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Executive Summary

Sphinx Development Corporation ('SDC') is proposing the development of **Sphinx at Throckmorton Villas** ('STV'), a mixed use/mixed multifamily affordable community of 219 apartment units and approximately 12,000 SF of commercial/retail space located at 820 East University Drive, McKinney, Collin County, Texas 75069.

SDC is seeking to partner with the McKinney Housing Finance Corporation ('McKinney HFC') on this development.

SDC estimates the development will cost approximately \$42.71 million: (eligible basis: \$38.03 million). Annual LIHTC from the development is estimated to be **\$1,632,067** priced at \$1 per credit.

The development will be owned by *SDC Throckmorton Villas, L.P.* Ownership interests will be held by an Investor Limited Partner ('ILP') **99.98%**, a Special Limited Partner **0.01%**, and **0.01%** by the GP.

The development will be financed from a combination of low income housing tax credits ('LIHTC'), tax exempt bonds and conventional loans:

- **\$15.89 million** in 4% LIHTC syndication proceeds sourced from the ILP;
- **\$28 million** in tax-exempt bonds issued by McKinney HFC during construction, paid down to **\$20.22 million** in primary debt post-construction;
- **\$2.13 million** in deferred developer fees;
- **\$3 million** TDHCA Multifamily Direct Loan.

The development will be comprised of 39 1BRs, 128 2BRs, 48 3BRs and 4 Live/Work units. 215 units (98%) will be affordable and marketed to families earning 50% to 60% of the area median income.

| Sources & Uses of Funds | |
|----------------------------------|----------------------|
| Permanent Loan | \$ 20,217,000 |
| LIHTC | \$ 15,688,713 |
| MDL Funds | \$ 3,000,000 |
| MDL Funds Match | \$ 150,000 |
| Deferred Development Fees | \$ 2,127,979 |
| Total Sources of Funds | \$ 41,183,692 |
| Acquisition Cost | \$ 1,425,000 |
| Construction Costs (Hard & Soft) | \$ 30,317,980 |
| Development Fees | \$ 4,769,828 |
| Reserves | \$ 3,361,942 |
| Financing Costs | \$ 1,308,942 |
| Total Uses of Funds | \$ 41,183,692 |

The Development will include an approximately 12,000 square foot retail space. Residents at the Development will enjoy a 6,000+ square foot club house equipped with a fitness center, business center and a community room. The Development will also offer a swimming pool, walking trail, barbecue/picnic areas, and controlled access to the property.

| Unit Mix | # of Units | Size | Rent |
|-------------------------------|------------|------------|---------------------|
| 1 BR/1BA | 39 | 718 SF | \$ 768 |
| 2 BR/2BA | 121 | 1,070 SF | \$ 915 |
| 3 BR/2BA | 50 | 1,337 SF | \$ 1,055 |
| Affordable Units | 215 | 234,951 SF | \$ 202,524 |
| L/W Units | 4 | | |
| Retail Space | | 12,392 SF | |
| Other Income | | | \$ 15,562 |
| GBA - Residential | | 249,211 SF | |
| GBA - Garage/Corr/Patios | | 66,542 SF | |
| TOTAL GBA | | 328,144 SF | |
| Potential Rental Income (PGI) | | | \$ 2,617,021 |
| Less: Vacancy Allowance | | | \$ 196,277 |
| Effective Gross Income (EGI) | | | \$ 2,420,745 |

Upon completion, the Development is projected to earn \$193,570 in cashflow after payment of expenses and debt service.

By the terms of the proposed partnership, McKinney HFC will be entitled to 25% of the developer fee and annual cashflow.



| Proposed Terms - McKinney HFC/SDC | |
|-----------------------------------|--------------|
| City of McKinney/HFC Funds | \$ - |
| Ad Valorem Tax Abatement | \$ 1,581,667 |
| Total City/HFC | \$ 1,581,667 |
| Cash Benefits to HFC - 25% DF&CF | |
| Total Developer Fee | \$ 1,192,457 |
| Cash portion - DevFee | \$ 660,462 |
| Deferred portion - DevFee | \$ 531,995 |
| Casflow Yr1~20 | \$ 1,361,219 |
| Total HFC | \$ 2,553,676 |

In addition, McKinney HFC will be required to:

- procure a 100% *ad valorem* tax abatement for the development;
- be the sole member of the General Partner, Throckmorton Villas Development GP, LLC (**GP**); and
- be the general contractor (of record) for the development (securing sales tax waivers on construction materials).

The development site which is approximately 12.75 acres, is within the McKinney Tax Increment Reinvestment Zone (**'TIRZ #1'**) and Brownfield Target Area (**'BTA'**): both programs drive economic investments. The site is also adjacent to the area under the Revitalization of the McKinney Downtown/Hwy 5 Corridor program. The Development will contribute to this revitalization efforts as well as benefit from the economic drive resulting from the TIRZ and BTA designation.

The site is currently zoned General Residential (RG-18) and ML (Light Manufacturing). A Planned Development Zoning application has been submitted to encompass the proposed development.

Construction of the development will be controlled by SDC Construction, LLC (**'SDC Construction'**, wholly owned by SDC). Post-construction, the development will be managed by Sphinx Residential, LLC (**'Sphinx Residential'**, also wholly owned by SDC). Sphinx Residential currently manages approximately 1409 units within 10 projects, all developed by SDC. Construction guarantees for the development will be provided by SDC and its principals.

| Annual Pro-Forma (@1.15 DCR) | |
|------------------------------|---------------|
| Effective Gross Income | \$ 2,420,745 |
| Operating Expenses | \$ 879,492 |
| Net Operating Income | \$ 1,541,252 |
| Debt Service @ 5% | \$ 1,224,429 |
| Operating Expense Ratio | 36.3% |
| Projected Permanent Debt | \$ 20,217,000 |
| Projected Annual Cashflow | \$ 193,570 |

SDC is a Dallas based real estate development company committed to affordable housing provision, with specialization in LIHTC. Major accomplishments are recent with more than 1,409 housing units within ten (10) projects targeted to families at or below 60% of the Area Median Gross Income (**AMGI**).

Our team members have extensive professional experience working on LIHTC projects, Public Housing Initiatives and Bond Programs; and most have national meritorious awards to validate their respective competence. Over the years, SDC has consistently achieved significant successes, much of which is attributed to its development team members.

One of our developments, ***Sphinx at Fiji Senior***, was a recipient of national honors for *Best Affordable Rental in 2011* and a National Association of Home Builders (**NAHB**) 50+ Housing Award Finalist. ***Villas at Vanston Park***, our most recently completed development was featured in local newspapers for its innovative design with retail frontage and live/work units. In addition the development initiated and is paving the way for the City of Mesquite's Casa View Heights Neighborhood Revitalization Plan.