



**MARKET ANALYSIS OF THE MCALLEN-EDINBURG-MISSION AND
THE BROWNSVILLE-HARLINGEN METROPOLITAN STATISTICAL
AREAS**

Date: September 5, 2008

Prepared For

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September 5, 2008

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Re: Market Analysis of the McAllen-Edinburg-Mission and the Brownsville-Harlingen Metropolitan Statistical Areas

Ms. Brenda Hull:

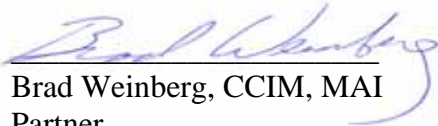
We are pleased to present our findings pursuant to your request. Thank you for the opportunity to be of service.

At your request, we prepared a Market Analysis of the McAllen-Edinburg-Pharr and Brownsville-Harlingen Metropolitan Statistical Areas (the McAllen and Brownsville MSAs) pursuant to the Request for Proposals submitted by the Texas Department of Housing and Community Affairs (TDHCA), including, but not limited to, the following:


- Characteristics, Current Demographic Data and Local Economy of the McAllen and Brownsville MSAs
- Analysis of Housing Survey Data in the McAllen and Brownsville MSAs - Existing, Under Construction, and Proposed
- Correlation of Supply and Demand in the McAllen and Brownsville MSAs, Summary and Conclusions

Please do not hesitate to contact us if there are any questions regarding the report or if Novogradac & Company LLP can be of further assistance. It has been our pleasure to assist you with this project.


Respectfully submitted,
Novogradac & Company LLP




Brad Weinberg, CCIM, MAI
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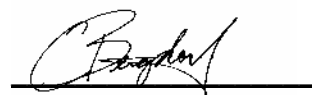
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
MCALLEN-EDINBURG-MISSION, TX MSA
AND
BROWNSVILLE-HARLINGEN, TX MSA
Housing Market Analysis

PROJECT SUMMARY

Introduction

Novogradac & Company, LLP has prepared a Housing Market Study of the McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs for the Texas Department of Housing and Community Affairs (TDHCA).

Methodology

Submarket Delineation

The McAllen-Edinburg-Mission Metropolitan Statistical Area consists of Hidalgo County in its entirety. The principal cities of the McAllen-Edinburg-Mission MSA are Edinburg, McAllen, Mission, Pharr, San Juan and Weslaco. The Brownsville-Harlingen Metropolitan Statistical Area consists of Cameron County in its entirety. The principal cities of the Brownsville-Harlingen MSA are Harlingen, Brownsville, and San Benito. We have consulted several research data sources to aid in determining the number of submarkets and their boundaries for each MSA. We have delineated seven submarkets in the McAllen-Edinburg-Mission MSA and four submarkets in the Brownsville-Harlingen MSA. The submarket boundaries were drawn taking into account competition among developments for residents, natural and man-made boundaries—such as bodies of water, freeways, etc.—and interviews with developers and other stakeholders in the area.

Community Characteristics, Current Demographic Data and Local Economy

We have provided an analysis of the changes and trends in the demographics and local economy for the McAllen and Brownsville MSAs and each individual submarket. This analysis examines the past ten years of demographic data, which will include population, household composition, age, ethnicity and gender, income, housing tenure, housing, affordability, industry, labor force and employment trends, and building permit data. The analysis also includes current and five-year projections of the demographic data.

Housing Supply

We attempted to identify all existing, proposed, and under construction LIHTC, subsidized and market rate developments in each Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers. Our survey collected data in each submarket to determine typical pricing, occupancy, sales or absorption pace, amenities offered, turnover, unit types and sizes, and assess the at-large community and the elements that prohibit or enhance housing availability and affordability. In addition, we have provided an inventory of all existing affordable housing, including Public Housing, Housing Choice Vouchers currently in use, waiting list information for affordable housing and a review of projects that are planned or under construction to assess each

submarket's and the MSA's ability to meet the need for housing and to estimate future housing trends.

Demand Analysis

As outlined in the study requirements, our estimate of demand for affordable rental housing in each submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

The following summarizes the demand analysis conclusions for each Submarket.

North Hidalgo County

All Households

The North Hidalgo County Submarket reports only 97 renter households, of which 73 earn below 100 percent of AMI. Over half of these renter households are earning below 40 percent of AMI. The analysis of income-qualified renter households in the Submarket indicates that, when turnover is factored in, there may be a need for 20 units of affordable housing targeting households earning less than 40 percent of AMI. With no identifiable rental developments in the Submarket, many of these households may be living in single-family rental houses, mobile homes, or in units that are older and possibly functionally obsolete. In addition, there may be some pent-up demand from owner households looking to improve their current housing situation.

Senior Households

According to the analysis of income-qualified renter households presented here, there is no quantifiable demand for affordable units targeting seniors in the North Hidalgo County Submarket. However, as with the analysis of all households, there may be some pent-up demand from senior homeowners looking transition from homeownership to lower maintenance rental housing.

West Hidalgo County

All Households

The analysis of income-qualified renter households in the West Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 25 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. The proposed reconstruction of 50 units to provide affordable units to households earning less than 30 percent of AMI should help to meet some of the continuing need for housing at the lowest income levels in the West Hidalgo County Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 24 subsidized units serving low-income senior households in the West Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional subsidized or LIHTC units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

West Central Hidalgo County

All Households

The analysis of income-qualified renter households in the West Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 25 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain the 6.0 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 2.9 percent. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than average vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 120 subsidized units serving low-income senior households in the West Central Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

South Central Hidalgo County

All Households

As with the other Submarkets in the McAllen-Edinburg-Mission, TX MSA, the analysis of income-qualified renter households in the South Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less; however, occupancy rates at the surveyed family LIHTC and subsidized properties in the Submarket are very low, indicating that there is a sufficient number of income-qualified renter households to support existing affordable housing units. Even with an estimated 486 new family units and 142 new senior units targeting households at 30 to 60 percent of AMI in planning stages or under construction, the number of income-qualified households projected through 2012 shows a strong increase. Although the planned and under construction units will meet some of the affordable housing needs of the Submarket, a growing number of income-qualified households indicates that the need for additional affordable housing units will persist in the Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are approximately 56 subsidized units serving low-income senior households in the South Central Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. The Submarket currently has 142 new subsidized and LIHTC units for seniors in the planning stages. While this will help to address the need for affordable housing targeting seniors in the Submarket, additional housing will likely still be needed for senior households at the very lowest income levels.

Southeast Hidalgo County

All Households

The analysis of income-qualified renter households in the Southeast Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that 28 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less, with the smallest number of income-qualified households falling in the 51 to 60 percent of AMI income group. This may explain the 3.8 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 2.3 percent. Additionally, it is of note that all of the vacant LIHTC units in the Submarket are at the 60 percent of AMI level. The income-qualified renter households at the 61 to 80 percent AMI level comprise the second largest income group in the Submarket. This suggests that the vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among

households earning less than 30 percent of AMI. Currently, a 100-unit senior public housing development in the Submarket is undergoing renovations with tax credit funds allocated in 2006. Although the goal of the development is to replace existing housing, tenants have been displaced and some lease-up of the property may be needed. It is for this reason that we have deducted the units from the demand analysis. The only LIHTC/USDA senior property we were able to interview has a waiting list of one year and a very low 2.0 percent turnover rate. Despite the possibility of serving some additional households with the renovated units, the analysis above indicates that there is likely still an unmet need for additional affordable senior housing units in this Submarket.

East Hidalgo County

All Households

The analysis of income-qualified renter households in the East Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that almost one-third of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Although the effective vacancy rate for family LIHTC units in the Submarket is zero percent, there are 183 new LIHTC units expected to enter the market in the next six to 18 months. With a limited number of income-qualified renter households at the 51 to 60 percent AMI level, new units at 60 percent of AMI may have difficulty attracting appropriately qualified tenants. Already, one of the family LIHTC properties in the Submarket is offering a concession of one month free rent. This indicates that the new units in the market may experience a somewhat slower than average absorption period, and concessions may be needed to attract and maintain tenants in units at the 60 percent set-aside. However, it should be noted that with a high incidence of overcrowding in the Submarket, additional demand may be generated from owner households looking to improve their current housing situation.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 138 subsidized units serving low-income senior households in the East Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. The 30 units under construction at El Paraiso will help to meet this continuing need, without significant impact to existing affordable housing developments for seniors in the Submarket.

Central Hidalgo County All Households

The analysis of income-qualified renter households in the Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that almost 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain the 13.2 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 6.5 percent. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than average vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Interviews with property managers at the Submarket's LIHTC properties provide further anecdotal evidence that this is indeed the case. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Although there are no new family LIHTC units proposed for the market, and new units at the 60 percent of AMI level in the market may experience a somewhat slower than average absorption period, and concessions may be needed to attract and maintain tenants in units at the 60 percent set-aside. However, it should be noted that with a high incidence of overcrowding in the Submarket, additional demand may be generated from owner households looking to improve their current housing situation.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Villa Estrella Trevino is a proposed senior LIHTC development to be located in Edinburg. This development was allocated tax credit funding in 2007; it will offer 17 units at 30 percent of AMI, 144 units at 60 percent of AMI and seven market rate units. As shown in the demand analysis above, it appears that there is an insufficient number of income-qualified senior households at the 60 percent of AMI level to support the proposed number of units.

It should be noted that Villa Estrella Trevino is being developed in conjunction with the Edinburg Housing Authority. The housing authority currently reports a waiting list of over 1,000 households, one-third of which are senior households. Additionally, Edinburg's last affordable units for seniors were constructed in 1975. It is anticipated that many of the units at 60 percent of AMI may be occupied by Housing Choice Voucher Holders from the Edinburg Housing Authority waiting list. Based on the demand analysis of senior renter households, there appears to be adequate demand for additional affordable housing for seniors at the lowest income levels.

West Cameron County

All Households

The analysis of income-qualified renter households in the West Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that nearly 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain why the only vacant LIHTC units in the market are at the 60 percent AMI level. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. With no additional LIHTC or subsidized units planned, there is likely an unmet need for additional affordable housing units at the lowest income levels in this Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 221 subsidized units serving low-income senior households in the West Cameron County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC or subsidized units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

South Cameron County

All Households

The analysis of income-qualified renter households in the South Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. It is estimated that by 2012, there will be an additional 828 renter households earning below 30 percent of the AMI. When this number is refined to account for households paying more than 35 percent of income as rent, households living in substandard units, households living in overcrowded conditions and turnover, there is potential demand from 653 of these households. With no additional planned subsidized or LIHTC units, and near 100 percent occupancy of existing affordable units, it is highly likely that there will be a continuing need for affordable housing in the Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. In fact, senior households account for nearly 30 percent of the potential demand in the Submarket for units at less than 30 percent of the AMI. With no additional LIHTC or subsidized units for seniors planned, there is likely a continuing need for additional affordable senior housing units in this Submarket.

Central Cameron County

All Households

As will the other Submarkets, the analysis of income-qualified renter households in the Central Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 26 percent of households in the Submarket earn less than \$15,000 annually. Currently, there are no LIHTC units serving the affordable housing needs of residents in the Submarket. The 81 units of subsidized housing for families in the Submarket are 100 percent occupied, with waiting lists reported. This evidence, along with the analysis of income-qualified renter households, indicates that there is a persistent need in the Submarket for additional affordable housing units targeting families. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Similarly, there are no LIHTC units and only 38 subsidized units serving low-income senior households in the Central Cameron County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC units planned, and waiting lists reported at the two existing subsidized senior developments, there is likely an unmet need for additional affordable senior housing units in this Submarket.

East Cameron County

All Households

The analysis of income-qualified renter households in the East Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that nearly 20 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. With no planned or proposed affordable housing units in the submarket, there may be moderate demand for additional affordable housing serving the very lowest income households.

Senior Households

Demand from income-qualified senior renter households is similar to that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI, with senior households accounting for nearly 33 percent of the demand at the lowest income levels in the Submarket. With no identified subsidized units for seniors in the submarket and none planned, there is likely an unmet need for a small number of affordable senior housing units in this Submarket.

Summary and Conclusions

Housing Choice Voucher Information

Data on the percentage of tenants using Housing Choice Vouchers was available from 24 of the surveyed LIHTC properties in the McAllen-Edinburg-Mission MSA. The survey indicates that approximately 40.8 percent of tenants in LIHTC properties are using Housing Choice Vouchers. In the Brownsville-Harlingen MSA, managers at 24 of the surveyed LIHTC properties report that approximately 33.9 percent of tenants are using Housing Choice Vouchers.

McAllen-Edinburg-Mission, TX MSA

We surveyed 96 properties in the McAllen-Edinburg-Mission, TX MSA. The table below summarizes the overall vacancy rates at the surveyed LIHTC, market rate and subsidized properties in each Submarket for the MSA.

Overall Vacancy Rates in McAllen-Edinburg-Mission, TX MSA				
Submarket Number	Submarket Name	LIHTC/ Subsidized Vacancy Rate	Market Vacancy Rate	Overall Vacancy Rate
1	North Hidalgo County	N/A	N/A	N/A
2	West Hidalgo County	0.0%	12.2%	12.2%
3	West Central Hidalgo County	3.1%	4.0%	3.5%
4	South Central Hidalgo County	2.3%	3.5%	3.0%
5	Southeast Hidalgo County	3.1%	3.7%	3.2%
6	East Hidalgo County	1.0%	N/A	1.0%
7	Central Hidalgo County	10.8%	6.5%	8.9%
Averages		5.5%	6.0%	5.7%

LIHTC Housing Market

The following tables summarize the LIHTC housing market in all Submarkets of the McAllen-Edinburg-Mission, TX MSA.

Age of LIHTC Housing in McAllen-Edinburg-Mission, TX MSA		
Years	Number of Units	Percent of Housing Stock
2000-Present	2,664	84.1%
1990-1999	505	15.9%
1980-1989	0	0.0%
1970-1979	0	0.0%
1960-1969	0	0.0%
Total	3,169	100%

As the table above shows, the majority of the LIHTC rental housing in the MSA was built after 2000. There are no LIHTC units in the market that were built before 1990.

McAllen-Edinburg-Mission, TX MSA ALL LIHTC Unit Mix		
Unit Type	Total Units (Comps)	Percent (Comps)
Studio	0	0%
1 BR	291	10%
2 BR	1,277	46%
3 BR	1,149	41%
4 BR	57	2%
Total	2,774	100%

As the table above shows, two- and three-bedroom units dominate the LIHTC housing market in the McAllen-Edinburg-Mission, TX MSA. Of the 2,774 LIHTC units surveyed, 46 percent of the units are two-bedrooms and 41 percent of the units are three-bedrooms. The 2,774 surveyed LIHTC units represent 87.2 percent of the total 3,180 LIHTC units in the MSA.

McAllen-Edinburg-Mission, TX MSA All LIHTC Unit Size Comparison			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	500	750	652
2 BR	750	1,119	901
3 BR	1,000	1,250	1,132
4 BR	1,360	1,360	1,360

The table above summarizes the square footages of the LIHTC units in the McAllen-Edinburg-Mission, TX MSA. One-bedroom LIHTC units average 652 square feet, two-bedroom LIHTC units average 901 square feet, three-bedroom LIHTC units average 1,132 square feet and four-bedroom LIHTC units average 1,360 square feet.

McAllen-Edinburg-Mission, TX MSA All LIHTC Rents			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	\$182	\$499	\$381
2 BR	\$210	\$600	\$461
3 BR	\$258	\$700	\$539
4 BR	\$374	\$627	\$573

The table above summarizes the LIHTC rents at the surveyed LIHTC properties in the McAllen-Edinburg-Mission, TX MSA. One-bedroom LIHTC units in the MSA are charging an average rent of \$381. Two-bedroom LIHTC units are charging an average rent of \$461. Three-bedroom units are charging an average of \$539 and four-bedroom units are charging an average of \$573. On average, the LIHTC rents are significantly lower than the market rate rents in the MSA, giving the LIHTC units a significant rent advantage.

Market Rate Housing Market

The following tables summarize the market rate housing market in all Submarkets of the McAllen-Edinburg-Mission, TX MSA.

Age of Market Rate Housing in McAllen-Edinburg-Mission, TX MSA		
Years	Number of Units	Percent of Housing Stock
2000-Present	1,361	36.1%
1990-1999	824	21.8%
1980-1989	1,018	27.0%
1970-1979	572	15.2%
Total	3,775	100%

As the table above shows, the majority of the market rate rental housing in the MSA was built after 2000 and during the 1980s.

McAllen-Edinburg-Mission, TX MSA All Market Rate Unit Mix		
Unit Type	Total Units (Comps)	Percent (Comps)
Studio	4	0%
1 BR	1,451	43%
2 BR	1,713	51%
3 BR	175	5%
4 BR	0	0%
Total	3,343	100%

As the table above shows, one- and two-bedroom units dominate the market rate housing market in the McAllen-Edinburg-Mission, TX MSA. Of the 3,343 market rate units surveyed, 43 percent of the units are one-bedrooms and 51 percent of the units are two-bedrooms.

McAllen-Edinburg-Mission, TX MSA All Market Rate Unit Size Comparison			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	450	450	450
1 BR	500	1,072	731
2 BR	750	1,702	991
3 BR	995	1,687	1,220

The table above summarizes the square footages of the market rate units in the McAllen-Edinburg-Mission, TX MSA. Studio market rate units average 450 square feet, one-bedroom market rate units average 731 square feet, two-bedroom market rate units average 991 square feet and three-bedroom market rate units average 1,220 square feet. On average, the LIHTC units in the MSA are larger than the market rate units.

McAllen-Edinburg-Mission, TX MSA All Market Rate Rents			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	\$565	\$565	\$565
1 BR	\$350	\$1,000	\$575
2 BR	\$425	\$940	\$645
3 BR	\$525	\$1,350	\$863

Studio market rate units in the MSA are charging an average rent of \$565 and one-bedroom market rate units in the MSA are charging an average rent of \$575. Two-bedroom market rate units are charging an average rent of \$645 and three-bedroom market rate units in the MSA are charging an average rent of \$863. On average, the market rents in the MSA are significantly higher than the LIHTC rents.

Brownsville-Harlingen, TX MSA

We surveyed 68 properties in the Brownsville-Harlingen, TX MSA. The tables below summarize the overall vacancy rates at the surveyed LIHTC, market rate and subsidized properties in each Submarket for the MSA. As some of the LIHTC properties surveyed also operated with rental subsidies, we have combined the LIHTC and subsidized properties into the same analysis.

Overall Vacancy Rates in Brownsville-Harlingen, TX MSA				
Submarket Number	Submarket Name	LIHTC/ Subsidized Vacancy Rate	Market Vacancy Rate	Overall Vacancy Rate
1	West Cameron County	4.4%	5.9%	5.0%
2	South Cameron County	3.7%	2.3%	2.9%
3	Central Cameron County	0.0%	N/A	0.0%
4	East Cameron County	29.7%	N/A	29.7%
Averages		3.8%	3.9%	3.8%

LIHTC Housing Market

The following tables summarize the LIHTC housing market in all Submarkets of the Brownsville-Harlingen, TX MSA.

Age of LIHTC Housing in Brownsville-Harlingen, TX MSA		
Years	Number of Units	Percent of Housing Stock
2000-Present	1,056	64.9%
1990-1999	466	28.7%
1980-1989	0	0.0%
1970-1979	0	0.0%
1960-1969	104	6.4%
Total	1,626	100%

As the table above shows, the majority of LIHTC housing in the MSA was built after 2000.

Brownsville-Harlingen, TX MSA All LIHTC Unit Mix		
Unit Type	Total Units (Comps)	Percent (Comps)
Studio	0	0%
1 BR	186	14%
2 BR	536	39%
3 BR	484	35%
4 BR	168	12%
Total	1,374	100%

As the table above shows, two- and three-bedroom units dominate the LIHTC housing market in the Brownsville-Harlingen, TX MSA. Of the 1,374 LIHTC units we surveyed, 39 percent of the units are two-bedrooms and 35 percent of the units are three-bedrooms.

Brownsville-Harlingen, TX MSA All LIHTC Unit Size Comparison			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	575	750	644
2 BR	713	1,044	896
3 BR	960	1,211	1,091
4 BR	1,219	1,324	1,270

The table above summarizes the square footages of the LIHTC units in the Brownsville-Harlingen, TX MSA. One-bedroom LIHTC units average 644 square feet, two-bedroom LIHTC units average 896 square feet, three-bedroom LIHTC units average 1,091 square feet and four-bedroom LIHTC units average 1,270 square feet.

Brownsville-Harlingen, TX MSA All LIHTC Rents			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	\$460	\$557	\$504
2 BR	\$585	\$650	\$611
3 BR	\$695	\$790	\$728
4 BR	\$750	\$750	\$750

One-bedroom LIHTC units in the MSA are charging an average rent of \$504. Two-bedroom LIHTC units are charging an average rent of \$611. Three-bedroom units are charging an average of \$728 and four-bedroom units are charging an average of \$750. On average, LIHTC rents in the MSA are significantly above the market rate rents.

Market Rate Housing Market

The following tables summarize the market rate housing market in all Submarkets of the Brownsville-Harlingen, TX MSA.

Age of Market Rate Housing in Brownsville-Harlingen, TX MSA		
Years	Number of Units	Percent of Housing Stock
2000-Present	606	17.0%
1990-1999	308	8.7%
1980-1989	848	23.8%
1970-1979	1,364	38.3%
1960-1969	435	12.2%
Total	3,561	100%

As the table above shows, the majority of market rate units in the MSA were built during the 1970s and 1980s.

Brownsville-Harlingen, TX MSA All Market Rate Unit Mix		
Unit Type	Total Units (Comps)	Percent (Comps)
Studio	48	2%
1 BR	1,250	42%
2 BR	1,436	49%
3 BR	209	7%
4 BR	4	0%
Total	2,947	100%

As the table above shows, one- and two-bedroom units dominate the market rate housing market in the Brownsville-Harlingen, TX MSA. Of the 2,947 market rate units we surveyed, 42 percent of the units are one-bedrooms and 49 percent of the units are two-bedrooms.

Brownsville-Harlingen, TX MSA All Market Rate Unit Size Comparison			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	498	545	522
1 BR	500	1,015	695
2 BR	655	1,300	999
3 BR	1,000	1,600	1,266
4 BR	1,989	1,989	1,989

The table above summarizes the square footages of the market rate units in the Brownsville-Harlingen, TX MSA. Studio market rate units average 522 square feet, one-bedroom market rate units average 695 square feet, two-bedroom market rate units average 999 square feet, three-bedroom market rate units average 1,266 square feet and four-bedroom market rate units average 1,989 square feet.

Brownsville-Harlingen, TX MSA All Market Rents			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	\$360	\$409	\$385
1 BR	\$300	\$881	\$500
2 BR	\$411	\$964	\$607
3 BR	\$502	\$1,010	\$678
4 BR	\$650	\$650	\$650

Studio market rate units in the MSA are charging an average rent of \$385 and one-bedroom market rate units in the MSA are charging an average rent of \$500. Two-bedroom market rate units are charging an average rent of \$607 and three-bedroom market rate units in the MSA are charging an average rent of \$678. Four-bedroom market rate units in the MSA are charging an average rent of \$650. It should be noted one surveyed property offers four-bedroom units. According to property managers in the MSA, and based on the lack of rental rate increases in the market, rents are kept artificially low to maintain higher occupancy levels.

**MCALLEN-EDINBURG-MISSION, TX MSA
REGIONAL AND COMMUNITY
CHARACTERISTICS,
CURRENT DEMOGRAPHIC DATA AND
REGIONAL ECONOMY**

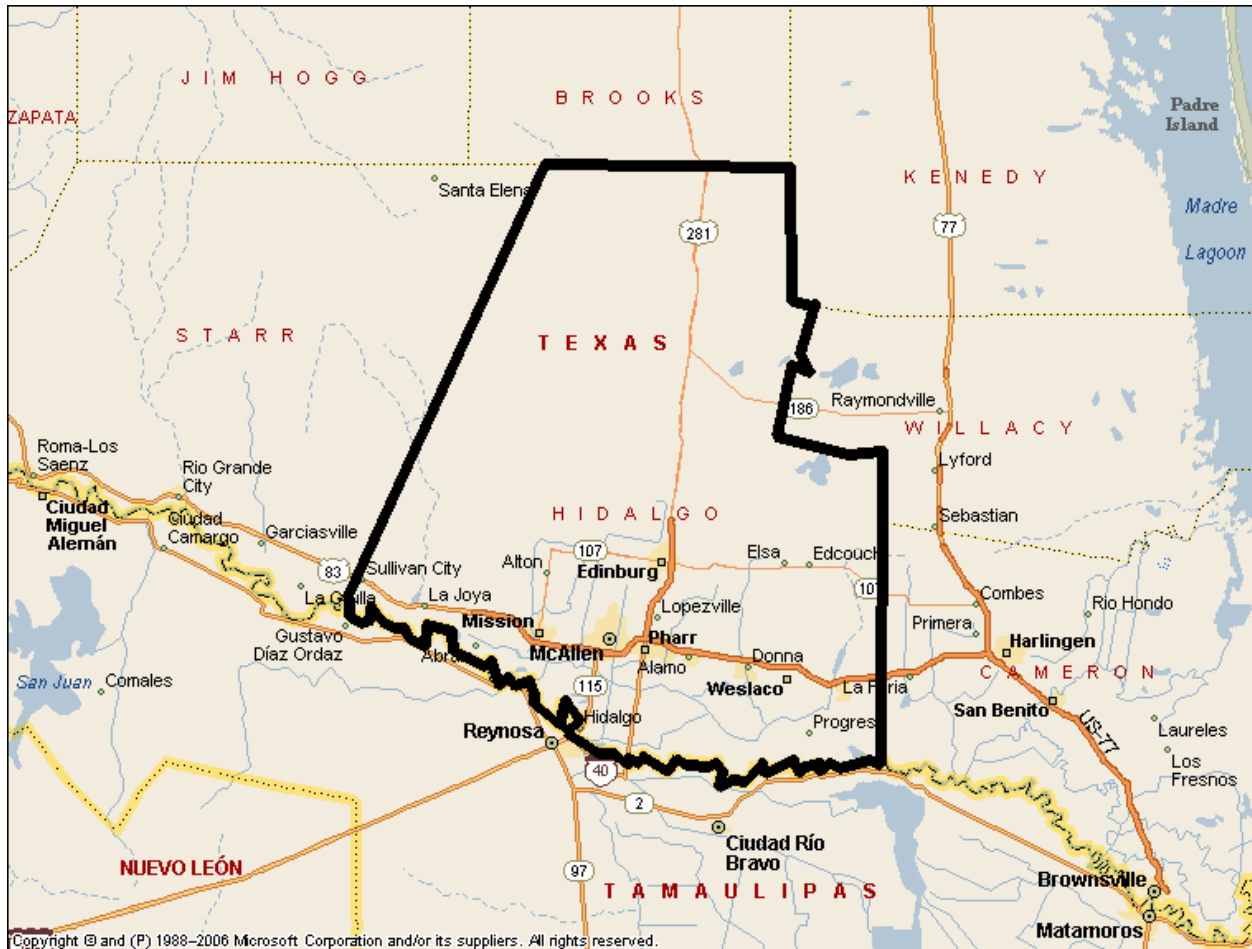
MCALLEN-EDINBURG-MISSION, TX MSA REGIONAL AND LOCAL AREA CHARACTERISTICS

INTRODUCTION

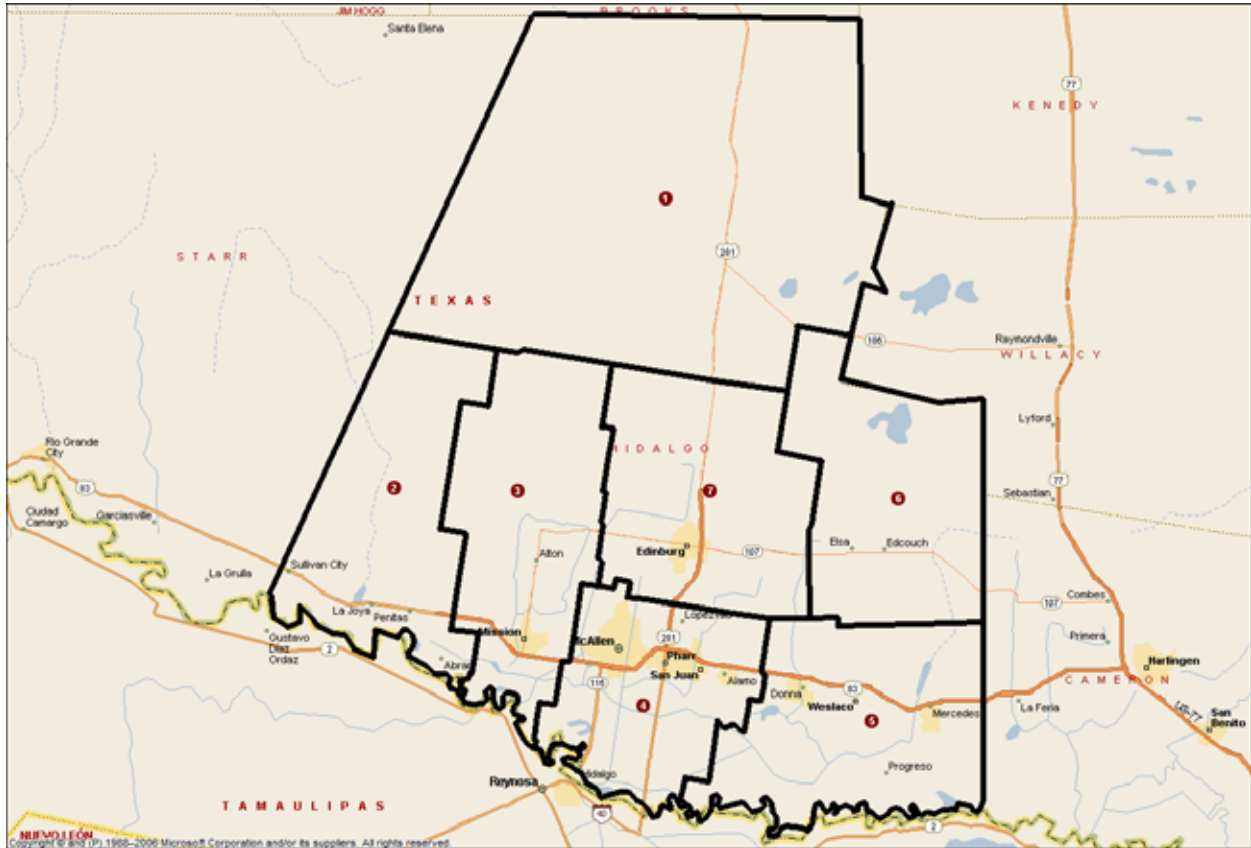
The following sections will project the estimated housing needs for the ensuing five-year period (2007-2012). The data is based on Novogradac and Company LLP research and analysis of ESRI Business Information Solutions and Census data as well as in-depth interviews with local market participants.

McAllen-Edinburg-Mission MSA

The primary market area is defined as the McAllen-Edinburg-Mission MSA, which is comprised entirely of Hidalgo County. This area was defined based on the client’s specifications. The following map illustrates the boundaries of the PMA as defined above.



The following map shows the seven submarkets of the McAllen-Edinburg-Mission, TX MSA.



Submarket Number	Submarket Name
1	North Hidalgo County
2	West Hidalgo County
3	West Central Hidalgo County
4	South Central Hidalgo County
5	Southeast Hidalgo County
6	East Hidalgo County
7	Central Hidalgo County

Overview

The McAllen-Edinburg-Mission MSA is located in the Rio Grande Valley of south Texas, which is comprised of Hidalgo County and covers a land area of 1,570 square miles. Principal cities and towns in Hidalgo County include La Joya (estimated population 4,625), Sullivan City (4,407), Penitas (1,185), Mission (63,272), Alton (4,384), McAllen (126,411), Hidalgo (11,357), San Juan (32,319), Pharr (61,360), Lopezville (4,476), Edinburg (66,672), Alamo (16,287), Donna (16,449), Weslaco (32,092), Progreso (5,309), Mercedes (14,734), Elsa (6,608), and Edcouch (4,414) Hidalgo, Starr, and Willacy. The City of McAllen is in the geographic center the region.

ECONOMIC ANALYSIS

Previously an agriculture-based economy characterized by sporadic growth, the McAllen-Edinburg-Mission MSA's economy is currently experiencing a surge in development due primarily to growth in the international trade, retail trade, tourism, and manufacturing industries. A major international and domestic retail center, 40 of America's top 100 retailers reside in McAllen and approximately 80 of Fortune 500's global manufacturers have operations in the McAllen/Reynosa region, including AT&T, Bissel, Black & Decker, BMW, Delco, Drexel Meyer, Eaton, Emerson, GE, Johnson Controls, Nokia, R. R. Donnelley & Sons, Panasonic, Siemens, Sony, Symbol, TRW, West Bend and Whirlpool. Access to the U.S.-Mexico Border is a critical component to the stability of the McAllen-Edinburg-Mission MSA economy.

The City of McAllen has owned and operated the Hidalgo/Reynosa International Bridge, linking the United States and Mexico, since 1960. Typical two-way traffic volume consists of 26,000 vehicles (non-commercial transits) per day and over 10,000 pedestrians per day. The Pharr-Reynosa International Bridge, located four miles east of the Hidalgo/Reynosa crossing, has been open since January 1995 and two-way traffic is currently 13,694 cars and trucks per day. A third international bridge broke ground in June 2007 and is currently under construction. The Anzalduas International Crossing is the nation's newest crossing into northern Mexico and will be located just south of the City of McAllen in Hidalgo County. With the final federal approval processes completed by both the United States and Mexico, completion of the project is scheduled for June 2009. The Anzalduas International Crossing will connect the most efficient and modern distribution route between the United States, Mexico, and Canada, and has an estimated construction cost of \$28,500,000.

Current economic indicators suggest that the MSA is experiencing the effects of the national economic downturn, despite recent years characterized by high growth in employment, wages, and population. According to the April 2008 Economic Pulse Report published by the McAllen Chamber of Commerce, The McAllen Economic Index (MEI) posted slight year-over-year negatives in March and April of 2008; March marks the first time a monthly index value has fallen below the same month the prior year in the history of the McAllen Economic Pulse. The McAllen metro area economy has slowed noticeably in recent months after peaking mid-year 2007. A number of year-over-year negatives conspired to push the April McAllen Economic Index down to 185.1, down from 185.2 in March, and 186.1 in February. The April 2008 index is 0.7 percent below the April 2007 MEI of 186.4.

General consumer activity in the metro area has slowed thus far in 2008 with inflation-adjusted retail sales down 3.7 percent in April 2008 compared to April of a year ago. The year-to-date retail total is about 2.5 percent lower as compared to the first four months of 2007. Metro area job growth continues at a moderate rate of approximately 2.5 percent, representing an estimated 5,300 jobs added over the last 12 months. The unemployment rate continues to decline, as well, and was 5.7 percent as of April 2008.

Auto sales have flattened, but are basically level for the year-to-date 2008; These numbers were very high in 2007 (the April '07 YTD total was over 20 percent higher than the YTD 2006 sales total). McAllen hotel/motel tax receipts are currently flat as well, but as previously mentioned, last year's numbers were high, so the economic contribution from travel and tourism remains high, but has leveled in recent months. Enplanements at McAllen International Airport indicate the same trends.

Construction activity has fallen off slightly in 2008; the value of all building permits issued was down about 25 percent in April (year-over-year), and down about 13 percent for the year-to-date. Homebuilding continues to sharply lower across the metro area with the number of new single-family residence permits down about 40 percent for the month and year-to-date. Sales of existing homes are up strongly; however; the number of closed sales in April was up nearly 34 percent compared to April of last year, and some 23 percent for the year-to-date. Prices have corrected slightly; however, the average sales prices is down about 10 percent.

RealtyTrac published a report dated July 25, 2008 in which it indicated that foreclosures nationwide increased 14 percent between first quarter 2008 and the second quarter of 2008. The report also shows that one in every 171 U.S. households received a foreclosure filing during this quarter. Overall, foreclosure activity in Texas was down six percent in July. According to the report, there were 182 properties in the McAllen-Edinburg-Mission MSA with foreclosure filings during second quarter 2008, which equates to one in every 1,318 homes in the MSA. This is well below the national average and indicates that the MSA may be less impacted than the nation as a whole by the ongoing mortgage crisis.

Major Employers

The following list is a list of the major employers in the McAllen-Edinburg-Mission MSA.

Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	McAllen I.S.D.	Education	3,595
3	Edinburg Regional Medical Center	Healthcare	3,000
4	University of Texas Pan American	Education	2,850
5	McAllen Medical Center	Healthcare	2,800
6	Hidalgo County	Government	2,211
7	Mission Consolidated I.S.D.	Education	2,140
8	City of McAllen	Government	1,801
9	Columbia Rio Grande Regional Hospital	Healthcare	975
10	South Texas Community College	Education	811

Source: McAllen Economic Development Corporation, Real Estate Center Market Overview 2007: July, 2008

Employment in the McAllen-Edinburg-Mission MSA is dominated by relatively stable industries and all ten of the major employers are in the education, healthcare, and government sectors. However, according to 2007 Employment by Industry demographics, retail trade and construction comprise approximately 24 percent of overall employment and are two of the top four industry sectors in the McAllen-Edinburg-Mission MSA. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education, healthcare and government. Therefore, despite the lack of representation of these two principal industries in the major employers list, it is possible that the MSA will experience slowing growth due to the predominance of these two industries, despite other mitigating factors.

Employment Expansion/Contractions

According to the McAllen Chamber of Commerce, between January 1988 and March 2008, 250 new companies set up operations in McAllen and 326 in Reynosa for a total of 576 new facilities, resulting in the creation of over 120,000 new jobs in the region.

According to the McAllen Economic Development Corporation (MEDC), the construction of an automotive assembly plant is currently being proposed in McAllen in order to compete with the recent ground-breaking of a Chinese North American automotive assembly plant in Mexico. Further details were unavailable at this time.

According to the Reynosa Maquiladora and Manufacturers Association (RAMMAC), 28 new foreign firms are expected to begin operations in 2008 in the Northern Tamaulipas border, creating over 3,000 new jobs. Seventeen of these companies will build facilities and begin operations in the Reynosa area, while the other 11 firms will open plants in Rio Grande Valley communities like Mission, McAllen, Pharr and Edinburg, which are part of the McAllen-Edinburg-Mission MSA.

There are several new developments coming to the area. According to the 2008 Mission Border Business Guide, Vantage Luxury Hotel Condominiums will be a mid-rise, luxury hotel/condominium that will offer four- or five-star guest services. The project will be located in Mission. Ridge Commerce Center North at Sharyland is a 250,312 square foot Class A, industrial facility located in the 1,200 acre master-planned Sharyland Business Park. The proposed community will offer advantages to tenants such as its location and amenities. Sharyland Business Park is also directly adjacent to the Anzalduas International Crossing.

Employment Growth

The following table details historical employment and unemployment figures for the McAllen-Edinburg-Mission MSA from 1990 to May 2008.

EMPLOYMENT & UNEMPLOYMENT TRENDS

Year	<u>McAllen-Edinburg-Mission MSA</u>		<u>McAllen-Edinburg-Mission MSA</u>		<u>USA</u>
	Total Employment	% Change	Unemployment Rate	% Change	Unemployment Rate
1990	128,092	-	22.7%	-	5.7%
1991	129,524	1.1%	22.0%	-0.7%	6.9%
1992	133,803	3.3%	22.3%	0.3%	7.6%
1993	140,519	5.0%	20.6%	-1.7%	7.0%
1994	146,787	4.5%	19.9%	-0.7%	6.2%
1995	150,234	2.3%	20.1%	0.2%	5.7%
1996	152,941	1.8%	19.4%	-0.7%	5.5%
1997	157,782	3.2%	18.2%	-1.2%	5.0%
1998	159,739	1.2%	18.1%	-0.1%	4.6%
1999	166,717	4.4%	14.8%	-3.3%	4.3%
2000	191,542	14.9%	9.2%	-5.6%	4.0%
2001	197,879	3.3%	9.7%	0.5%	4.8%
2002	207,951	5.1%	10.5%	0.8%	5.8%
2003	221,064	6.3%	10.4%	-0.1%	6.0%
2004	232,872	5.3%	9.1%	-1.3%	5.6%
2005	241,547	3.7%	7.9%	-1.2%	5.2%
2006	247,170	2.3%	7.4%	-0.5%	4.7%
2007	253,295	2.5%	6.6%	-0.8%	4.7%
2008 YTD	258,061	1.4%	6.4%	-1.0%	5.5%

Source: U.S. Bureau of Labor Statistics and Real Estate Center at Texas A&M University.

* 2008 data is through May

Since 1990, total employment in the McAllen-Edinburg-Mission MSA has increased by almost 130,000 jobs. Additionally, over the past 18 years, La Joya has exhibited consistent positive growth. The unemployment rate has decreased 14 out of the last 18 years in Hidalgo County. This consistent growth is a strong indication of a sound economic base. However, 2006 exhibited the lowest employment growth in the past nine years, and this is likely a result of the national economic downturn. Though employment growth rebounded slightly in 2007, overall employment growth is currently in a period of moderation. As shown in the previous table, the unemployment rate in the MSA has decreased significantly since the 1990s and is currently at its lowest point on record. However, the unemployment rate remains higher in the MSA than the nation.

Employment by Industry

The table on the following table illustrates employment by industry for Hidalgo County in 2007.

2007 EMPLOYMENT BY INDUSTRY		
Occupation	Hidalgo County	
	Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	5,955	2.54%
Mining	2,143	0.91%
Construction	25,549	10.90%
Manufacturing	13,071	5.58%
Wholesale Trade	9,652	4.12%
Retail Trade	30,163	12.87%
Transportation/Warehousing	9,335	3.98%
Utilities	1,438	0.61%
Information	2,704	1.15%
Finance/Insurance	5,917	2.53%
Real Estate/Rental/Leasing	3,399	1.45%
Prof/Scientific/Tech Services	6,868	2.93%
Mgmt of Companies/Enterprises	82	0.03%
Admin/Support/Waste Mgmt Svcs	8,174	3.49%
Educational Services	36,869	15.73%
Health Care/Social Assistance	29,322	12.51%
Arts/Entertainment/Recreation	2,302	0.98%
Accommodation/Food Services	16,906	7.21%
Other Services (excl Publ Adm)	13,767	5.88%
Public Administration	10,715	4.57%
Total Employment	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the MSA are the educational services, retail trade, healthcare/social assistance, and construction sectors. Approximately 52.0 percent of people in Hidalgo County work in these four industries. The health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the MSA.

As previously mentioned, the large number of people employed in the retail trade and construction industries could negatively impact employment in the MSA due to the current national economic downturn, which is affecting both of these sectors nationwide. However, as educational services and healthcare/social assistance are two historically stable sectors of the economy, the strong presence of these two industries should help mitigate losses in employment in other more volatile industries.

Colonias

One important component of the housing landscape in south Texas is the presence of the colonias. The Texas legislature has defined colonias as subdivisions lacking essential elements of infrastructure near the Mexico border. The United States Department of Housing and Urban Development (HUD) defines a colonia as an “unincorporated community located within 150 miles of the U.S.-Mexico border, with a population of less than 10,000 that is low and very low income, and which lacks safe, sanitary and sound housing, as well as services such as potable water, adequate sewage systems, drainage, streets and utilities.” Data from the Federal Reserve Bank of Dallas Community Affairs Division indicates that Texas has the largest colonia population of any border states, with a 2007 estimated population of over 400,000 in nearly 2,300 colonias. According to data collected in 2006 by the Texas Legislature, Hidalgo County has the highest colonia population in the state, with 156,132 people in 934 colonias. Cameron County reports 178 colonias, with a population of 47,606. In an effort to improve the living situation of people in colonias, the Texas Legislature has authorized \$175 million to fund roadway projects in the state’s 23 border counties, which includes Hidalgo County and Cameron County. In addition, several state agencies, including TDHCA, have multiple initiatives in place to assist the residents of colonias.

Attempts by the government to collect demographic and socioeconomic data on colonias have been hampered by several issues, including language barriers and lack of resources to identify colonias. In the wake of the 2000 census, the Census Bureau completed ethnographic studies in four colonias in Texas, New Mexico and California to better identify the challenges in collecting data for this population. As a result, new guidelines defining Census Designated Places (CDPs) were issued in 2007 for use in the 2010 Census. New CDPs will be established for the 25 border counties in Texas, with much of the data regarding the location of colonias provided by the Texas State Attorney General’s Office. It is anticipated that these efforts will allow the Census Bureau to survey colonias more accurately and, for the first time, provide detailed, searchable information regarding colonias populations.

Due to the limitations as discussed above, demographic data provided in this study may not fully reflect the estimated 203,000 people living in colonias in Hidalgo and Cameron Counties. Further, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand already accounted for through the analysis of Census data.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – MCALLEN-EDINBURG-MISSION MSA AND THE NATION

The following section provides an analysis of the demographic characteristics within the MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA is an area of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the MSA from 1990 through 2012.

Total Population		
Year	McAllen-Edinburg-Mission MSA	
	Number	Annual Change
1990	383,545	-
2000	569,463	4.85%
2007	732,166	3.94%
2012	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The MSA is expected to grow at a slower rate from 2007 to 2012 compared to 2000 to 2007. However, the growth rate of the MSA from 2007 to 2012 is still very strong at 3.64 percent. The increase in the MSA growth rate is a positive indicator of the need for the affordable housing and is likely why so many individuals are employed in the construction sector in the PMA.

Households

The following table is a summary of the total households in the MSA from 1990 to 2012.

Total Number of Households		
Year	McAllen-Edinburg-Mission MSA	
	Number	Annual Change
1990	103,479	-
2000	156,824	5.16%
2007	205,804	4.31%
2012	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rate in the MSA in 2007 was exceptionally strong, at 4.31 percent or larger. Although the growth rate is projected to decrease from 2007 through 2012, the rate of growth is still significant. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the MSA from 2000 to 2012.

Average Household Size		
Year	McAllen-Edinburg-Mission MSA	
	Number	Annual Change
2000	3.60	-
2007	3.53	-0.27%
2012	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the MSA is significantly larger than the national average size of 2.59 (not shown). The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the MSA.

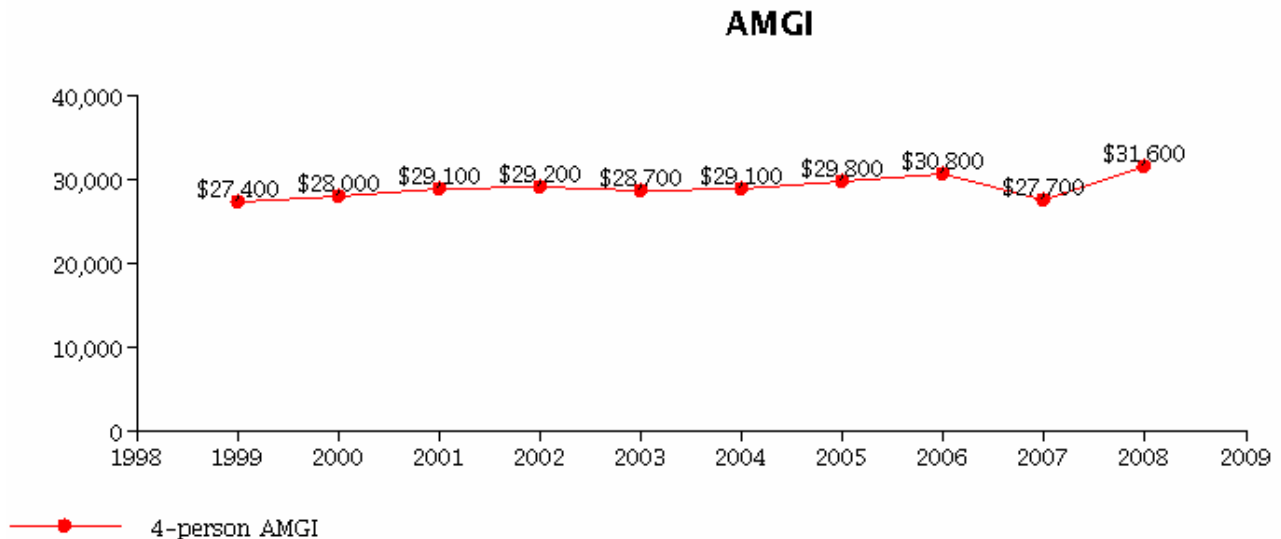
Median Household Income Levels

The table below illustrates Median Household Income in the MSA.

Median Household Income		
Year	McAllen-Edinburg-Mission MSA	
	Number	Annual Change
2000	\$24,843	-
2007	\$30,519	3.15%
2012	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the MSA is projected to grow at a slower rate from 2007 through 2012 than the previous seven years. The slower growth rate indicates an increasing need for affordable housing. It should be noted that for Section 42 LIHTC rent determination purposes, the area median income is used. The following chart illustrates the AMI level for a four-person household in the McAllen-Edinburg-Mission MSA.



The AMI has increased from 1999 to 2008 by approximately 13.3 percent, or an average of 1.6 percent annually. The AMI had one slight decrease in the AMGI from 1999 to 2006, followed by a large decrease from 2006 to 2007 and an increase again in 2008. The system and underlying data sources that HUD uses to establish income limits have changed, by shifting to data from the American Community Survey (ACS), which has replaced previous census reports. In 2007, two-thirds of the nation experienced flat or decreased AMI levels based largely on this methodology change. The overall rise in AMI levels indicates a healthy market where low-income households may be priced out by more affluent households.

Household Income

The following tables illustrate median household income in the MSA.

Household Income Distribution - McAllen-Edinburg-Mission MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-\$124,999	7,409	3.6%	10,073	4.1%
\$125,000-\$149,999	3,767	1.8%	6,223	2.5%
\$150,000-\$199,999	2,290	1.1%	4,504	1.8%
\$200,000-\$249,999	1,246	0.6%	2,018	0.8%
\$250,000-\$499,999	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 34.1 percent of the population in the MSA earned below \$20,000 in 2007 and approximately 29.4 percent of the population in the MSA is projected to earn below \$20,000 in 2012. In both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the MSA.

Tenure

The following table is a summary of the housing stock in the MSA.

TENURE PATTERNS MSA

Year	Owner-Occupied Units	Percentage Owner-Occupied	Renter-Occupied Units	Percentage Renter-Occupied
2000	114,580	73.06%	42,244	26.94%
2007	152,058	73.88%	53,746	26.12%
2012	180,420	73.71%	64,355	26.29%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Renter-occupied units made up approximately 26 percent of the total occupied units in the PMA in 2007. The percentage of renters is lower than the national average of approximately 33 percent (not shown). The low percentage of renters is likely due to the relatively undeveloped nature of large parts of the PMA.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008. The small percentage of multifamily permits issued indicates demand for multifamily housing of all kinds.

Conclusion

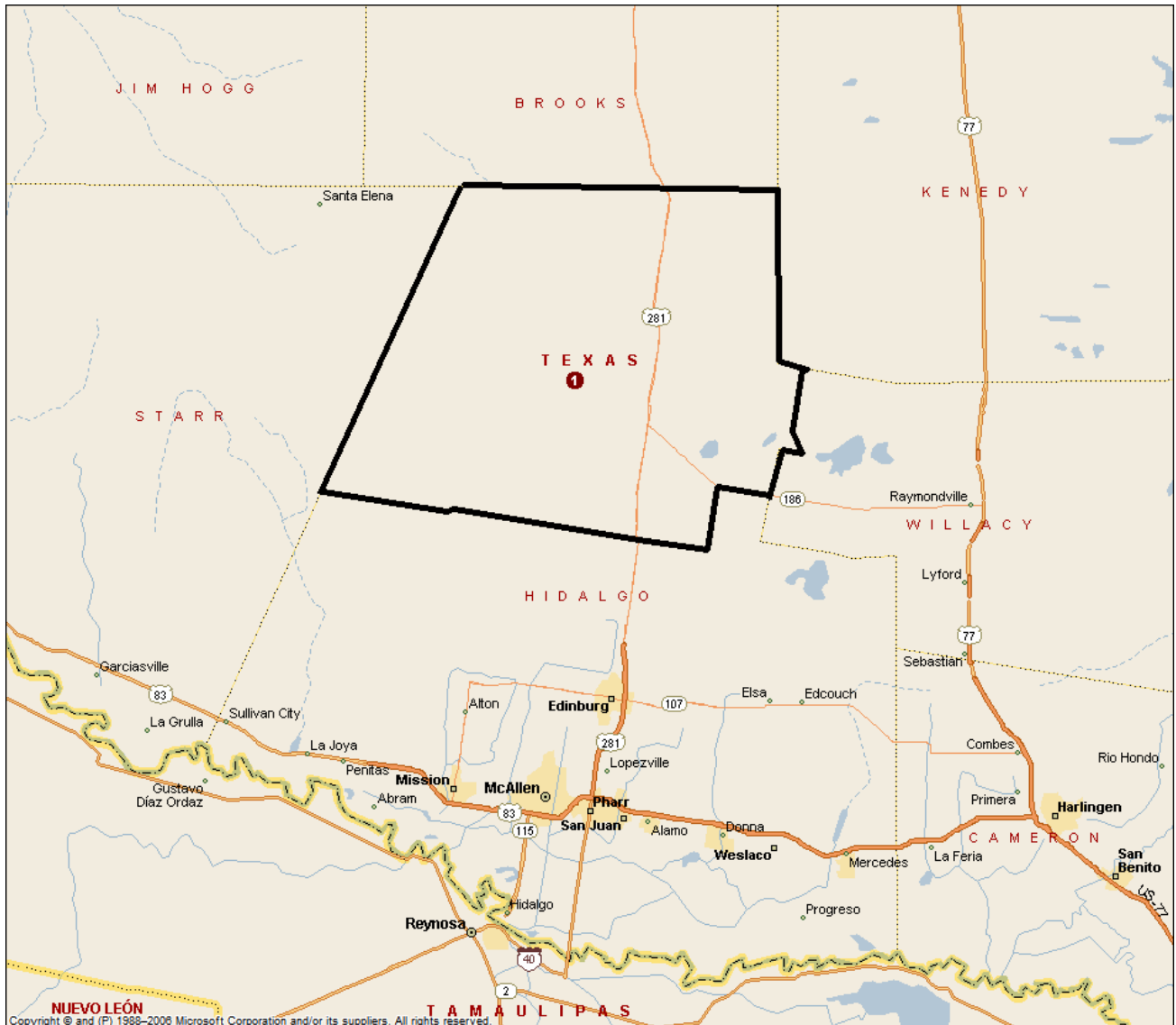
The MSA has demonstrated that it is an area of growth in terms of population, households, and income levels. The population and the number of households are both expected to increase from 2007 to 2012 at rates near or above 3.5 percent annually. The PMA has a larger average household size relative to the national average of 2.59, and a significant portion of its households earning below the AMI; furthermore, approximately 34.1 percent of the population in the MSA earned below \$20,000 in 2007 and approximately 29.4 percent of the population in the MSA is projected to earn below \$20,000 in 2012. These factors demonstrate a need for affordable housing of all kinds in the MSA.

1. NORTH HIDALGO COUNTY SUBMARKET ANALYSIS

NORTH HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The market area is defined as the North Hidalgo County Submarket, which is bounded to the north by the northern Hidalgo County line, to the east by the eastern Hidalgo County line, to the south by FM-490, and to the west by the western Hidalgo County line. This area was defined based on the client’s specifications. The following map illustrates the boundaries of the Submarket as defined above.

North Hidalgo County Submarket Map



The North Hidalgo County Submarket is located in the undeveloped northernmost portion of Hidalgo County and includes the community of Linn/San Manuel. This Submarket is characterized primarily by rural and agricultural land and small sporadic ranching communities located a significant distance from locational amenities and essential services. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to good condition and 15 to 40 years in age.

Local Government

The North Hidalgo County Submarket includes the community of Linn/San Manuel. Linn/San Manuel, Texas is a Class U6 community or census designated place outside the boundaries of any neighboring incorporated cities in Hidalgo County. According to the U.S. Census, Linn is comprised of a land area of 48.6 square miles and had a population of 958 in 2000.

Employment by Industry

The following table illustrates employment by industry for the North Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	<u>North Hidalgo County</u>		<u>McAllen-Edinburg-Mission, TX MSA</u>	
	Number Employed	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	43	7.41%	5,955	2.54%
Mining	12	2.07%	2,143	0.91%
Construction	70	12.07%	25,549	10.90%
Manufacturing	49	8.45%	13,071	5.58%
Wholesale Trade	43	7.41%	9,652	4.12%
Retail Trade	85	14.66%	30,163	12.87%
Transportation/Warehousing	0	0.00%	9,335	3.98%
Utilities	0	0.00%	1,438	0.61%
Information	0	0.00%	2,704	1.15%
Finance/Insurance	7	1.21%	5,917	2.53%
Real Estate/Rental/Leasing	13	2.24%	3,399	1.45%
Prof/Scientific/Tech Services	27	4.66%	6,868	2.93%
Mgmt of Companies/Enterprises	0	0.00%	82	0.03%
Admin/Support/Waste Mgmt Svcs	28	4.83%	8,174	3.49%
Educational Services	108	18.62%	36,869	15.73%
Health Care/Social Assistance	39	6.72%	29,322	12.51%
Arts/Entertainment/Recreation	0	0.00%	2,302	0.98%
Accommodation/Food Services	9	1.55%	16,906	7.21%
Other Services (excl Publ Adm)	25	4.31%	13,767	5.88%
Public Administration	22	3.79%	10,715	4.57%
Total Employment	580	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the North Hidalgo County Submarket are the educational services, retail trade, construction and manufacturing sectors. Approximately 53.8 percent of people in Hidalgo County work in these four industries. The North Hidalgo County Submarket has a larger percentage of the workforce employed in the construction and manufacturing sectors and a smaller percentage of the workforce employed in the healthcare/social assistance sector, relative to the MSA. Although, educational services is typically a stable sector of the economy, industries such as retail trade, manufacturing, and construction, are particularly susceptible to fluctuations in the economy. Unlike the North Hidalgo County Submarket, the MSA benefits from the presence of another historically stable industry, healthcare/social assistance, in the top four employment sectors. The large number of people employed in the retail trade, construction, and manufacturing industries could negatively affect employment in the Submarket, due to the current national economic downturn. However, the presence of the educational services industry should help promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create demand for affordable rental housing.

Commute Patterns in the North Hidalgo County Submarket

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	47
5-9 min	76
10-14 min	20
15-19 min	53
20-24 min	35
25-29 min	16
30-34 min	62
35-39 min	7
40-44 min	6
45-59 min	77
60-89 min	18
90+ min	6
Average Travel Time	24.5 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The average travel time to work in the Submarket is the second-longest of the seven MSA submarkets. This is primarily due to the rural nature of most of the Submarket. There are very few employment centers and many workers are likely commuting to jobs in Edinburg, the closest large employment center proximate to the Submarket.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the North Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the North Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the North Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Year	Total Population			
	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	1,235	-	383,545	-
2000	1,606	3.00%	569,463	4.85%
2007	2,020	3.56%	732,166	3.94%
2012	2,361	3.38%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been slightly slower than growth in the MSA in all years of analysis. This is likely due to the rural nature of the North Hidalgo County Submarket. The majority of population growth in the MSA is located near the U.S. – Mexico border. However, both the Submarket and the MSA are showing strong growth from 2007 through 2012, although at a slower rate than from 2000 through 2007. The strong growth in the Submarket and the MSA is a positive indicator of the need for all forms of housing.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990, 2000, 2007 and 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages not shown).

Population by Age Group				
North Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	93	118	167	204
5-9	120	142	142	181
10-14	126	114	182	170
15-19	121	103	115	206
20-24	75	91	104	119
25-29	75	96	114	105
30-34	82	97	124	122
35-39	82	110	123	141
40-44	65	70	160	147
45-49	75	82	88	198
50-54	53	82	105	100
55-59	46	105	97	134
60-64	63	80	140	107
65-69	57	95	85	136
70-74	46	87	100	77
75-79	34	71	75	90
80-84	10	35	60	62
85+	12	28	39	62
Total	1,235	1,606	2,020	2,361
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	354	-	103,479	-
2000	546	5.42%	156,824	5.15%
2007	714	4.24%	205,804	4.31%
2012	846	3.70%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been exceptionally strong, at 4.24 percent or larger through 2007. Overall household growth in both the Submarket and MSA is expected to slow slightly from 2007 through 2012, though remain strong at 3.70 percent or higher. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	2.88	-	3.60	-
2007	2.77	-0.53%	3.53	-0.27%
2012	2.74	-0.22%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly smaller than the MSA, but both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	\$23,683	-	\$24,843	-
2007	\$28,945	3.06%	\$30,519	3.15%
2012	\$32,754	2.63%	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 5.2 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slower rate from 2007 through 2012 than the previous seven years, as in the MSA. The Submarket’s and MSA’s median household incomes are 54.5 and 57.4 percent of the national average (not shown). The lower median income level indicates increasing need for affordable housing. It should be noted that for Section 42 LIHTC rent determination purposes, the area median income is used.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - North Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	74	10.4%	73	8.6%
\$10,000-\$14,999	72	10.1%	74	8.7%
\$15,000-\$19,999	94	13.2%	92	10.9%
\$20,000-\$24,999	73	10.2%	75	8.9%
\$25,000-\$29,999	54	7.6%	78	9.2%
\$30,000-\$34,999	50	7.0%	53	6.3%
\$35,000-\$39,999	65	9.1%	60	7.1%
\$40,000-\$44,999	51	7.1%	64	7.6%
\$45,000-\$49,999	17	2.4%	53	6.3%
\$50,000-\$59,999	39	5.5%	42	5.0%
\$60,000-\$74,999	30	4.2%	48	5.7%
\$75,000-\$99,999	43	6.0%	55	6.5%
\$100,000-\$124,999	40	5.6%	38	4.5%
\$125,000-\$149,999	12	1.7%	32	3.8%
\$150,000-\$199,999	0	0.0%	9	1.1%
\$200,000-\$249,999	0	0.0%	0	0.0%
\$250,000-\$499,999	0	0.0%	0	0.0%
\$500,000+	0	0.0%	0	0.0%
Total	714	100%	846	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-\$124,999	7,409	3.6%	10,073	4.1%
\$125,000-\$149,999	3,767	1.8%	6,223	2.5%
\$150,000-\$199,999	2,290	1.1%	4,504	1.8%
\$200,000-\$249,999	1,246	0.6%	2,018	0.8%
\$250,000-\$499,999	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 33.7 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007, with the largest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 28.2 percent and 29.47 percent, respectively. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Tenure

The following table is a summary of the tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Total Population						
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA			
	Owner-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage
2000	470	86.1%	114,580	73.1%	42,244	26.9%
2007	617	86.4%	152,058	73.9%	53,746	26.1%
2012	729	86.2%	180,420	73.7%	64,355	26.3%

As the above tables illustrate, the housing market in the North Hidalgo County Submarket is dominated by owner-occupied units. The Submarket has a significantly smaller percentage of renter-occupied units when compared to the MSA. The small percentage of renter-occupied households is not unusual in rural markets, where owner-occupied housing is predominant among a small population. Additionally, no multifamily rental housing options were identified in the Submarket. It is likely that the renter-occupied units are comprised primarily of for-rent single-family homes and trailers.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. For the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	268	-	63,856	-
2000	501	8.7%	90,763	4.2%
2007	596	3.6%	116,831	4.0%
2012	668	2.4%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Senior population growth in the North Hidalgo County Submarket increased significantly between 1990 and 2000, whereas senior population growth in the MSA grew at approximately half the rate exhibited by the Submarket, for the same time period. The senior population in both the Submarket and the MSA is expected to grow substantially from 2007 through 2012. The senior population growth rate in the MSA in 2012 is projected to be nearly double the growth rate in the North Hidalgo County Submarket.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the PMA from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	North Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
	2000	288	-	52,073
2007	357	3.3%	67,113	4.0%
2012	421	3.6%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is projected to increase through 2012. However, total household growth rates are expected to decrease, whereas senior household growth rates are expected to increase. The strong projected growth in senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		North Hidalgo County Submarket		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
<i>All Ages</i>						
2007	\$30,519	-	\$28,945	-	\$53,154	-
2012	\$35,078	2.59%	\$32,754	2.32%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$27,687	-	\$23,659	-	\$32,710	-
2012	\$32,712	3.07%	\$26,508	2.14%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP; July, 2008

As the previous table illustrates, the median senior household incomes in all three areas of analysis are well below those of all households. Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The Submarket will experience slightly weaker median household income growth for all households and senior households when compared to the MSA, and the nation.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - North Hidalgo County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	101	28.3%	104	24.7%
\$15,000-\$24,999	90	25.2%	94	22.3%
\$25,000-\$34,999	59	16.5%	73	17.3%
\$35,000-\$49,999	58	16.2%	73	17.3%
\$50,000-\$74,999	36	10.1%	54	12.8%
\$75,000-\$99,999	8	2.2%	11	2.6%
100,000-\$149,999	5	1.4%	7	1.7%
150,000-\$199,999	0	0.0%	5	1.2%
200,000-\$249,999	0	0.0%	0	0.0%
250,000-\$499,999	0	0.0%	0	0.0%
\$500,000+	0	0.0%	0	0.0%
Total	357	100%	421	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-\$24,999	10,918	16.3%	11,816	13.8%
\$25,000-\$34,999	8,645	12.9%	10,306	12.0%
\$35,000-\$49,999	9,485	14.1%	12,964	15.1%
\$50,000-\$74,999	9,921	14.8%	13,604	15.9%
\$75,000-\$99,999	3,485	5.2%	6,161	7.2%
100,000-\$149,999	3,783	5.6%	6,157	7.2%
150,000-\$199,999	728	1.1%	1,622	1.9%
200,000-\$249,999	543	0.8%	933	1.1%
250,000-\$499,999	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. The Submarket has the largest percentage of seniors earning less than \$35,000 annually. Approximately 70 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributed primarily to the Submarket's high percentage of senior households earning below \$15,000 annually and the rural nature of the Submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 64.3 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. These factors indicate that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
North Hidalgo County Submarket					McAllen-Edinburg-Mission, TX MSA			
Year	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	266	92.4%	22	7.6%	43,784	84.1%	8,289	15.9%
2007	330	92.4%	27	7.6%	56,430	84.1%	10,683	15.9%
2012	389	92.4%	32	7.6%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in rural submarkets, where owner-occupied housing is predominant among a small population.

Senior Demographic Conclusion

Although the median senior household income for the Submarket is projected to increase from 2007 to 2012, growth in the national and MSA’s median senior household income is projected to outpace growth in the Submarket. Both the MSA and PMA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Approximately 70 percent of those 65 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the PMA’s high percentage of senior households earning below \$15,000 annually and the rural nature of the Submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

North Hidalgo County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There are no general practitioners, hospitals or urgent care clinics located in the North Hidalgo County Submarket. The primary major medical provider within proximity to the North Hidalgo County Submarket is the South Texas Health System, with seven facilities including Cornerstone Regional Hospital, Edinburg Children’s Hospital, Edinburg Regional Medical Center, Edinburg Regional Rehabilitation Center, McAllen Heart Hospital, McAllen Medical Center, and South Texas Behavioral Health Center. The Edinburg Regional Medical Center is the nearest hospital to the Submarket, located approximately 30 to 40 miles south of the Submarket in Edinburg, Texas.

Transportation

The South Texas International Airport at Edinburg and McAllen Miller International Airport are located approximately 30 and 40 miles south of the North Hidalgo County Submarket, respectively. The South Texas International Airport at Edinburg is a public-use airport located approximately nine miles north of the Central Business District of Edinburg. The airport is owned and operated by the City of Edinburg and averaged 13 general aviation aircraft operations per day in 2005. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Highway access to Northern Hidalgo County Submarket can be accomplished via U.S. Highway 281. U.S. Highway 281 runs north/south from McAllen, Texas to Wichita Falls, Texas.

Education

There are no identifiable education service providers in the majority of the North Hidalgo County Submarket. The nearest Independent School Districts are the Edinburg Independent School District and McAllen Independent School District. The Edinburg Independent School District includes three high schools, four middle schools, and 27 elementary schools. The McAllen Independent School District includes three high schools, seven middle schools, and twenty elementary schools. The nearest universities are also located Edinburg and McAllen, approximately 30 to 40 miles south of the North Hidalgo County Submarket. The University of Texas Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the tenth largest university in the state and the fifth largest in the UT system and offers 54 bachelor’s degree programs, 50 master’s, and two doctoral programs. McAllen offers five major colleges/universities including the San Antonio College of Medical and Dental Assistants, South Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

The North Hidalgo County Submarket does not offer public transportation.

Employment Centers

There are a limited number of employment centers in the North Hidalgo County Submarket. The majority of employment centers are located in Edinburg and McAllen, approximately 30 to 40 miles south of the Submarket. The largest Employer’s in the McAllen-Mission-Edinburg MSA include the following:

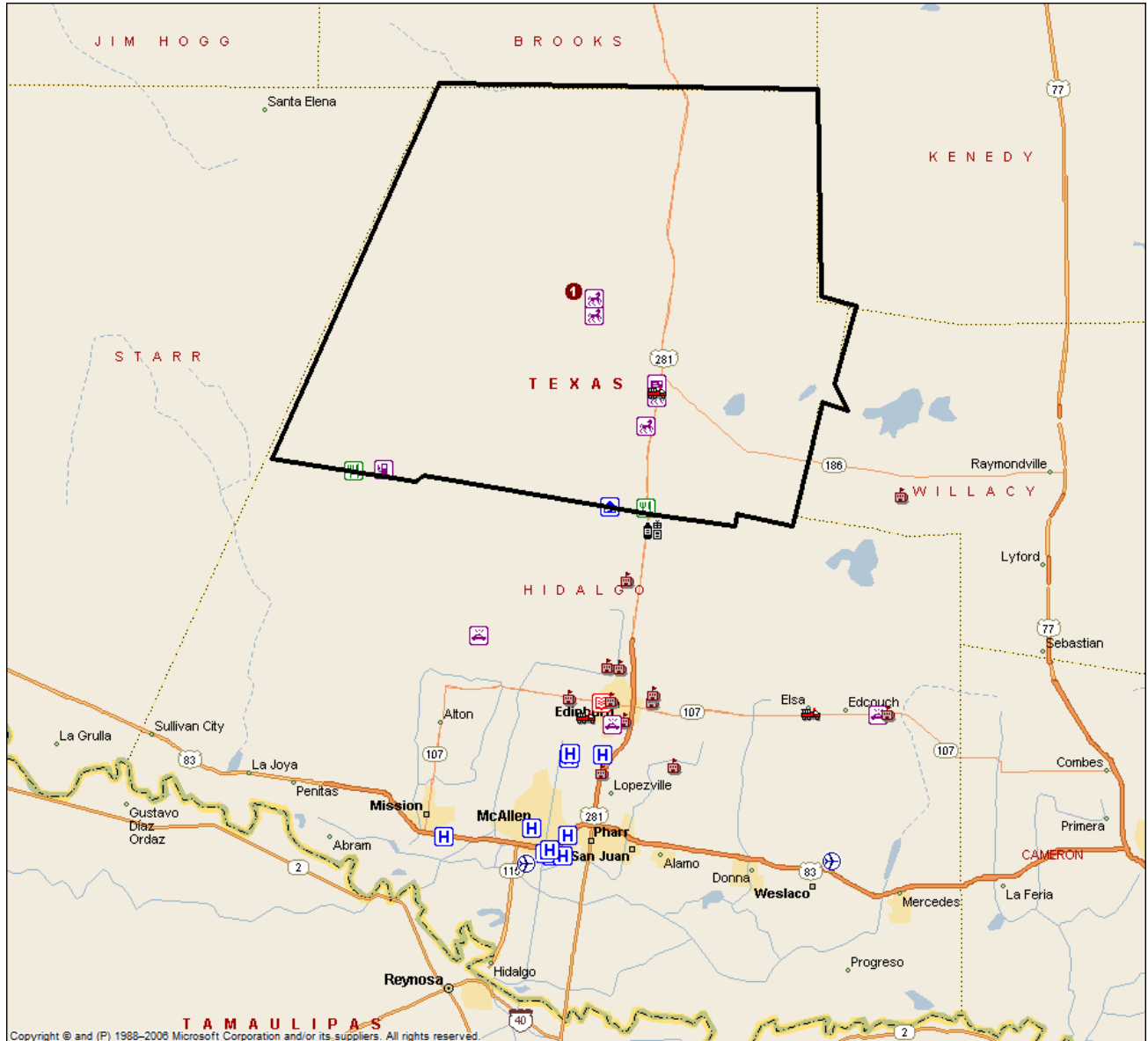
Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	McAllen I.S.D.	Education	3,595
3	Edinburg Regional Medical Center	Healthcare	3,000
4	University of Texas Pan American	Education	2,850
5	McAllen Medical Center	Healthcare	2,800
6	Hidalgo County	Government	2,211
7	Mission Consolidated I.S.D.	Education	2,140
8	City of McAllen	Government	1,801
9	Columbia Rio Grande Regional Hospital	Healthcare	975
10	South Texas Community College	Education	811

Employment in the McAllen-Edinburg-Mission MSA is dominated by relatively stable industries, and all ten of the major employers are in the education, healthcare, and government sectors. However, according to 2007 employment by industry demographics, retail trade, construction, and manufacturing comprise approximately 35.8 percent of overall employment and are three of the top four industry sectors in the Submarket. Retail trade, construction, and manufacturing are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare, which make up approximately 25.3 percent of employment in the Submarket. Therefore, due to the high concentration of retail trade, construction, and manufacturing industries in the Submarket, it is possible that the Submarket will experience slowing growth due to the predominance of these three industries, in conjunction with current economic conditions.

Identifiable employers within the Submarket and north of Edinburg include La Haciendas Ranch, San Vicente Ranch, Mundos Ranch, Stag Holding Limited, a United States Post Office, Donna’s Place Restaurant, McCook Trading Post and Gas Station, Tropical Texas Behavioral Health Center, 4 E Hotel, Papouli’s Greek Restaurant, and Homer’s Food Store.

Proximity to Local Services

There are a limited number of locational amenities in the North Hidalgo County Submarket. The majority of locational amenities are located outside of the Submarket in Edinburg and McAllen, Texas south of the North Hidalgo County Submarket.



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Source: Novogradac and Company LLP, July 2008.

	Ranch		School		Bank
	United States Post Office		Hospital		Hotel/Motel
	Fire Station		Airport		Grocery/Supermarket
	Restaurant		Police Station		College/University

HOUSING SUPPLY ANALYSIS

NORTH HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the North Hidalgo County Submarket.

AGE OF HOUSING STOCK IN THE NORTH HIDALGO COUNTY SUBMARKET

Years	Number of Units	Percent of Housing Stock
1999-3/2000	12	1.21%
1995-1998	204	20.56%
1990-1994	200	20.16%
1980-1989	297	29.94%
1970-1979	102	10.28%
1960-1969	79	7.96%
1950-1959	37	3.73%
1940-1949	30	3.02%
1939 and Before	31	3.13%
Total	992	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (71.44 percent) in the North Hidalgo County Submarket was constructed from 1980 through 1998. The Submarket consists primarily of rural, undeveloped land with sporadic single-family housing. There were no identifiable multifamily developments in the Submarket. Based upon observations in the field, single-family housing in the Submarket typically ranges from poor to good condition and is 15 to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008.

Interviews

The Housing Authority of the County of Hidalgo currently has jurisdiction over all un-incorporated areas of Hidalgo County, such as the North Hidalgo County Submarket.

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Section 8 Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding the City of McAllen. None of these developments is located in the North Hidalgo County Submarket. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Planning/Development

There are currently no planning or development departments/agencies in operation in the North Hidalgo County Submarket. To our knowledge, there are no commercial or residential projects in the planning stages or under construction in the North Hidalgo County Submarket. The only census designated place/community in the North Hidalgo County Submarket is Linn/San Manuel, which does not currently maintain an economic development department or chamber of commerce.

LIHTC Family Supply

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers. There were no identifiable family LIHTC properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a LIHTC family market analysis. There are no proposed or under construction family LIHTC properties in the North Hidalgo County Submarket.

LIHTC Senior Supply

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers. There were no identifiable senior LIHTC properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a LIHTC senior market analysis. There are no proposed or under construction senior LIHTC properties in the North Hidalgo County Submarket.

Market Rate Family Supply

We attempted to identify all existing, proposed, and under construction family-oriented market rate developments in the Submarket using Novogradac's online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable family oriented market rate properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate family market analysis. There are no proposed or under construction family-targeted market rate properties in the North Hidalgo County Submarket.

Market Rate Senior Supply

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac's online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable senior market rate properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis. There are no proposed or under construction market rate properties in the North Hidalgo County Submarket.

Subsidized Family Supply

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials. There were no identifiable family subsidized properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a subsidized family market analysis. There are no proposed or under construction subsidized family properties in the North Hidalgo County Submarket.

Subsidized Family Senior

We attempted to identify all existing, proposed, and under construction senior-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials. There were no identifiable senior subsidized properties in the North Hidalgo County Submarket. Based on the lack of available data, we did not complete a subsidized senior market analysis. There are no proposed or under construction subsidized senior properties in the North Hidalgo County Submarket.

It should be noted that while we were unable to identify any multifamily rental housing in the submarket, demographic data shows that there are 97 renter households in the submarket. These households may be living in single-family homes, mobile homes, etc.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the North Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the North Hidalgo County Submarket in 2007 is 714 and the total number of households in 2012 is projected to be 846. The total number of households age 55 and older in the Submarket for 2007 is 357, with a 2012 projection of 421 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 13.6 percent of the occupied housing unit households in the North Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 7.6 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a

one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the North Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the North Hidalgo County Submarket, Census 2000 data indicates that statistically there are no rent-overburdened households. Therefore, we have used zero percent for this calculation.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 6.0 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the North Hidalgo County Submarket, it is estimated that 9.4 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. There were no identifiable rental properties located in the North Hidalgo Submarket. Therefore, for the purpose of this analysis, we have used the Hidalgo County average family LIHTC turnover rate of 27.8 percent. With so few senior LIHTC properties able to provide turnover data in the MSA, we have used the average senior subsidized turnover rate of 6.5 percent.

Unstabilized Rental Units - Existing and Proposed

To our knowledge, there are no proposed or under construction properties of any type in the North Hidalgo County Submarket. With no identified proposed developments in the North Hidalgo County Submarket, no units were deducted from the either the family or senior demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the North Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	18	0	0	2	2	2	1
2 person	10	0	2	2	2	1	0
3 person	22	3	6	6	1	1	0
4 person	17	5	7	4	0	0	0
5+person	31	13	7	2	0	0	1
Total	97	21	23	17	6	5	2
Number of Income-Qualified Renter Households		21	23	17	6	5	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	1	1	1	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	2	2	2	1	0	0
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		3	3	3	1	0	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		3	3	3	1	0	0

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	27	0	0	3	3	3	2
2 person	8	0	2	2	1	1	0
3 person	27	4	8	8	1	1	0
4 person	20	6	8	5	1	0	0
5+person	36	15	8	2	1	0	1
Total	117	25	26	20	7	5	3
Number of Income-Qualified Renter Households		25	26	20	7	5	3
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	2	2	1	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	2	2	2	1	0	0
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		4	4	3	1	0	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Number of Existing Income-Qualified Renter Households - Five Year Projection		4	4	3	1	0	0

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	18	0	0	2	2	2	1
2 person	10	0	2	2	2	1	0
3 person	22	3	6	6	1	1	0
4 person	17	5	7	4	0	0	0
5+person	31	13	7	2	0	0	1
Total	97	21	23	17	6	5	2
Number of Income-Qualified Renter Households		21	23	17	6	5	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	1	1	1	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	2	2	2	1	0	0
X	Percentage of Estimated Turnover (27.8%)	6	6	5	2	1	1
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		9	10	7	3	1	1
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		9	10	7	3	1	1

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	27	0	0	3	3	3	2
2 person	8	0	2	2	1	1	0
3 person	27	4	8	8	1	1	0
4 person	20	6	8	5	1	0	0
5+person	36	15	8	2	1	0	1
Total	117	25	26	20	7	5	3
Number of Income-Qualified Renter Households		25	26	20	7	5	3
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	2	2	1	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	2	2	2	1	0	0
X	Percentage of Estimated Turnover (27.8%)	7	7	6	2	1	1
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		11	11	9	3	2	1
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Number of Existing Income-Qualified Renter Households - Five Year Projection		11	11	9	3	2	1

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	9	0	0	2	2	2	1
2 person	4	0	0	0	0	1	0
3 person	5	0	0	0	0	1	0
4 person	1	0	0	0	0	0	0
5+person	3	0	0	0	0	0	1
Total	23	0	0	3	4	5	2
Number of Income-Qualified Renter Households		0	0	3	4	5	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	0	0	0	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	0	0	0	0	0	0
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		0	0	0	0	0	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		0	0	0	0	0	0

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	12	0	0	3	3	3	1
2 person	2	0	0	0	0	1	0
3 person	10	0	0	0	1	1	0
4 person	3	0	0	1	1	1	0
5+person	3	0	0	0	0	0	1
Total	30	0	0	4	5	6	2
Number of Income-Qualified Renter Households		0	0	4	5	6	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	0	0	0	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	0	0	0	0	1	0
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		0	0	0	0	1	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Number of Existing Income-Qualified Renter Households - Five Year Projection		0	0	0	0	1	0

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	9	0	0	2	2	2	1
2 person	4	0	0	0	0	1	0
3 person	5	0	0	0	0	1	0
4 person	1	0	0	0	0	0	0
5+person	3	0	0	0	0	0	1
Total	23	0	0	3	4	5	2
Number of Income-Qualified Renter Households		0	0	3	4	5	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	0	0	0	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	0	0	0	0	0	0
X	Percentage of Estimated Turnover (6.5%)	0	0	0	0	0	0
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		0	0	0	0	0	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		0	0	0	0	0	0

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	12	0	0	3	3	3	1
2 person	2	0	0	0	0	1	0
3 person	10	0	0	0	1	1	0
4 person	3	0	0	1	1	1	0
5+person	3	0	0	0	0	0	1
Total	30	0	0	4	5	6	2
Number of Income-Qualified Renter Households		0	0	4	5	6	2
X	Percentage of Rent-Overburdened (0%)	0	0	0	0	0	0
X	Percentage of Substandard Housing (6%)	0	0	0	0	0	0
X	Percentage of Overcrowded Housing (9.4%)	0	0	0	0	1	0
X	Percentage of Estimated Turnover (6.5%)	0	0	0	0	0	0
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		0	0	0	0	1	0
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Number of Existing Income-Qualified Renter Households - Five Year Projection		0	0	0	0	1	0

Demand Analysis Conclusions

All Households

The North Hidalgo County Submarket reports only 97 renter households, of which 73 earn below 100 percent of AMI. Over half of these renter households are earning below 40 percent of AMI. The analysis of income-qualified renter households in the Submarket indicates that, when turnover is factored in, there may be a need for 20 units of affordable housing targeting households earning less than 40 percent of AMI. With no identifiable rental developments in the Submarket, many of these households may be living in single-family rental houses, mobile homes, or in units that are older and possibly functionally obsolete. In addition, there may be some pent-up demand from owner households looking to improve their current housing situation.

Senior Households

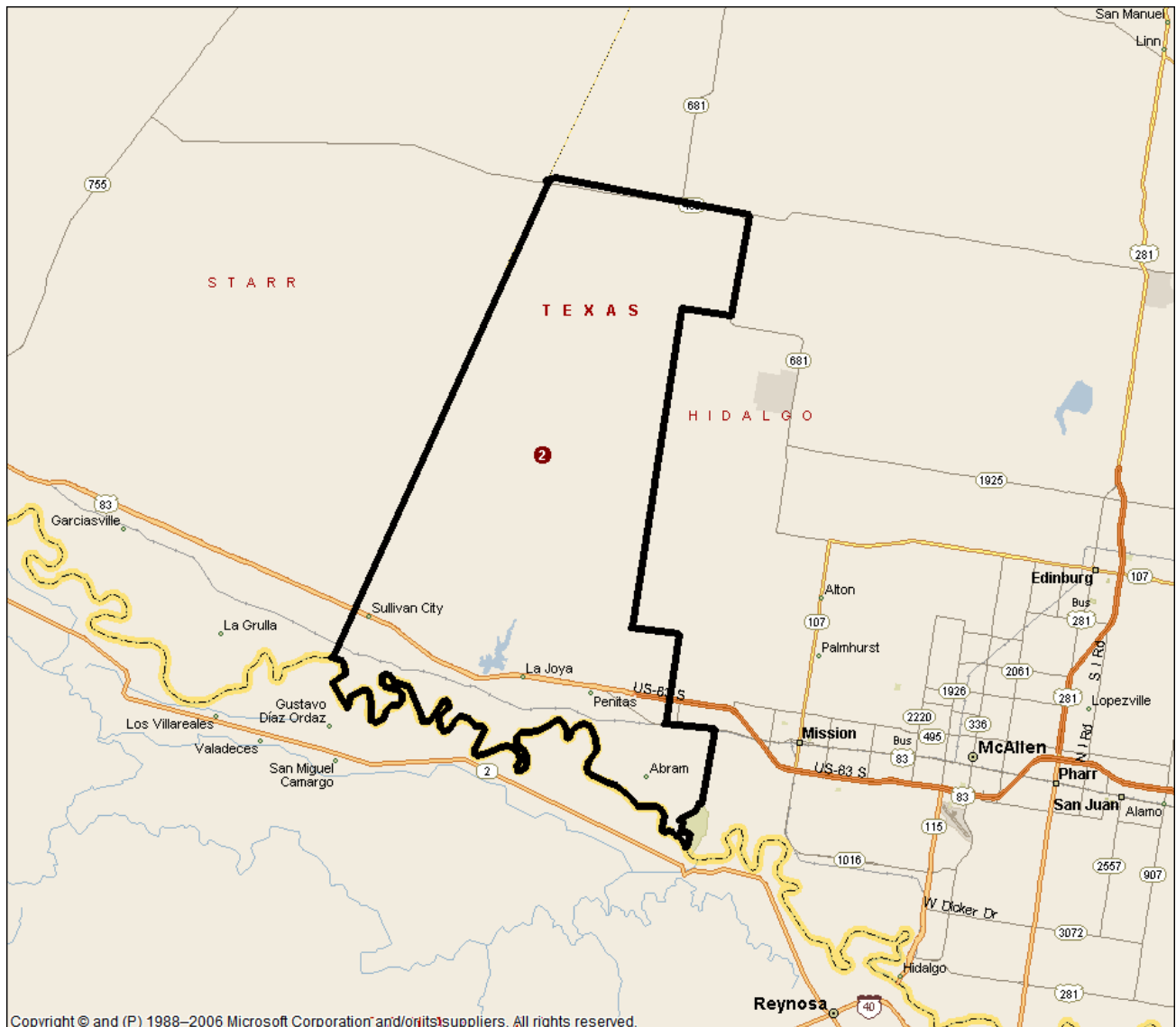
According to the analysis of income-qualified renter households presented here, there is no quantifiable demand for affordable units targeting seniors in the North Hidalgo County Submarket. However, as with the analysis of all households, there may be some pent-up demand from senior homeowners looking transition from homeownership to lower maintenance rental housing.

2. WEST HIDALGO COUNTY SUBMARKET ANALYSIS

WEST HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The market area is defined as the West Hidalgo County Submarket, which is bounded to the north by State Highway 490; to the east by State Highway 681 Mile 14 Road/State Highway 2058, Iowa Avenue, Buddy Owens Avenue, North Abram Road, U.S. Highway 83 (Business) and Bentsen State Park Road 43; to the south by the Texas-Mexico border; and to the west by the western Hidalgo County line. The following map illustrates the boundaries of the Submarket as defined above.

West Hidalgo County Submarket Map



The West Hidalgo County Submarket includes the communities/cities of Sullivan City, La Joya, Penitas and Abram. This Submarket is characterized primarily by vacant rural and agricultural land and small communities proximate to limited locational amenities and essential services. The land area in this Submarket is approximately 25 percent developed. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to excellent condition and 30 to less than five years in age. There is limited multifamily development in fair to good condition and 20 to five years in age. Development is located along U.S. Highway 83, which is the area's primary thoroughfare, in the City of La Joya and dissipates slowly in each direction.

Local Government

As previously mentioned, the West Hidalgo County Submarket includes the communities/cities of Sullivan City, La Joya, Penitas and Abram.

La Joya, Texas is a city in Hidalgo County and was formally incorporated under Type C-General Law Government, with an elected Mayor and two Commissioners. According to the U.S. Census, La Joya is comprised of a land area of 2.78 square miles and had a 2000 population of 3,303 and an estimated 2006 population of 4,625.

Sullivan City, Texas is a city in Hidalgo County and was formally incorporated in 1997. Sullivan City operates under a Mayor-Commissioner form of government with two elected Commissioners. According to the U.S. Census, Sullivan City is comprised of a land area of 3.58 square miles and had a 2000 population of 3,998 and an estimated 2006 population of 4,407.

Penitas, Texas is a city in Hidalgo County and is a Type A General Law City Type of Government, with a Mayor & 5 Aldermen. Penitas was formally incorporated in 1992. According to the U.S. Census, Penitas is comprised of a land area of 2.78 square miles and had a 2000 population of 1,167 and an estimated 2006 population of 1,185.

Abram, Texas is a community in un-incorporated Hidalgo County. According to the U.S. Census, Abram is comprised of a land area of 2.78 square miles and had a 2000 population of 5,444.

Employment by Industry

The following table illustrates employment by industry for the West Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	198	2.88%	5,955	2.54%
Mining	106	1.54%	2,143	0.91%
Construction	1,197	17.39%	25,549	10.90%
Manufacturing	256	3.72%	13,071	5.58%
Wholesale Trade	371	5.39%	9,652	4.12%
Retail Trade	666	9.67%	30,163	12.87%
Transportation/Warehousing	338	4.91%	9,335	3.98%
Utilities	61	0.89%	1,438	0.61%
Information	51	0.74%	2,704	1.15%
Finance/Insurance	93	1.35%	5,917	2.53%
Real Estate/Rental/Leasing	56	0.81%	3,399	1.45%
Prof/Scientific/Tech Services	113	1.64%	6,868	2.93%
Mgmt of Companies/Enterprises	0	0.00%	82	0.03%
Admin/Support/Waste Mgmt Srvc	267	3.88%	8,174	3.49%
Educational Services	1,155	16.78%	36,869	15.73%
Health Care/Social Assistance	825	11.98%	29,322	12.51%
Arts/Entertainment/Recreation	48	0.70%	2,302	0.98%
Accommodation/Food Services	351	5.10%	16,906	7.21%
Other Services (excl Publ Adm)	524	7.61%	13,767	5.88%
Public Administration	208	3.02%	10,715	4.57%
Total Employment	6,884	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the West Hidalgo County Submarket are the construction, educational services, health care/social assistance and retail trade sectors. Approximately 55.8 percent of people in West Hidalgo County work in these four industries. The West Hidalgo County Submarket has a larger number of persons employed in the construction and educational services sectors and a smaller number of people employed in the healthcare/social assistance and retail trade sectors, relative to the MSA. Although, educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the health of the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Submarket due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should help promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing.

Commute Patterns in the West Hidalgo County Submarket

The table below summarizes commute times for the West Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	235
5-9 min	893
10-14 min	611
15-19 min	694
20-24 min	800
25-29 min	337
30-34 min	1,114
35-39 min	92
40-44 min	184
45-59 min	271
60-89 min	131
90+ min	173
Average Travel Time	25.8 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The West Hidalgo County Submarket has the longest average commute time of the seven Submarkets, with the largest share of workers reporting a daily commute of 30 to 34 minutes. This Submarket is mostly characterized as a rural area. The nearest major employment centers are in Mission and McAllen.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the West Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the West Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the West Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Total Population				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	12,352	-	383,545	-
2000	22,054	7.85%	569,463	4.85%
2007	26,404	2.72%	732,166	3.94%
2012	30,413	3.04%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The Submarket showed exceptional growth from 1990 through 2000; however, growth rates in both areas of analysis are expected to slow through 2012. Growth in the Submarket is projected to be slightly slower than growth in the MSA from 2007 through 2012. However, growth rates will be over three percent, which is considered strong growth. The strong growth in the Submarket and the MSA is a positive indicator of the need for all forms of housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
West Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	1,202	2,420	3,126	3,528
5-9	1,330	2,348	2,636	3,052
10-14	1,393	2,035	2,391	2,699
15-19	1,352	1,971	2,054	2,533
20-24	990	1,699	1,928	2,159
25-29	915	1,713	2,085	2,114
30-34	801	1,609	1,829	1,958
35-39	682	1,414	1,733	1,683
40-44	655	1,177	1,599	1,826
45-49	497	927	1,302	1,646
50-54	462	872	1,032	1,411
55-59	421	729	985	1,237
60-64	463	759	892	1,209
65-69	466	767	917	1,086
70-74	362	732	735	915
75-79	213	496	634	648
80-84	100	243	357	468
85+	48	143	169	241
Total	12,352	22,054	26,404	30,413
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	3,147	-	103,479	-
2000	5,947	8.90%	156,824	-
2007	7,304	3.15%	205,804	4.31%
2012	8,471	3.20%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007; however, household growth in the Submarket slowed significantly from 2000 to 2007. Household growth in the MSA is expected to slow slightly from 2007 through 2012, while household growth in the Submarket is expected to increase slightly over the same period. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.71	-	3.60	-
2007	3.61	-0.37%	3.53	-0.27%
2012	3.59	-0.11%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly larger than the MSA, and both are significantly larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	20,230	-	24,843	-
2007	24,536	2.94%	30,519	3.15%
2012	27,828	2.68%	35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 19.6 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slower rate from 2007 through 2012 than the previous seven years, as in the MSA. The area median income's for the Submarket and MSA are approximately 46.2 and 57.4 percent of the national average. The lower median income level indicates increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - West Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	1,646	22.5%	1,597	18.9%
\$10,000-\$14,999	666	9.1%	802	9.5%
\$15,000-\$19,999	773	10.6%	708	8.4%
\$20,000-\$24,999	615	8.4%	692	8.2%
\$25,000-\$29,999	643	8.8%	718	8.5%
\$30,000-\$34,999	633	8.7%	581	6.9%
\$35,000-\$39,999	380	5.2%	704	8.3%
\$40,000-\$44,999	406	5.6%	369	4.4%
\$45,000-\$49,999	223	3.1%	403	4.8%
\$50,000-\$59,999	506	6.9%	544	6.4%
\$60,000-\$74,999	364	5.0%	620	7.3%
\$75,000-\$99,999	282	3.9%	426	5.0%
\$100,000-\$124,999	98	1.3%	175	2.1%
\$125,000-\$149,999	28	0.4%	63	0.7%
\$150,000-\$199,999	21	0.3%	35	0.4%
\$200,000-\$249,999	15	0.2%	19	0.2%
\$250,000-\$499,999	4	0.1%	13	0.2%
\$500,000+	1	0.0%	2	0.0%
Total	7,304	100%	8,471	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-\$124,999	7,409	3.6%	10,073	4.1%
\$125,000-\$149,999	3,767	1.8%	6,223	2.5%
\$150,000-\$199,999	2,290	1.1%	4,504	1.8%
\$200,000-\$249,999	1,246	0.6%	2,018	0.8%
\$250,000-\$499,999	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 42.2 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007, with the largest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 36.8 percent and 29.4 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	2,073	-	63,856	-
2000	3,869	8.7%	90,763	4.2%
2007	4,689	2.9%	116,831	4.0%
2012	5,804	4.8%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

The senior population in the Submarket showed exceptional growth from 1990 to 2000, with population growth rates in the MSA being approximately half that percentage within the same time period. Senior population growth in the Submarket increased at a slower rate than in the MSA from 2000 to 2007. Senior population growth in the MSA is expected to grow at a faster rate than the Submarket from 2007 through 2012.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	West Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	2,200	-	52,073	-
2007	2,660	2.9%	67,113	4.0%
2012	3,271	4.6%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is expected to be positive through 2012. However in contrast to senior population estimates, the household growth rate is expected to increase significantly through 2012. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		West Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
<i>All Ages</i>						
2007	\$30,519	-	\$24,536	-	\$53,154	-
2012	\$35,078	2.59%	\$27,828	2.40%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$27,687	-	\$25,685	-	\$32,710	-
2012	\$32,712	3.07	\$31,573	3.73%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in the MSA and USA are below those of all households. However, in the West Hidalgo County Submarket, the median senior household income is above that of all households in both 2007 and 2012. Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - West Hidalgo County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	839	31.5%	909	27.8%
\$15,000-\$24,999	442	16.6%	468	14.3%
\$25,000-\$34,999	401	15.1%	408	12.5%
\$35,000-\$49,999	416	15.6%	619	18.9%
\$50,000-\$74,999	401	15.1%	564	17.2%
\$75,000-\$99,999	100	3.8%	182	5.6%
100,000-\$149,999	42	1.6%	90	2.8%
150,000-\$199,999	9	0.3%	13	0.4%
200,000-\$249,999	8	0.3%	12	0.4%
250,000-\$499,999	2	0.1%	6	0.2%
\$500,000+	0	0.0%	0	0.0%
Total	2,660	100%	3,271	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-\$24,999	10,918	16.3%	11,816	13.8%
\$25,000-\$34,999	8,645	12.9%	10,306	12.0%
\$35,000-\$49,999	9,485	14.1%	12,964	15.1%
\$50,000-\$74,999	9,921	14.8%	13,604	15.9%
\$75,000-\$99,999	3,485	5.2%	6,161	7.2%
100,000-\$149,999	3,783	5.6%	6,157	7.2%
150,000-\$199,999	728	1.1%	1,622	1.9%
200,000-\$249,999	543	0.8%	933	1.1%
250,000-\$499,999	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Among these locations, the Submarket has the largest percentage of seniors earning less than \$35,000 annually. Approximately 63.2 percent of those 55 and older in the Submarket are earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket's high percentage of senior households earning below \$15,000 annually and the relatively undeveloped nature of the Submarket. The Submarket features slightly more senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 54.6 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the PMA will be earning less than \$35,000,

which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Year	West Hidalgo County Submarket				McAllen-Edinburg-Mission, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	2,006	91.2%	194	8.8%	43,784	84.1%	8,289	15.9%
2007	2,425	91.2%	235	8.8%	56,430	84.1%	10,683	15.9%
2012	2,983	91.2%	288	8.8%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in relatively undeveloped submarkets, where owner-occupied housing is predominant among a relatively small population

Senior Demographic Conclusion

Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Although the median senior household income for the Submarket is projected to increase from 2007 to 2012, growth in the national and MSA’s median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket feature significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Approximately 63 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually and the relatively undeveloped nature of the Submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA and national averages.

LOCAL MARKET INFORMATION

West Hidalgo County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There are no hospitals or urgent care clinics located in the City of La Joya or in the West Hidalgo County Submarket. The primary major medical providers within proximity to the West Hidalgo County Submarket are the Mission Regional Medical Center in Mission, A&M Medical Center in McAllen, and McAllen Medical Center. The closest hospital to the West Hidalgo County Submarket is the Mission Regional Medical Center, located approximately 11.7 miles east of La Joya, Texas. The Mission Regional Medical Center is a non-profit 289-bed medical center which provides general hospital care to the Rio Grande Valley Region.

Transportation

The West Hidalgo County Submarket is served by the McAllen Miller International Airport, which is located approximately 16.5 miles east of the City of La Joya, in McAllen, Texas. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Highway access to the West Hidalgo County Submarket can be accomplished via U.S. Highway 83. U.S. Highway 83 runs east/west from Harlingen, Texas to Manitoba, Canada.

Education

The West Hidalgo County Submarket is served by the La Joya Independent School District. The La Joya Independent School District has nineteen elementary schools, six middle schools, four high schools, and one alternative center for education. The nearest universities are located in Edinburg and McAllen, approximately 15 to 20 miles east of La Joya along U.S. Highway 83. The University of Texas Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the 10th largest university in the state and the fifth largest in the UT system and offers 54 bachelor's degree programs, 50 master's, and two doctoral programs. McAllen offers five major colleges/universities including the San Antonio College of Medical and Dental Assistants, South Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

The West Hidalgo County Submarket does not offer public transportation.

Employment Centers

There are a limited number of employment centers in the West Hidalgo County Submarket. The majority of employment centers are located in Edinburg and McAllen, approximately 15 to 20 miles east of the Submarket. The largest employer’s in the McAllen-Edinburg-Mission MSA include the following:

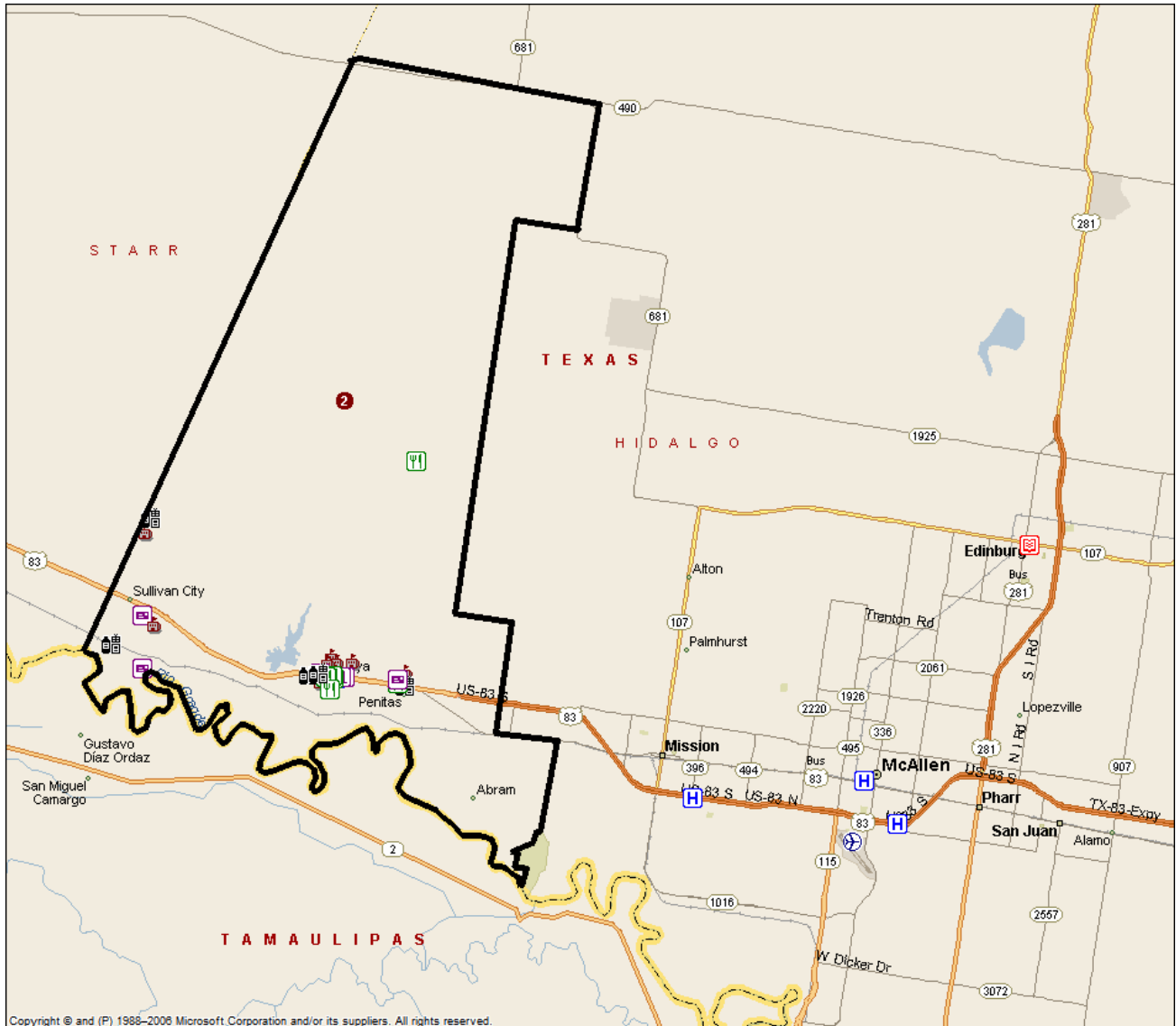
Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	McAllen I.S.D.	Education	3,595
3	Edinburg Regional Medical Center	Healthcare	3,000
4	University of Texas Pan American	Education	2,850
5	McAllen Medical Center	Healthcare	2,800
6	Hidalgo County	Government	2,211
7	Mission Consolidated I.S.D.	Education	2,140
8	City of McAllen	Government	1,801
9	Columbia Rio Grande Regional Hospital	Healthcare	975
10	South Texas Community College	Education	811

Employment in the McAllen-Edinburg-Mission MSA is dominated by relatively stable industries and all ten of the major employers are in the education, healthcare, and government sectors. However, according to 2007 employment by industry demographics, retail trade and construction comprise approximately 27.1 percent of overall employment and are two of the top four industry sectors in the Submarket, along with healthcare and education. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare. Therefore, due to the high concentration of retail trade and construction industries in the Submarket, it is possible that the Submarket will experience slowing growth due to the predominance of these two industries.














Identifiable employers within the Submarket include the La Joya ISD, City of La Joya, First National Bank, Dollar General, Thera-Care Rehabilitation Services, Tip Top Video, Fred Loya Insurance, Atlas Credit Loans, Citgo, Felix Meat Market, Starlite Burger, La Joya Police Department, United States Post Office, Auto Zone, Aziz Quick Stop, McDonalds, Whataburger, Advanced Auto Parts, O’Reilly Auto Parts, La Vista Hotel, Burger King.

Proximity to Local Services

There are a moderate number of locational amenities in the West Hidalgo County Submarket. The majority of locational amenities are located in and surrounding the City of La Joya, Texas.



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 Source: Novogradac and Company LLP, July 2008.

	Ranch		School		Bank
	United States Post Office		Hospital		Grocery/Supermarket
	Fire Station		Airport		Gas Station
	Restaurant		Police Station		
	Hotel/Motel		College/University		

HOUSING SUPPLY ANALYSIS

WEST HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the West Hidalgo County Submarket.

AGE OF HOUSING STOCK IN THE WEST HIDALGO COUNTY SUBMARKET

Years	Number of Units	Percent of Housing Stock
1999-3/2000	683	8.12%
1995-1998	1,572	18.69%
1990-1994	1,938	23.04%
1980-1989	2,666	31.70%
1970-1979	866	10.30%
1960-1969	284	3.38%
1950-1959	217	2.58%
1940-1949	113	1.34%
1939 and Before	71	0.84%
Total	8,410	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (73.43 percent) in the West Hidalgo County Submarket was constructed from 1980 through 1998. The West Hidalgo County Submarket consists primarily of rural undeveloped land with limited single-family housing and limited multifamily housing. Based upon observations in the field, the predominant form of housing in this Submarket is owner-occupied single-family homes in poor to excellent condition and 30 to less than five years in age. There is limited multifamily development in fair to good condition and 20 to five years in age. The West Hidalgo County Submarket contains small pockets of newly constructed single-family housing, such as Las Tranquitas, an under-construction single-family home subdivision along U.S. Highway 83 on the westernmost border of La Joya's city limits. Las Tranquitas consists of 24 one-acre plus home-sites. The majority of these home-sites are for sale and undeveloped. The existing homes in this community are large upscale single-family homes. Commercial and residential development in this Submarket is currently expanding westward from La Joya along U.S. Highway 83 towards Sullivan City and the westernmost border of Hidalgo County.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008. The small percentage of multifamily permits issued indicates demand for multifamily housing of all kinds.

Interviews

The Housing Authority of the County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as, Section 8 Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding the City of McAllen. None of these developments is located in the North Hidalgo County Submarket. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

La Joya Housing Authority

According to J. J. Garza, Director of the La Joya Housing Authority there is funding for 128 Housing Choice Vouchers in the City of La Joya and all are currently in use. The waiting list for Housing Choice Vouchers is comprised of 300 households and the waiting list is currently open. The waiting list includes elderly, disabled, and family households. Information regarding the number of households by target population on the waiting list was unavailable. There are currently 50 Public Housing units in two developments in La Joya, Tabasco I and Tabasco II. Mr. Garza noted that there is a particular need for large bedroom types and that there is a significant overall need for affordable housing in La Joya. According to Mr. Garza, there are plans to demolish Tabasco I and build a new 50-unit multifamily development, funded with tax credits. As part of this project, Tabasco II will also undergo major renovations and 20 more units will also be added, at some point in the future. The La Joya Housing Authority is in the process of acquiring funding from HUD for 50 additional Housing Choice Vouchers in order to relocate the current tenants of Tabasco I and II, once construction/rehabilitation begins. This project is currently in the planning stages and construction/rehabilitation is projected to begin in the latter portion of 2009. Though Mr. Garza was unable to confirm, the plans for Tabasco I and Tabasco II are consistent with plans for a proposed LIHTC rehabilitation project, which was allocated funding in July 2007, according to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs. The current payment standards for the City of La Joya are the same as the payment standards for Hidalgo County.

La Joya City Hall – Economic Development

We contacted the City Hall of La Joya in order to acquire information on economic development in the region. According to Mike Analiz with the city hall of La Joya, the cities of La Joya, Palmview, Sullivan City, and Penitas are in the process of becoming a consortium in order to designate the area encompassed by these four cities as a distinct Metropolitan Statistical Area. Mr. Alaniz noted that physical expansion of the City of La Joya is currently inhibited by the availability of land. The city recently acquired 800 acres to the north of La Joya. Approximately 2,000 additional acres surrounding La Joya is owned by a private entrepreneur named Milton West. City officials are currently working with Mr. West as part of an annexation process. With regards to commercial expansion, Mr. Alaniz noted that there is currently a Wal-mart store under construction along U.S. Highway 83, adjacent to Penitas. The Wal-mart store is expected to open by January 1, 2009, at the latest. Mr. Alaniz also noted that the La Joya ISD is the largest employer in the region and serves approximately 30,000 students from the surrounding cities.

LIHTC Family Supply

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers. There were no identifiable family LIHTC properties in the West Hidalgo County Submarket. Based on the lack of available data, we did not complete a LIHTC family market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one proposed family targeted reconstruction/rehabilitation project that has been allocated in the in the West Hidalgo County Submarket since 2005, Champion Home at La Joya. Champion Home at La Joya was allocated in July of 2007 and will consist of the rehabilitation of an existing development located at 945 South Leo Street in La Joya, Texas. This development will have 50 three- and four-bedroom units set at 30 and 60 percent of the AMI, with 16 of the units set at 30 percent of the AMI and 34 of the units set at 60 percent of AMI. The units set at 30 percent of AMI will also be designated public housing units. Additionally, 100 percent of the units at 60 percent of AMI will be Subject to a project based Section 8 subsidy. Based upon observations in the field, construction of this project has not yet commenced. It should be noted that there are currently 50 Public Housing units in two developments in La Joya, Tabasco I and Tabasco II. According to Mr. Garza with La Joya Housing Authority, there are plans to demolish Tabasco I and build a new 50-unit multifamily development, funded with tax credits. As part of this project, Tabasco II will also undergo major renovations and 20 more units will also be added, at some point in the future. The La Joya Housing Authority is in the process of acquiring funding from HUD for 50 additional Housing Choice Vouchers in order to relocate the current tenants of Tabasco I and II, once construction/rehabilitation begins. This project is currently in the planning stages and construction/rehabilitation is projected to begin in the latter portion of 2009. Though Mr. Garza was unable to confirm, the plans for Tabasco I and Tabasco II are consistent with plans for a proposed LIHTC rehabilitation project, which was allocated funding in July 2007, according to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs.

LIHTC Senior Supply

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers. There is one existing senior LIHTC development located in the West Hidalgo Submarket, La Mansion de La Joya. La Mansion De La Joya is a senior targeted affordable development located in La Joya, Texas. This development consists of 24 single-story one- and two bedroom units, rehabilitated with tax credit funding in 1991. As this development also operates under a USDA Rural Rental Assistance subsidy, 100 percent of the tenants are paying no more than 30 percent of their gross income towards rent. This being the case, we feel an in depth analysis of this property is more appropriately addressed in the Subsidized Supply section that follows. There are no other existing LIHTC developments in this Submarket. Based on the lack of available data, we did not complete a LIHTC senior market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no proposed or under construction senior LIHTC properties in the West Hidalgo County Submarket.

Market Rate Family Supply

We attempted to identify all existing, proposed, and under construction family oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac was able to identify and survey two market rate family targeted multifamily developments in the West Hidalgo County Submarket, Lakeview Apartments and Duberne Apartments. Due to the limited amount of available market rate family data, we completed a limited market rate family market analysis.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Duberne Apartments	La Joya	Market – Family
2	Lakeview Apartments	La Joya	Market – Family

Market Rate Multifamily Market

The following pictures identify the market rate family properties in the Submarket.



Duberne Apartments



Lakeview Apartments

Excluded Properties

All identifiable market rate multifamily developments were surveyed. No properties were excluded from this analysis.

Proposed Construction

We contacted Mike Analiz with the City Hall of La Joya in order to determine if there is any proposed/under construction market rate multifamily development in the area. According to Mr. Mike Analiz, there are no market rate developments currently in the planning stages in the West Hidalgo County Submarket.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
1 BR	2	8%
2 BR	23	92%
3 BR	N/A	N/A
4 BR	N/A	N/A
Total	25	100%

We were unable to identify any properties with three- and four bedroom market rate units. Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.61 and is projected to decrease slightly by 2012 to 3.59. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

There is an insufficient amount of market rate multifamily development in the Submarket, on which to base an effective analysis of unit size. However, the following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Size - Market Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	500	500	500
2 BR	800	950	875

Common and In-Unit Amenities

	Dubern Apartments	Lakeview Apartments
Comp #	1	2
Property Information		
Property Type	Garden	Townhouse
Year Built / Renovated	2003	1995
Market (Conv.)/ Subsidy Type	Market	Market
In-Unit Amenities		
Blinds	yes	yes
Carpeting	no	yes
Central A/C	yes	yes
Oven	yes	yes
Refrigerator	yes	yes
Washer/Dryer hookup	no	yes
Property Amenities		
Central Laundry	yes	no
Off-Street Parking	yes	yes
Services		
	no	no
Security	no	no
Premium Amenities	no	no
Other Amenities	no	no

The existing market rate multifamily properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed market rate properties offer no services, no security features, off-street-parking only, and no premium amenities. A basic appliance package is provided with only one comparable offering washer/dryer connections.

By-Unit Weighted Vacancy

There is an insufficient amount of market rate multifamily development in the Submarket, on which to base an effective analysis of weighted vacancy. However, the following table illustrates vacancy by unit type, for the surveyed properties.

Weighted Vacancy – Market Rate Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	2	0	0.00%
2 BR	23	3	13.40%
3 BR	N/A	N/A	N/A
4 BR	N/A	N/A	N/A
Total	25	3	12.00%

Absorption

None of the surveyed market rate properties was able to provide absorption information.

Waiting List

None of the market rate family properties in the market maintain a waiting list.

Vacancy Levels

There is an insufficient amount of market rate multifamily development in the Submarket, on which to base an effective analysis of market vacancy. The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy		
Property Name	Number of Units	Vacancy Rate
Duberne Apartments	11	0.00%
Lakeview Apartments	14	21.40%
TOTAL SURVEYED	25	12.20%

Concessions

None of the market rate family properties in the market are offering concessions.

Turnover

There is an insufficient amount of market rate multifamily development in the Submarket, on which to base an effective analysis of market turnover. The two properties in our survey reported turnover rates of 42 and 50 percent annually.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Dubern Apartments 232 2nd Street La Joya, TX 78560 Hidalgo County	Garden 2003	Market	1BR / 1BA	2	18.20%	Market	\$300	500	n/a	No	0	0.00%
				2BR / 1BA	9	81.80%	Market	\$400	800	n/a	No	0	0.00%
					11	100%						0	0.00%
2	Lakeview Apartments 100 West 4th Street La Joya, TX 78560 Hidalgo County	Townhouse 1995	Market	2BR / 1.5BA	14	100.00%	Market	\$425	950	n/a	No	3	21.40%
					14	100%						3	21.40%

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

The one-bedroom market rate rents for the surveyed properties are below the maximum allowable rent limits at 40, 50, 60, 80 and 100 percent of AMI, as well, as the fair market rents. The two-bedroom market rate rents for the surveyed properties are below the maximum allowable gross rents limits at the 50, 60, 80, and 100 percent of AMI levels. Additionally, the one and two-bedroom rents for the surveyed properties are below the current payment standards for Hidalgo County.

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Date:	Aug-08	Units Surveyed:	25	Weighted Occupancy:	88.00%
		Market Rate	25	Market Rate	88.00%
		Tax Credit	0	Tax Credit	N/A

	Studio One Bath		One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average	Property	Average	Property	Average
RENT			Dubern Apartments	\$300	Lakeview Apartments (1.5BA)	\$425				
					Dubern Apartments (1BA)	\$400				
SQUARE FOOTAGE			Dubern Apartments	500	Lakeview Apartments (1.5BA)	950				
					Dubern Apartments (1BA)	800				
RENT PER SQUARE FOOT			Dubern Apartments	\$0.60	Dubern Apartments (1BA)	\$0.50				
					Lakeview Apartments (1.5BA)	\$0.45				

Market Rate Family Supply Conclusion

Small unit types are currently prevalent in the Submarket. However, the Submarket's household size is significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The existing market rate multifamily properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed market rate properties offer no services, no security features, off-street-parking only, and no premium amenities. A basic appliance package is provided with only one comparable offering washer/dryer connections only.

None of surveyed properties is offering concessions and none of the properties currently maintains a waiting list. None of the surveyed properties was able to provide absorption information. The two properties in our survey reported turnover rates of 42 and 50 percent annually. Overall average vacancy is 12.2 percent; however, this percentage only reflects three vacant units.

Due to the lack of available data, we were able to perform only a limited market rate family market analysis, based primarily on demographic projections and anecdotal evidence of demand. The Submarket's 2007 population of 26,404 is expected to increase by approximately three percent to 30,413, by 2012. Similarly, the number of households in the Submarket is expected to increase at the same rate of growth as the population, from 2007 through 2012, resulting in a total of 8,471 households by 2012. As population and households increase and as commercial and residential expansion spread westward, the demand for multifamily rental housing of all kinds will likely increase. However, it should be noted that based on the current rental rates of existing market rate properties and the percentage of households in 2007 (42.2 percent) and 2012 (36.8 percent) earning less than \$20,000 a year, the demand for affordable housing of all kinds will supersede the demand for market rate housing.

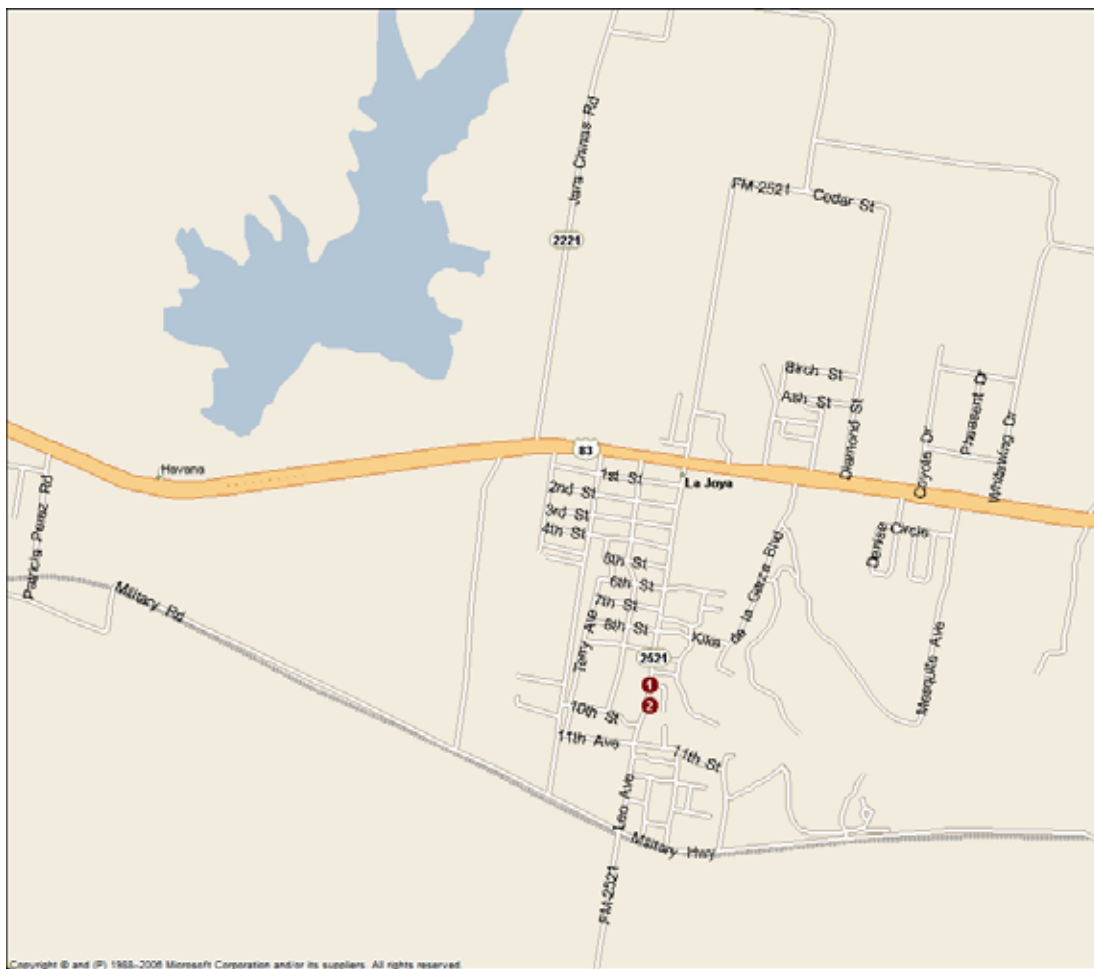
Market Rate Senior Supply

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable senior market rate properties in the West Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis. There are no proposed or under construction market rate properties in the West Hidalgo County Submarket.

Subsidized Family Supply

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials. According to J. J. Garza, Director of the La Joya Housing Authority, there are currently 50 Public Housing units in two family targeted developments in La Joya, Tabasco I and Tabasco II. Both Tabasco I and Tabasco II are included in the analysis that follows. Based on the limited data regarding family-oriented subsidized properties, we performed only a limited subsidized family market analysis.

The following map illustrates the location of the surveyed subsidized properties in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Tabasco I	La Joya	Public Housing – Family
2	Tabasco II	La Joya	Public Housing - Family

Subsidized Multifamily Market

The following pictures identify the subsidized family properties in the Submarket.



Tabasco I



Tabasco II

Excluded Properties

All of the identifiable family-targeted subsidized properties were surveyed and included in the analysis that follows. No properties were excluded from this analysis.

Proposed/Under Construction

According to Mr. Garza, there are plans to demolish Tabasco I and build a new 50-unit multifamily development, funded with tax credits. As part of this project, Tabasco II will also undergo major renovations and 20 more units will also be added, at some point in the future. The La Joya Housing Authority is in the process of acquiring funding from HUD for 50 additional Housing Choice Vouchers in order to relocate the current tenants of Tabasco I and II, once construction/rehabilitation begins. This project is currently in the planning stages and construction/rehabilitation is projected to begin in the latter portion of 2009. Though Mr. Garza was unable to confirm, the plans for Tabasco I and Tabasco II are consistent with plans for a proposed family LIHTC rehabilitation project, Champion Home at La Joya, which was allocated funding in July 2007, according to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	N/A	N/A
2 BR	N/A	N/A
3 BR	41	82%
4 BR	9	18%
Total	50	100%

We were unable to identify any subsidized properties with one- and two bedroom units. Large unit types are currently prevalent in the Submarket. Demographic projections show that the average

household size in the Submarket in 2007 was 3.61 and is projected to decrease slightly by 2012 to 3.59. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective analysis of unit size. However, the following table illustrates the existing unit sizes in the subsidized rental property market. According to management at both surveyed properties, unit sizes are estimates.

Unit Size - Subsidized Family		
Unit Type	Tabasco I	Tabasco II
3 BR	1,100	1,100
4 BR	1,200	1,200

Common and In-Unit Amenities

	Tabasco I	Tabasco II
Comp #	1	2
Property Information		
Property Type	Garden	Single Family
Year Built / Renovated	1990	1993
Market (Conv.)/Subsidy Type	0-30% (Public Housing)	0-30% (Public Housing)
In-Unit Amenities		
Balcony/Patio	yes	yes
Blinds	yes	yes
Central A/C	yes	yes
Exterior Storage	yes	yes
Ceiling Fan	yes	yes
Oven	yes	yes
Refrigerator	yes	yes
Walk-In Closet	yes	yes
Washer/Dryer hookup	yes	yes
Property Amenities		
Carport	yes	yes
Clubhouse/Meeting Room/Community Room	yes	yes
Off-Street Parking	yes	yes
On-Site Management	yes	yes
Playground	yes	yes
Services		
Security		
Premium Amenities		
Other Amenities		
Other	n/a	n/a

The existing subsidized multifamily properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed subsidized properties offer no services, no security features, car port parking at no additional cost, and no premium amenities. A basic appliance package is provided with washer/dryer connections only.

By-Unit Weighted Vacancy

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective analysis of weighted vacancy. Additionally, none of the surveyed properties is currently exhibiting vacancies.

Absorption

None of the surveyed market rate properties was able to provide absorption information.

Waiting List

Both of the surveyed developments draw tenants from the La Joya Housing Authority's Public Housing waiting list, which currently has 1,049 households. Based on the extensive waiting list for Public Housing, we anticipate significant future demand for very low income affordable housing.

Vacancy Levels

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective analysis of vacancy. Additionally, none of the surveyed properties is currently exhibiting vacancies and historical occupancy is typically 100 percent.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective analysis of market turnover. The two properties in our survey reported turnover rates of 48 and 60 percent annually equating to approximately one unit per month in each development.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Tabasco I 945 South Leo Avenue La Joya, TX 78572 Hidalgo County	Garden 1990	0-30% (Public Housing)	3BR / 2BA	16	80.00%	0-30%	\$422	1,100	n/a	Yes	0	0.00%
				4BR / 2BA	4	20.00%	0-30%	\$492	1,200	n/a	Yes	0	0.00%
					20	100%						0	0.00%
2	Tabasco II 945 South Leo Avenue La Joya, TX 78572 Hidalgo County	Single Family 1993	0-30% (Public Housing)	3BR / 1BA	25	83.30%	0-30%	\$422	1,100	n/a	Yes	0	0.00%
				4BR / 1BA	5	16.70%	0-30%	\$492	1,200	n/a	Yes	0	0.00%
					30	100%						0	0.00%

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective rental rate analysis. As both surveyed subsidized properties are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are “flat rents”. The flat rents at both surveyed subsidized properties are well below the payment standards for Hidalgo County. Additionally, there are plans to demolish/reconstruct and renovate Tabasco I and Tabasco II, respectively, and provide an additional 20 public housing units at some point in the future. According to the Housing Authority of La Joya, the Public Housing waiting list is 1,049 households long, indicating significant demand for very low income affordable housing.

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Effective Rent Date:	Aug-08	Units Surveyed:	50	Weighted Occupancy:	100.00%
		Market Rate	50	Market Rate	100.00%
		Tax Credit	0	Tax Credit	N/A

	Studio One Bath		One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average	Property	Average	Property	Average
RENT							Tabasco II (1BA)	\$422	Tabasco I	\$492
									Tabasco II (1BA)	\$492
SQUARE FOOTAGE							Tabasco II (1BA)	1,100	Tabasco I	1,200
									Tabasco II (1BA)	1,200
RENT PER SQUARE FOOT							Tabasco II (1BA)	\$0.38	Tabasco I	\$0.41
									Tabasco II (1BA)	\$0.41

Subsidized Family Supply Conclusion

Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.61 and is projected to decrease slightly by 2012 to 3.59. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The existing subsidized multifamily properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed subsidized properties offer no services, no security features, car port parking at no additional cost, and no premium amenities. A basic appliance package is provided with washer/dryer connections only.

None of surveyed properties is offering concessions and none of the properties was able to provide absorption information. Both of the surveyed developments draw tenants from the La Joya Housing Authority's Public Housing waiting list. The two properties in our survey reported turnover rates of 48 and 60 percent annually. Both surveyed developments have 100 percent occupancy rates.

There is an insufficient amount of subsidized multifamily development in the Submarket, on which to base an effective rental rate analysis. As both surveyed subsidized properties are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are "flat rents". The flat rents at both surveyed subsidized properties are well below the payment standards for Hidalgo County. Additionally, there are plans to demolish/reconstruct and renovate Tabasco I and Tabasco II, respectively, and provide an additional 20 public housing units at some point in the future. According to the Housing Authority of La Joya, the Public Housing waiting list is 1,049 households long, indicating significant demand for very low income affordable housing.

Subsidized Senior Supply

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There is one existing senior LIHTC/USDA subsidized development located in the West Hidalgo Submarket, La Mansion de La Joya. La Mansion De La Joya is a senior targeted affordable development which consists of 24 single-story one- and two bedroom units, rehabilitated with tax credit funding in 1991. This development operates under the LIHTC and USDA Rural Rental Assistance programs. However, 100 percent of the tenants are paying no more than 30 percent of their gross income towards rent. We were unable to contact this development by phone and in person, and therefore it has been excluded from the following limited supply analysis. There are no other existing senior targeted subsidized developments in this Submarket. Based on the lack of available data, no analysis was made of the senior subsidized market as the single subsidized senior development was unavailable.

There are no proposed or under construction subsidized senior properties in the North Hidalgo County Submarket. Pictures of La Mansion de La Joya are provided below:



DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the West Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the West Hidalgo County Submarket in 2007 is 7,304 and the total number of households in 2012 is projected to be 8,471. The total number of households age 55 and older in the Submarket for 2007 is 2,660, with a 2012 projection of 3,271 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 16.0 percent of the occupied housing unit households in the West Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 8.8 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum

income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the West Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the West Hidalgo County Submarket, approximately 28.4 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 5.4 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the West Hidalgo County Submarket, it is estimated that 26.3 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. We were unable to identify any senior LIHTC properties in this Submarket. The two subsidized family developments in the Submarket are reporting turnover rates of 48 and 60 percent annually. The two market rate properties in the Submarket report turnover rates of 42 and 50 percent annually. Due to a lack of family LIHTC turnover data in this Submarket, we have use the average turnover rate for the four properties targeting family households in the Submarket. Therefore, a turnover rate of 50 percent applied to the following analysis.

We were unable to identify any senior LIHTC properties in this Submarket. With so few senior LIHTC properties able to provide turnover data in the MSA, we have used the average senior subsidized turnover rate of 6.5 percent.

Unstabilized Rental Units - Existing and Proposed

There is one proposed family targeted reconstruction/rehabilitation LIHTC project that has been allocated and not yet built in the in the West Hidalgo County Submarket. Champion Home at La Joya was allocated in July of 2007 and will consist of the rehabilitation of an existing development located at 945 South Leo Street in La Joya, Texas. This development will have 50 three- and four-bedroom units set at 30 and 60 percent of the AMI, with 16 of the units set at 30 percent of the AMI and 34 of the units set at 60 percent of AMI. Despite the difference in set-asides, the application submitted by the project developer indicates that all 50 units will operate either as Public Housing or Section 8. Based on this information, all 50 units have been deducted from the following analysis at the 30 percent of AMI level.

To our knowledge, there are no proposed or under construction senior LIHTC properties in the West Hidalgo County Submarket. With no identified proposed senior LIHTC properties in the West Hidalgo County Submarket, no units were deducted from the senior demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the West Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	163	100	9	3	3	2	0
2 person	151	57	16	16	14	16	14
3 person	145	77	14	14	7	12	8
4 person	288	141	36	30	21	21	5
5+person	424	200	59	45	42	40	12
Total	1,171	576	135	109	88	91	38
Number of Income-Qualified Renter Households		576	135	109	88	91	38
X	Percentage of Rent-Overburdened (28.4%)	163	38	31	25	26	11
X	Percentage of Substandard Housing (5.4%)	31	7	6	5	5	2
X	Percentage of Overcrowded Housing (26.3%)	151	36	29	23	24	10
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		346	81	65	53	55	23
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>50</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		296	81	65	53	55	23

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	195	120	11	4	4	2	0
2 person	175	67	19	19	16	18	16
3 person	168	89	16	16	9	14	9
4 person	350	172	44	37	25	26	6
5+person	501	237	70	53	50	47	14
Total	1,389	685	160	129	104	107	45
Number of Income-Qualified Renter Households		685	160	129	104	107	45
X	Percentage of Rent-Overburdened (28.4%)	194	45	37	30	30	13
X	Percentage of Substandard Housing (5.4%)	37	9	7	6	6	2
X	Percentage of Overcrowded Housing (26.3%)	180	42	34	27	28	12
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		412	96	78	62	64	27
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>50</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		362	96	78	62	64	27

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	163	100	9	3	3	2	0
2 person	151	57	16	16	14	16	14
3 person	145	77	14	14	7	12	8
4 person	288	141	36	30	21	21	5
5+person	424	200	59	45	42	40	12
Total	1,171	576	135	109	88	91	38
Number of Income-Qualified Renter Households		576	135	109	88	91	38
X	Percentage of Rent-Overburdened (28.4%)	163	38	31	25	26	11
X	Percentage of Substandard Housing (5.4%)	31	7	6	5	5	2
X	Percentage of Overcrowded Housing (26.3%)	151	36	29	23	24	10
X	Percentage of Estimated Turnover (50%)	288	68	54	44	46	19
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		634	149	120	97	101	42
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>50</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		584	149	120	97	101	42

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	195	120	11	4	4	2	0
2 person	175	67	19	19	16	18	16
3 person	168	89	16	16	9	14	9
4 person	350	172	44	37	25	26	6
5+person	501	237	70	53	50	47	14
Total	1,389	685	160	129	104	107	45
Number of Income-Qualified Renter Households		685	160	129	104	107	45
X	Percentage of Rent-Overburdened (28.4%)	194	45	37	30	30	13
X	Percentage of Substandard Housing (5.4%)	37	9	7	6	6	2
X	Percentage of Overcrowded Housing (26.3%)	180	42	34	27	28	12
X	Percentage of Estimated Turnover (50%)	343	80	65	52	54	23
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		754	176	142	114	118	50
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>50</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		704	176	142	114	118	50

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	95	49	5	2	2	1	0
2 person	51	18	11	11	8	3	1
3 person	22	15	2	2	0	0	2
4 person	31	4	2	4	8	10	3
5+person	10	4	0	0	0	4	1
Total	208	89	18	18	18	19	8
Number of Income-Qualified Renter Households		89	18	18	18	19	8
X	Percentage of Rent-Overburdened (28.4%)	25	5	5	5	5	2
X	Percentage of Substandard Housing (5.4%)	5	1	1	1	1	0
X	Percentage of Overcrowded Housing (26.3%)	23	5	5	5	5	2
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		54	11	11	11	11	5
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		54	11	11	11	11	5

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	107	55	5	2	2	1	0
2 person	55	19	11	11	9	3	1
3 person	25	18	2	2	0	0	2
4 person	42	5	2	6	11	14	4
5+person	13	5	0	0	0	6	2
Total	242	102	20	21	22	24	9
Number of Income-Qualified Renter Households		102	20	21	22	24	9
X	Percentage of Rent-Overburdened (28.4%)	29	6	6	6	7	3
X	Percentage of Substandard Housing (5.4%)	6	1	1	1	1	0
X	Percentage of Overcrowded Housing (26.3%)	27	5	6	6	6	2
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		61	12	13	13	14	5
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		61	12	13	13	14	5

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	95	49	5	2	2	1	0
2 person	51	18	11	11	8	3	1
3 person	22	15	2	2	0	0	2
4 person	31	4	2	4	8	10	3
5+person	10	4	0	0	0	4	1
Total	208	89	18	18	18	19	8
Number of Income-Qualified Renter Households		89	18	18	18	19	8
X	Percentage of Rent-Overburdened (28.4%)	25	5	5	5	5	2
X	Percentage of Substandard Housing (5.4%)	5	1	1	1	1	0
X	Percentage of Overcrowded Housing (26.3%)	23	5	5	5	5	2
X	Percentage of Estimated Turnover (6.5%)	6	1	1	1	1	0
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		59	12	12	12	12	5
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		59	12	12	12	12	5

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	107	55	5	2	2	1	0
2 person	55	19	11	11	9	3	1
3 person	25	18	2	2	0	0	2
4 person	42	5	2	6	11	14	4
5+person	13	5	0	0	0	6	2
Total	242	102	20	21	22	24	9
Number of Income-Qualified Renter Households		102	20	21	22	24	9
X	Percentage of Rent-Overburdened (28.4%)	29	6	6	6	7	3
X	Percentage of Substandard Housing (5.4%)	6	1	1	1	1	0
X	Percentage of Overcrowded Housing (26.3%)	27	5	6	6	6	2
X	Percentage of Estimated Turnover (6.5%)	7	1	1	1	2	1
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		68	13	14	15	16	6
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		68	13	14	15	16	6

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the West Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 25 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. The proposed reconstruction of 50 units to provide affordable units to households earning less than 30 percent of AMI should help to meet some of the continuing need for housing at the lowest income levels in the West Hidalgo County Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 24 subsidized units serving low-income senior households in the West Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional subsidized or LIHTC units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

3. WEST CENTRAL HIDALGO COUNTY SUBMARKET ANALYSIS

WEST CENTRAL HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the West Hidalgo County Submarket, which is bounded to the north by State Highway 490; to the east by Wallace Road, Mile 14 North Road, North Ware Road, Monte Christo Road, Ware Road, Lark Avenue, and Taylor Road; to the south by the Texas-Mexico border; and to the west by Bentsen State Park Road 43, U.S. Highway 83 Business, Abram Road, 6 Mile Line Road, and Iowa Avenue. The following map illustrates the boundaries of the Submarket as defined above.

West Central Hidalgo County Submarket Map



The West Central Hidalgo County Submarket includes the communities/cities of Mission, Alton, La Homa, Doffing, Palmview and Palmhurst. Approximately 40 to 50 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 50 to 60 percent of the area in this Submarket contains very little development and offers limited access to locational amenities and essential services. Development is located along U.S. Highway 83, which is the area's primary thoroughfare, and dissipates slowly in each direction with limited development occurring along the U.S. Mexico border region and north of the community of Alton. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Local Government

As previously mentioned, the West Central Hidalgo County Submarket includes the communities/cities of Mission, Alton, La Homa, Doffing, Palmview and Palmhurst.

Mission, Texas is a city in Hidalgo County operating under a Mayor-Council form of government with three elected Council members. According to the U.S. Census, Mission is comprised of a land area of 24.1 square miles and had a 2000 population of 45,408.

Alton, Texas is a city in Hidalgo County operating under a Mayor-city Commission form of government with one elected city Commissioner. According to the U.S. Census, Alton is comprised of a land area of 2.1 square miles and had a 2000 population of 4,384.

La Homa, Texas is a census-designated place in Hidalgo County. According to the U.S. Census, La Homa is comprised of a land area of 6.9 square miles and had a 2000 population of 10,433.

Doffing, Texas is a census-designated place in Hidalgo County. According to the U.S. Census, Doffing is comprised of a land area of 4.3 square miles and had a 2000 population of 4,256.

Palmview, Texas is a city in Hidalgo County operating under a Mayor-Council form of government with an elected Mayor and five aldermen. According to the U.S. Census, Palmview is comprised of a land area of 2.4 square miles and had a 2000 population of 4,107.

Palmhurst, Texas is a community in Hidalgo County operating under a Mayor-Council form of government with a Mayor and unspecified number of aldermen. According to the U.S. Census, Palmhurst is comprised of a land area of 6.1 square miles and had a 2000 population of 4,872.

Employment by Industry

The following table illustrates employment by industry for the West Central Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	West Central Hidalgo Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	1,385	2.79%	5,955	2.54%
Mining	531	1.07%	2,143	0.91%
Construction	7,419	14.95%	25,549	10.90%
Manufacturing	2,687	5.42%	13,071	5.58%
Wholesale Trade	1,972	3.97%	9,652	4.12%
Retail Trade	6,559	13.22%	30,163	12.87%
Transportation/Warehousing	2,126	4.29%	9,335	3.98%
Utilities	310	0.62%	1,438	0.61%
Information	355	0.72%	2,704	1.15%
Finance/Insurance	1,160	2.34%	5,917	2.53%
Real Estate/Rental/Leasing	739	1.49%	3,399	1.45%
Prof/Scientific/Tech Services	1,166	2.35%	6,868	2.93%
Mgmt of Companies/Enterprises	20	0.04%	82	0.03%
Admin/Support/Waste Mgmt Svcs	1,750	3.53%	8,174	3.49%
Educational Services	6,575	13.25%	36,869	15.73%
Health Care/Social Assistance	5,540	11.17%	29,322	12.51%
Arts/Entertainment/Recreation	646	1.30%	2,302	0.98%
Accommodation/Food Services	3,559	7.17%	16,906	7.21%
Other Services (excl Publ Adm)	3,207	6.46%	13,767	5.88%
Public Administration	1,907	3.84%	10,715	4.57%
Total Employment	49,613	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the West Central Hidalgo County Submarket are the construction, educational services, retail trade, and health care/social assistance sectors. Approximately 52.6 percent of people in West Central Hidalgo County work in these four industries. The West Central Hidalgo County Submarket has a larger number of persons employed in the construction and retail trade sectors and a smaller number of people employed in the healthcare/social assistance and educational services sectors, relative to the MSA. Although educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Submarket due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing.

Commute Patterns in the West Central Hidalgo County Submarket

The table below summarizes commute times for the West Central Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	834
5-9 min	2,671
10-14 min	4,486
15-19 min	6,633
20-24 min	6,266
25-29 min	1,701
30-34 min	6,635
35-39 min	295
40-44 min	458
45-59 min	1,115
60-89 min	696
90+ min	797
Average Travel Time	23.5 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

By far, most workers in the Submarket have a commute time under 35 minutes. Given that the Submarket includes the more densely populated areas in and around Mission, this is not unexpected. It should be noted that 10.3 percent of workers report a travel time to work in excess of 35 minutes. Portions of the Submarket extend far enough to the north that workers living in rural areas will have extended commute times to places of employment.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the West Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the West Central Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the West Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Year	West Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	58,357	-	383,545	-
2000	109,538	8.77%	569,463	4.85%
2007	157,348	6.02%	732,166	3.94%
2012	193,796	4.63%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Population growth rates in the Submarket have been significantly higher than growth rates in the MSA in all years of analysis. Both the Submarket and the MSA show strong growth from 2007 through 2012, although the Submarket will grow at a faster rate than the MSA from 2007 through 2012. Overall, the rate of population growth in the Submarket and MSA will decrease slightly from 2007 through 2012. However, growth rates in the Submarket and MSA from 2007 to 2012 are considered very strong and are a positive indicator of the need for all forms of housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
West Central Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	5,727	11,878	17,884	21,677
5-9	6,161	12,017	15,764	19,311
10-14	6,342	10,781	15,222	18,129
15-19	6,096	9,830	13,037	16,934
20-24	4,275	8,156	11,488	14,027
25-29	4,316	8,597	11,633	13,420
30-34	4,312	7,921	12,018	12,827
35-39	4,040	7,466	10,909	12,934
40-44	3,348	6,766	9,666	12,300
45-49	2,399	5,581	9,058	10,863
50-54	1,934	4,515	7,594	10,060
55-59	1,689	3,253	5,908	8,978
60-64	1,913	2,972	4,081	6,613
65-69	2,130	2,776	3,522	4,306
70-74	1,471	2,709	3,160	3,685
75-79	1,185	2,334	2,955	3,166
80-84	645	1,158	2,163	2,469
85+	374	828	1,286	2,097
Total	58,357	109,538	157,348	193,796
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	West Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	15,461	-	103,479	-
2000	29,239	8.91%	156,824	5.15%
2007	42,868	6.43%	205,804	4.31%
2012	53,077	4.76%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, household growth rates in the Submarket and MSA show positive gains through 2012, although the Submarket will grow at a faster rate than the MSA from 2007 through 2012. Household growth in the Submarket slowed from 2000 to 2007 and is expected to slow even further from 2007 through 2012; however, the growth rate in the Submarket from 2007 through 2012 is still very strong. Similarly, household growth in the MSA is expected to slow from 2007 through 2012.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	West Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.74	-	3.60	-
2007	3.67	-0.26%	3.53	-0.27%
2012	3.65	-0.11%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly larger than the MSA, and both are significantly larger than the national average size of 2.59 (not shown). The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	West Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	\$24,388	-	\$24,843	-
2007	\$30,428	3.42%	\$30,519	3.15%
2012	\$35,054	3.04%	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 0.3 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket and in the MSA is projected to grow at a slower rate from 2007 through 2012 than the previous seven years. It should be noted that the median household income in the Submarket and MSA are approximately 57.2 and 57.4 percent of the national average in 2007. The lower median income levels in the Submarket and MSA indicate an increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - West Central Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	7,480	17.4%	7,635	14.4%
\$10,000-\$14,999	3,593	8.4%	4,407	8.3%
\$15,000-\$19,999	3,917	9.1%	3,961	7.5%
\$20,000-\$24,999	3,303	7.7%	3,750	7.1%
\$25,000-\$29,999	2,850	6.6%	3,747	7.1%
\$30,000-\$34,999	2,964	6.9%	2,996	5.6%
\$35,000-\$39,999	2,361	5.5%	3,458	6.5%
\$40,000-\$44,999	2,175	5.1%	2,433	4.6%
\$45,000-\$49,999	1,409	3.3%	2,217	4.2%
\$50,000-\$59,999	3,332	7.8%	3,654	6.9%
\$60,000-\$74,999	3,114	7.3%	4,592	8.7%
\$75,000-\$99,999	2,653	6.2%	4,184	7.9%
\$100,000-\$124,999	1,612	3.8%	2,321	4.4%
\$125,000-\$149,999	961	2.2%	1,423	2.7%
\$150,000-\$199,999	510	1.2%	1,160	2.2%
\$200,000-\$249,999	274	0.6%	491	0.9%
\$250,000-\$499,999	294	0.7%	487	0.9%
\$500,000+	66	0.2%	161	0.3%
Total	42,868	100%	53,077	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-\$124,999	7,409	3.6%	10,073	4.1%
\$125,000-\$149,999	3,767	1.8%	6,223	2.5%
\$150,000-\$199,999	2,290	1.1%	4,504	1.8%
\$200,000-\$249,999	1,246	0.6%	2,018	0.8%
\$250,000-\$499,999	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 34.9 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007 with the lowest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 30.2 percent and 29.4 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents is 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	West Central Hidalgo Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	9,407	-	63,856	-
2000	16,030	7.0%	90,763	4.2%
2007	23,075	6.1%	116,831	4.0%
2012	31,314	7.1%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Senior population trends in the MSA grew at a slower rate than in Submarket from 2000 through 2007. Senior population growth in both the West Central Hidalgo County Submarket and the MSA is expected to grow at an exceptional rate from 2007 through 2012, with growth in the Submarket exceeding that of the MSA.

The exceptional projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	West Central Hidalgo Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	9,089	-	52,073	-
2007	13,063	6.0%	67,113	4.0%
2012	17,592	6.9%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth in the Submarket and MSA is expected to be exceptionally strong through 2012. Similar to senior population estimates, the household growth rate is expected to increase through 2012. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		West Central Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
			<i>All Ages</i>			
2007	\$30,519	-	\$30,428	-	\$53,154	-
2012	\$35,078	2.59%	\$35,054	2.64%	\$62,503	3.52%
			<i>Age 55+</i>			
2007	\$27,687	-	\$28,416	-	\$32,710	-
2012	\$32,712	3.07	\$33,727	3.15%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all areas of analysis are below those of all households. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The median household income in the Submarket and MSA are approximately 42.8 and 42.6 percent of the national average in 2007.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - West Central Hidalgo Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	3,490	26.7%	4,105	23.3%
\$15,000-\$24,999	2,321	17.8%	2,661	15.1%
\$25,000-\$34,999	1,660	12.7%	2,132	12.1%
\$35,000-\$49,999	1,808	13.8%	2,548	14.5%
\$50,000-\$74,999	2,031	15.5%	2,869	16.3%
\$75,000-\$99,999	697	5.3%	1,357	7.7%
100,000-	714	5.5%	1,174	6.7%
150,000-	109	0.8%	313	1.8%
200,000-	81	0.6%	166	0.9%
250,000-	127	1.0%	197	1.1%
\$500,000+	25	0.2%	70	0.4%
Total	13,063	100%	17,592	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-\$24,999	10,918	16.3%	11,816	13.8%
\$25,000-\$34,999	8,645	12.9%	10,306	12.0%
\$35,000-\$49,999	9,485	14.1%	12,964	15.1%
\$50,000-\$74,999	9,921	14.8%	13,604	15.9%
\$75,000-\$99,999	3,485	5.2%	6,161	7.2%
100,000-	3,783	5.6%	6,157	7.2%
150,000-	728	1.1%	1,622	1.9%
200,000-	543	0.8%	933	1.1%
250,000-	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Compared to the Submarket, the MSA has the largest percentage of seniors earning less than \$35,000 annually, although negligibly so. Approximately 57.2 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket's high percentage of senior households earning below \$15,000 annually. The Submarket features slightly fewer senior households in these income brackets when compared to the MSA. By 2012, both areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 50.5 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. These factors indicate that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Year	West Central Hidalgo County Submarket				McAllen-Edinburg-Mission, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	7,949	87.5%	1,140	12.5%	43,784	84.1%	8,289	15.9%
2007	11,425	87.5%	1,638	12.5%	56,430	84.1%	10,683	15.9%
2012	15,385	87.5%	2,207	12.5%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units in all areas of analysis. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in developing submarkets, where owner-occupied housing is predominant.

Senior Demographic Conclusion

Although the median senior household income for the MSA is projected to increase from 2007 to 2012, growth in the national and Submarket’s median senior household income is projected to outpace growth in the MSA. Both the MSA and Submarket feature significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Approximately 57.2 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The Submarket features slightly less senior households in these income brackets when compared to the MSA and national averages.

LOCAL MARKET INFORMATION

West Central Hidalgo County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

The majority of the healthcare providers in the West Central Hidalgo County Submarket are located in Mission. The primary major medical providers within proximity to the West Central Hidalgo County Submarket are the Mission Regional Medical Center in Mission, A&M Medical Center in McAllen, and McAllen Medical Center. The Mission Regional Medical Center is the Submarket's primary hospital and is a non-profit 289-bed medical center which provides general hospital care to the Rio Grande Valley Region. The A&M Medical Center and McAllen Medical Center are located east of the Submarket in the City of McAllen.

Transportation

The West Central Hidalgo County Submarket is served by the McAllen Miller International Airport, which is located approximately 5.5 miles east of the City of Mission, in McAllen, Texas. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Highway access to the West Central Hidalgo County Submarket can be accomplished via U.S. Highway 83. U.S. Highway-83 runs east/west from Harlingen, Texas to Manitoba, Canada.

Education

The West Central Hidalgo County Submarket is served by the Mission Consolidated Independent School District. The Mission Independent Consolidated School District has thirteen elementary schools, three middle schools, two high schools and an alternative campus for students considered to be at risk. The nearest universities are located outside of the Submarket in Edinburg and McAllen, approximately 5 to 15 miles east of Mission along U.S. Highway 83. The University of Texas Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the tenth largest university in the state and the fifth largest in the UT system and offers 54 bachelor's degree programs, 50 master's, and two doctoral programs. McAllen offers five major colleges/universities including the San Antonio College of Medical and Dental Assistants, South Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

Valley Transit Company serves the city of Mission and the West Central Hidalgo County Submarket. Valley Transit is a full-service bus company that serves South Central Texas and Northern Mexico with more than 50 daily schedules, as well as connections to nationwide travel on Greyhound Lines. The Valley Transit Travel Center and Bus Stop is located at 2107 Highway 83 West in Mission and is open 24 hours a day.

Employment Centers

There are a limited number of employment centers in the West Central Hidalgo County Submarket. The majority of employment centers are located in Mission. The largest employers in the city of Mission are:

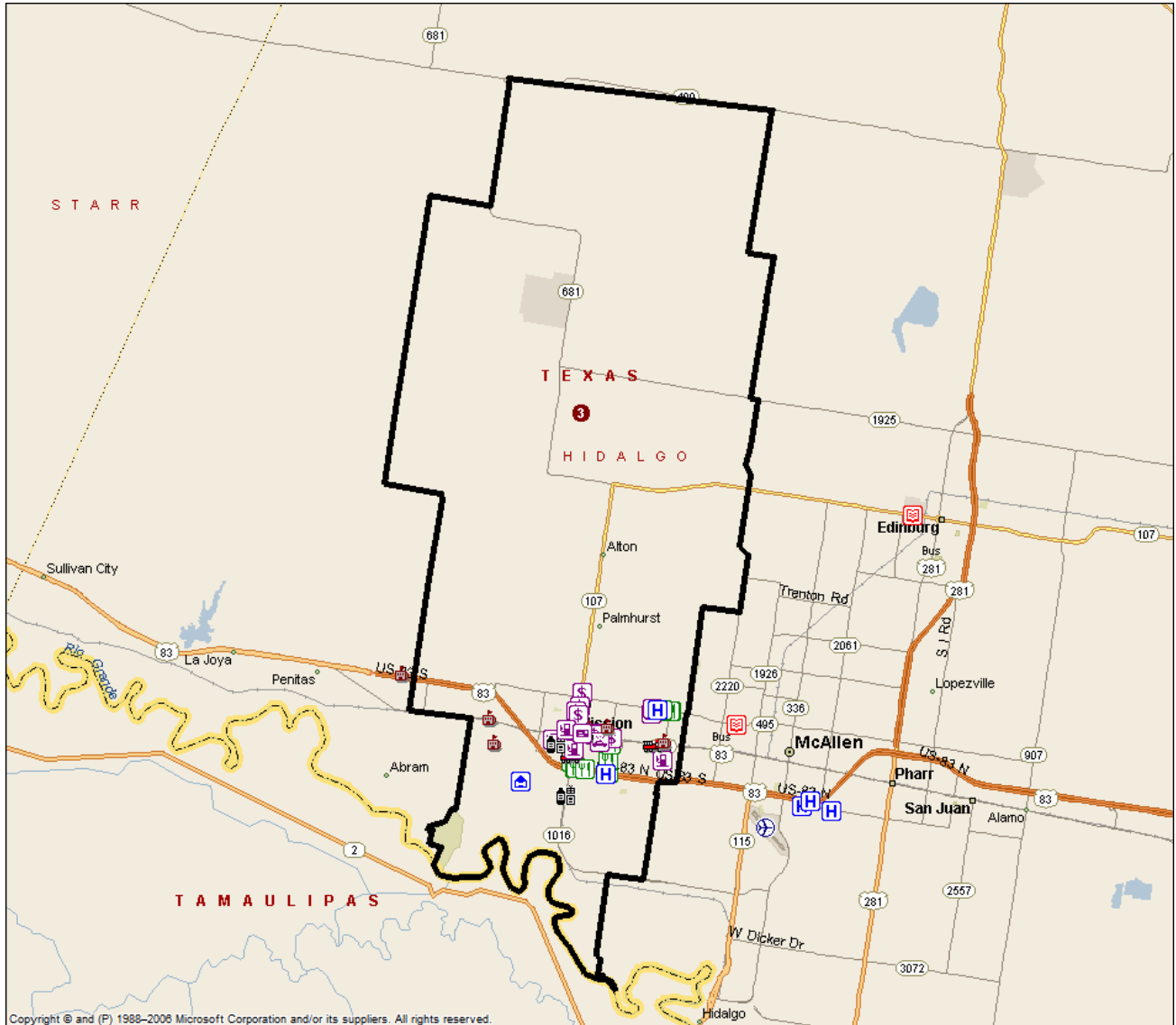
Rank	Company	Industry	Employees
1	Mission CISD	Education	2,140
2	Sharyland ISD	Education	1,045
3	Mission Regional Medical Center	Healthcare	910
4	T-Mobile	Technology	893
5	City of Mission	Government	521
6	Wal-Mart Super Center	Retail	410
7	H.E.B. Grocery	Grocery	334
8	Vanity Fair Intimates	Retail Distribution Center	315
9	Target	Retail	240
10	Frito-Lay, Inc.	Food Distribution	220

Source: Mission Economic Development Authority: August 2008

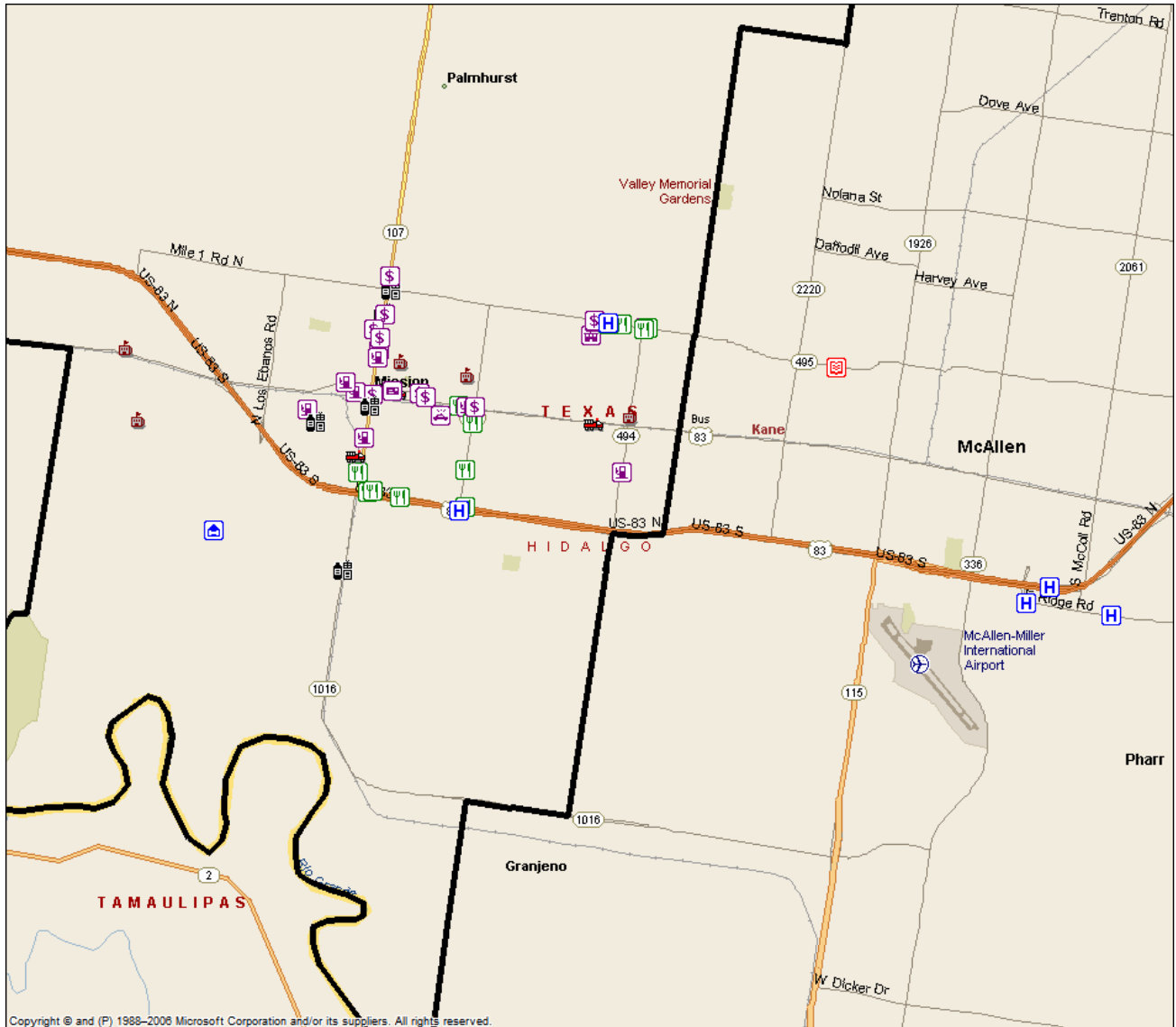
Employment in the Submarket is dominated by relatively stable industries as four of the top five major employers are in the education, healthcare, and government sectors. However, according to 2007 employment by industry demographics, retail trade and construction comprise approximately 28 percent of overall employment and are two of the top four industry sectors in the Submarket. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare, and government. Therefore, due to the high concentration of retail trade and construction industries in the Submarket, it is possible that the Submarket will experience slowing growth.

Proximity to Local Services

There are a moderate number of locational amenities in the West Central Hidalgo County Submarket. The majority of locational amenities are located in and surrounding the City of Mission, Texas.
















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Source: Novogradac and Company LLP, July 2008

	Ranch		School		Bank
	United States Post Office		Hospital		
	Fire Station		Airport		
	Restaurant		Police Station		
	Hotel/Motel		College/University		
	Grocery/Supermarket		Gas Station		

HOUSING SUPPLY ANALYSIS

WEST CENTRAL HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS**Age of the Housing Stock**

The following table presents the age of the housing stock in the West Central Hidalgo County Submarket.

AGE OF HOUSING STOCK IN THE WEST CENTRAL HIDALGO COUNTY SUBMARKET

Years	Number of Units	Percent of Housing Stock
1999-3/2000	2,420	6.49%
1995-1998	8,952	23.99%
1990-1994	6,923	18.56%
1980-1989	9,379	25.14%
1970-1979	5,530	14.82%
1960-1969	1,796	4.81%
1950-1959	1,238	3.32%
1940-1949	609	1.63%
1939 and Before	463	1.24%
Total	37,310	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (82.51 percent) in the West Central Hidalgo County Submarket was constructed from 1970 through 1998. The West Central Hidalgo County Submarket consists of moderate residential development including primarily of single-family homes with some multifamily housing. Based upon observations in the field, the predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008.

Interviews

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Section 8 Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding the City of McAllen. None of these developments is located in the West Central Hidalgo County Submarket. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County, and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Housing Authority of the City of Mission

According to Jaime Ayala in the Public Housing Office of the Housing Authority of the City of Mission, there are three multifamily developments and one senior/disabled development, for a total of 270 public housing units owned and operated by the city housing authority. Anacua Apartments was built in 1942 and offers 80 one-, two- and three-bedroom units in 26 duplexes and rowhouses. Aldea Apartments was built in 1983 and offers 48 one-, two- and three-bedroom units in 24 duplexes. The third multifamily public housing development consists of 52 three-, four- and five-bedroom single-family homes on scattered sites. The single-family homes were built between 1994 and 1995. The one senior and disabled development, Palm Plaza I, II and III, was built between 1967 and 1996 and offers 90 studio, one-, and two-bedroom units. According to Mr. Ayala, the public housing office shares a waiting list with the Section 8 office. As of July 2008, the waiting list had 1,422 households and was closed. Mr. Ayala expects the waiting list to re-open in 12 to 15 months. Preferences for the waiting list include veterans, victims of domestic violence and seniors and/or the disabled.

Mission Economic Development Authority

We contacted Daniel Silva with the Mission Economic Development Authority in Mission, Texas. According to Mr. Silva, there are two commercial projects currently under construction and in the planning stages. The first is a 400,000 square foot commercial development in the final phases of construction along Shary Road, south of U.S. Highway 83. Phase I is anchored by a Target and HEB Supermarket with the last four acre commercial pad currently under development. Phase II will consist of approximately 350,000 square feet of commercial development located just north of Phase I.

Though an exact location was unavailable, a Hampton Inn recently broke ground in the same area as the aforementioned Phase I and II commercial developments. Construction of the hotel is projected to be complete by December 2008.

There are currently three large condominium developments either under construction or in the planning stages in Mission. Infinity Global Development is currently in the process of constructing the 85-unit Vantage Luxury Condominium mid-rise tower. This project is approximately 40 percent complete. Unit pricing starts at \$175,000 and all of the units were sold within months of breaking ground. An estimated completion date was unavailable. Infinity Global development currently has a site under contract for the second of the three planned condominium developments, which will consist of 135 luxury condominium units. Information on the third development is unavailable at this time.

Adjacent to the under construction Vantage Condominium tower is a luxury gated multifamily apartment development comprised of 60 units, which is currently under construction. Mr. Silva was unable to provide further information regarding this development. However, Mr. Silva did note that this project is also adjacent to a newly constructed apartment complex, developed by JMA Enterprises. Mr. Silva was unable to provide the name of this multifamily development.

There are two single-family home master planned communities currently in the planning stages in the southwest area of Mission. San Patricio Estates, being developed by Domit, will consist of solely single-family home sites, while Benston Palms will be a mixed-use development with single-family uses, commercial uses, multifamily uses and a senior retirement community. Further details on both of these projects were unavailable.

Alton City Hall – Commercial/Residential Planning and Development/Economic Development

We contacted David De Leon with the City of Alton for information regarding residential development. According to Mr. De Leon, Casa Alton, a newly allocated LIHTC property in Alton is currently under construction. An official timeline for completion of construction was not available, however, he expects that construction will be completed within the next two months. Mr. De Leon also noted that a market rate multifamily for sale and rental development consisting of 19 fourplexes is supposed to begin construction immediately. There are no other residential developments either proposed or under construction in Alton at this time.

Alton City Hall – Economic Development

We contacted Steve Pena with the City of Alton for information regarding economic development. According to Mr. Pena, there are no commercial expansions or corporate relocations planned in the City of Alton in the near future.

LIHTC FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified 27 family LIHTC developments ranging from one to 208 units each. Of the twenty-seven LIHTC developments, 1209 Keralum currently has 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. Therefore, this property has been excluded from the family LIHTC analysis and will be addressed in the family subsidized analysis section. Of the twenty-six remaining family LIHTC developments, four properties constructed between 2002 and 2007, with a total of 644 units, were able to provide current property and market data.

A map of the surveyed properties can be found below:



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	La Villa De Alton	Alton	LIHTC – Family
2	Pueblo De Paz Apartments	Mission	LIHTC/Market – Family
3	Rio De Vida Apartments	Mission	LIHTC/Market – Family
4	Vida Que Canta Apartments	Mission	LIHTC – Family

The following pictures identify surveyed LIHTC family properties in the Submarket:



La Villa De Alton



Pueblo De Paz Apartments



Rio De Vida Apartments



Vida Que Canta Apartments

Excluded Properties

Novogradac identified 27 family LIHTC developments ranging from one to 208 units each. Of the 27 family LIHTC developments, Novogradac has excluded 23 LIHTC developments from our analysis. One of the excluded LIHTC properties, 1209 Keralum, currently has 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. This property has been excluded from the LIHTC analysis and will be addressed in the subsidized family market analysis section. The subsequent table lists the 23 remaining family LIHTC properties in the PMA that were excluded from this analysis and the basis for their exclusion. Multiple attempts were made to contact each of the excluded properties with no success. Of the excluded properties below, only 1209 Keralum, Maryland 1, Chaparral Heights I and II, and 905 West 24th Street are currently listed on the most recent 2008 Property Inventory published by the Texas Department of Housing and Community Affairs. Additionally, all of the excluded properties below, except for Chaparral Heights II (1995) were allocated in 1992 or prior. Therefore, it is likely that the majority of the LIHTC properties listed below are no longer within their compliance period and are operating as market rate properties. It should be noted that the majority of the LIHTC properties listed below have less than 12 units and do not offer on-site management.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
1209 Keralum	1209 Keralum	LIHTC-Family	4	100 percent of tenants paying 30 percent of income
1616 Dougherty	1616 Dougherty	LIHTC-Family	1	Could not Contact
2008 Perkins	2008 Perkins	LIHTC-Family	1	Could not Contact
2828 North Conway	2828 North Conway	LIHTC-Family	2	Could not Contact
801 24th Street	801 24th Street	LIHTC-Family	4	Could not Contact
803 24th Street	803 24th Street	LIHTC-Family	4	Could not Contact
805 24th Street	805 24th Street	LIHTC-Family	4	Could not Contact
807 24th Street	807 24th Street	LIHTC-Family	4	Could not Contact
905 West 24th Street	905 West 24th Street	LIHTC-Family	3	Could not Contact
Chaparral Heights	901 West 24th Street	LIHTC-Family	2	Could not Contact
Chaparral Heights II aka Chaparral West Apts.	1001 West 24th Street	LIHTC-Family	12	Could not Contact
Maryland 1	903 West 24th Street	LIHTC-Family	2	Could not Contact
817 West Griffin Parkway	817 West Griffin Parkway	LIHTC-Family	4	Could not Contact
Regent Apartments	716 E 13th Street	LIHTC-Family	8	Could not Contact
Tierra Dorada Subdivision	No Address Available	LIHTC-Family	20	Could not Contact
Victoria Housing	2817 Yanez Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2919 Yanez Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	3010 Yanez Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2812 Yanez Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2803 Lissner Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2811 Lissner Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2716 Lissner Avenue	LIHTC-Family	1	Could not Contact
Victoria Housing	2714 Lissner Avenue	LIHTC-Family	1	Could not Contact

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are two family properties in the West Central Hidalgo Submarket, which have received an allocation in the last three years, Vida Que Canta and Casa Alton. Vida Que Canta Apartments, located in Mission, received an allocation in 2005 and was constructed in 2006. This property has been stabilized for a year or more and is being used in the supply analysis that follows. Vida Que Canta received a small allocation of funding in early 2008; however, further information regarding this lesser allocation was unavailable.

Casa Alton is a proposed LIHTC development located just north of the City of Mission in Alton, Texas. This development was allocated tax credit funding in the final allocation cycle of 2007; it will offer 76 one-, two-, three-, and four-bedroom units at 30, 40, 50, and 60 percent of AMI, as well as, market rate units. The one-, two-, three-, and four-bedroom units will be 750, 947, 1,068, and 1,251 square feet in size, respectively. The property's 76 units will be located in 19 single-story fourplex style buildings. This property is currently under construction. Calls made to the project manager have not been returned as of the date of this study and, therefore, no timeline for start or end of construction or a projected placed in service date was available.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	52	8.00%
2 BR	307	47.70%
3 BR	285	44.30%
4 BR	N/A	N/A
Total	644	100%

We were unable to identify any properties with four-bedroom LIHTC units. Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.67 and is projected to decrease slightly by 2012 to 3.65. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	720	750	735
2 BR	900	977	932
3 BR	1,100	1,250	1,162

The surveyed one-, two, and three-bedroom LIHTC units are 4.7, 8.0, and 6.6 percent smaller than the surveyed average unit sizes for the one-, two-, and three-bedroom market rate units in the Submarket

Common and In-Unit Amenities

	La Villa De Alton	Pueblo De Paz Apartments	Rio De Vida Apartments	Vida Que Canta Apartments
Comp #	1	2	3	4
Property Information				
Property Type	Garden	Garden	Garden	Garden
Year Built / Renovated	2007	2002	2004	2006
Market (Conv.)/Subsidy Type	@30%, @60%	@40%, @50%, @60%, Market	@50%, @60%, Market	@30%, @60%
In-Unit Amenities				
Balcony/Patio	yes	yes	yes	yes
Blinds	yes	yes	yes	yes
Carpeting	no	yes	yes	no
Central A/C	yes	yes	yes	yes
Dishwasher	no	yes	yes	yes
Exterior Storage	no	yes	yes	no
Ceiling Fan	yes	yes	yes	yes
Garbage Disposal	no	yes	yes	yes
Microwave	yes	yes	no	yes
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Walk-In Closet	yes	no	no	no
Washer/Dryer hookup	yes	no	no	no
Property Amenities				
Business Center/Computer Lab	no	no	yes	yes
Carport	yes	yes	yes	yes
Clubhouse/Meeting Room/Community Room	yes	yes	yes	yes
Central Laundry	yes	yes	yes	yes
Off-Street Parking	no	yes	yes	yes
On-Site Management	yes	yes	yes	yes
Picnic Area	yes	no	yes	yes
Playground	yes	yes	yes	yes
Swimming Pool	yes	yes	yes	yes
Services				
Daycare	no	no	yes	no
Security				
Intercom (Phone)	no	yes	no	no
Limited Access	yes	yes	yes	yes
Perimeter Fencing	yes	yes	yes	yes
Video Surveillance	yes	no	no	no
Premium Amenities				
Other Amenities				

The existing LIHTC multifamily properties in the West Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include patios/balconies, central air conditioning, ceiling fans, ovens, dishwashers, garbage disposals, microwaves, and refrigerators. Washers/dryers and washer/dryer connections are not prevalent in the family LIHTC market. Most of the surveyed LIHTC properties offer community amenities including carport parking, a clubhouse, a central laundry facility, off-street parking, on-site management, a picnic area, playground, and swimming pool. Security features such as perimeter fencing and limited access are prevalent in the Submarket. Only one of the surveyed properties offered a premium amenity, such as daycare, however it is not considered a LIHTC market standard in the Submarket. Additionally, no non-shelter services are offered by the surveyed LIHTC properties in the Submarket.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type for the surveyed properties. La Villa de Alton has been excluded from this analysis as it is still in the lease-up stage.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	32	0	0.00%
2 BR	276	18	6.52%
3 BR	260	16	6.15%
4 BR	N/A	N/A	N/A
Total	568	34	6.00%

It should be noted that the surveyed market rate properties in the Submarket have an average weighted vacancy rate of 2.90 percent. Affordable properties typically exhibit vacancy rates lower than that of market rate properties. The vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. The higher than average weighted vacancy rate for the two- and three-bedroom units in the Submarket could be indicative of a lack of income qualified tenants for the 60 percent of AMI units.

Absorption

The following table lists the absorption rates for the surveyed properties.

Absorption – LIHTC Family		
Property Name	Number of Units	Absorption Rate
La Villa De Alton	76	9.5 units per month
Vida Que Canta	160	16 units per month
Rio De Vida	208	12 units per month
AVERAGE		12.5 units per month

Three of the four surveyed properties were able to provide absorption information, resulting in an overall average absorption rate of 12.5 units per month, as compared to the average absorption rate of the surveyed market rate properties, of 8.5 percent.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Households
La Villa De Alton	76	15
Pueblo De Paz Apartments	200	For 2BR and 3BR at 40% AMI
Rio De Vida Apartments	208	None
Vida Que Canta Apartments	160	15

Three of the four surveyed family LIHTC properties currently maintain small waiting lists. The average length for the waiting lists at LIHTC properties in the Submarket is 15 households, as compared to the majority of the market rate properties in the Submarket which do not maintain a waiting list.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties. La Villa de Alton has been excluded from this analysis, as it is still in the leasing stages.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Pueblo De Paz Apartments	200	5.00%
Rio De Vida Apartments	208	11.10%
Vida Que Canta Apartments	160	0.60%
AVERAGE		5.57%

Overall vacancy at the surveyed family LIHTC properties is slightly higher than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 3.95 percent. All of the surveyed LIHTC properties were constructed between 2002 and 2007 and all of the surveyed LIHTC properties offer some units at lower set-asides. The overall average vacancy rate appears slightly lower than is typical considering the age, condition, and unit mix of the surveyed LIHTC properties.

Concessions

None of the LIHTC properties in the market are offering concessions.

Turnover

The following table summarizes turnover rates at the surveyed properties. La Villa de Alton has been excluded from this analysis, as it is still in the leasing stages.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
Pueblo De Paz Apartments	200	37%
Rio De Vida Apartments	208	23%
Vida Que Canta Apartments	160	30%
AVERAGE	568	30%

The range of turnover rates at the surveyed family LIHTC properties in the Submarket is lower than the average turnover rate of the surveyed market rate properties (41 percent).

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions. Adjustments to utilities have not been made.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	La Villa De Alton 308 N Eagle Pass St Alton, TX 78573 Hidalgo County	Garden 2007	@30%, @60%	1BR / 1BA	2	2.60%	@30%	\$187	720	no	Yes	0	0.00%
				1BR / 1BA	18	23.70%	@60%	\$426	720	no	Yes	4	22.20%
				2BR / 2BA	3	3.90%	@30%	\$226	977	no	Yes	0	0.00%
				2BR / 2BA	28	36.80%	@60%	\$513	977	no	Yes	6	21.40%
				3BR / 2BA	3	3.90%	@30%	\$258	1,147	no	Yes	0	0.00%
				3BR / 2BA	22	28.90%	@60%	\$589	1,147	no	Yes	4	18.20%
					76	100%						14	18.40%
2	Pueblo De Paz Apartments 3401 North Mayberry Street Mission, TX 78572 Hidalgo County	Garden 2002	@40%, @50%, @60%, Market	2BR / 2BA	4	2.00%	@40%	\$346	900	n/a	Yes	0	0.00%
				2BR / 2BA	28	14.00%	@50%	\$444	900	n/a	No	0	0.00%
				2BR / 2BA	48	24.00%	@60%	\$542	900	n/a	No	8	16.70%
				2BR / 2BA	20	10.00%	Market	\$595	900	n/a	No	0	0.00%
				3BR / 2BA	6	3.00%	@40%	\$400	1,150	n/a	Yes	0	0.00%
				3BR / 2BA	26	13.00%	@50%	\$513	1,150	n/a	No	0	0.00%
				3BR / 2BA	48	24.00%	@60%	\$627	1,150	n/a	No	2	4.20%
				3BR / 2BA	20	10.00%	Market	\$695	1,150	n/a	No	0	0.00%
					200	100%						10	5.00%
3	Rio De Vida Apartments 301 South Inspiration Road Mission, TX 78572 Hidalgo County	Garden 2004	@50%, @60%, Market	2BR / 2BA	24	11.50%	@50%	\$444	900	no	No	0	0.00%
				2BR / 2BA	64	30.80%	@60%	\$542	900	no	No	4	6.20%
				2BR / 2BA	16	7.70%	Market	\$595	900	no	No	6	37.50%
				3BR / 2BA	24	11.50%	@50%	\$513	1,100	no	No	0	0.00%
				3BR / 2BA	64	30.80%	@60%	\$627	1,100	no	No	5	7.80%
				3BR / 2BA	16	7.70%	Market	\$695	1,100	no	No	8	50.00%
					208	100%						23	11.10%
4	Vida Que Canta Apartments 507 South Inspiration Road Mission, TX 78572 Hidalgo County	Garden 2006	@30%, @60%	1BR / 1BA	32	20.00%	@60%	\$450	750	no	Yes	0	0.00%
				2BR / 2BA	72	45.00%	@60%	\$540	952	no	Yes	0	0.00%
				3BR / 2BA	16	10.00%	@30%	\$293	1,250	no	Yes	0	0.00%
				3BR / 2BA	40	25.00%	@60%	\$630	1,250	no	Yes	1	2.50%
					160	100%						1	0.60%

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.						
Units Surveyed:		644	Weighted Occupancy:		92.50%	
Market Rate		0	Market Rate		N/A	
Tax Credit		644	Tax Credit		92.50%	
	One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average
RENT	Vida Que Canta Apartments* (60%)	\$450	Pueblo De Paz Apartments* (M)	\$595	Pueblo De Paz Apartments* (M)	\$695
	La Villa De Alton* (60%)	\$426	Rio De Vida Apartments* (M)	\$595	Rio De Vida Apartments* (M)	\$695
	La Villa De Alton* (30%)	\$187	Pueblo De Paz Apartments* (60%)	\$542	Vida Que Canta Apartments* (60%)	\$630
			Rio De Vida Apartments* (60%)	\$542	Pueblo De Paz Apartments* (60%)	\$627
			Vida Que Canta Apartments* (60%)	\$540	Rio De Vida Apartments* (60%)	\$627
			La Villa De Alton* (60%)	\$513	La Villa De Alton* (60%)	\$589
			Pueblo De Paz Apartments* (50%)	\$444	Pueblo De Paz Apartments* (50%)	\$513
			Rio De Vida Apartments* (50%)	\$444	Rio De Vida Apartments* (50%)	\$513
			Pueblo De Paz Apartments* (40%)	\$346	Pueblo De Paz Apartments* (40%)	\$400
			La Villa De Alton* (30%)	\$226	Vida Que Canta Apartments* (30%)	\$293
					La Villa De Alton* (30%)	\$258
	SQUARE FOOTAGE	Vida Que Canta Apartments* (60%)	750	La Villa De Alton* (30%)	977	Vida Que Canta Apartments* (30%)
La Villa De Alton* (30%)		720	La Villa De Alton* (60%)	977	Vida Que Canta Apartments* (60%)	1,250
La Villa De Alton* (60%)		720	Vida Que Canta Apartments* (60%)	952	Pueblo De Paz Apartments* (40%)	1,150
			Pueblo De Paz Apartments* (40%)	900	Pueblo De Paz Apartments* (50%)	1,150
			Pueblo De Paz Apartments* (50%)	900	Pueblo De Paz Apartments* (60%)	1,150
			Pueblo De Paz Apartments* (60%)	900	Pueblo De Paz Apartments* (M)	1,150
			Pueblo De Paz Apartments* (M)	900	La Villa De Alton* (30%)	1,147
			Rio De Vida Apartments* (50%)	900	La Villa De Alton* (60%)	1,147
			Rio De Vida Apartments* (60%)	900	Rio De Vida Apartments* (50%)	1,100
			Rio De Vida Apartments* (M)	900	Rio De Vida Apartments* (60%)	1,100
					Rio De Vida Apartments* (M)	1,100
RENT PER SQUARE FOOT		Vida Que Canta Apartments* (60%)	\$0.60	Pueblo De Paz Apartments* (M)	\$0.66	Rio De Vida Apartments* (M)
	La Villa De Alton* (60%)	\$0.59	Rio De Vida Apartments* (M)	\$0.66	Pueblo De Paz Apartments* (M)	\$0.60
	La Villa De Alton* (30%)	\$0.26	Pueblo De Paz Apartments* (60%)	\$0.60	Rio De Vida Apartments* (60%)	\$0.57
			Rio De Vida Apartments* (60%)	\$0.60	Pueblo De Paz Apartments* (60%)	\$0.55
			Vida Que Canta Apartments* (60%)	\$0.57	La Villa De Alton* (60%)	\$0.51
			La Villa De Alton* (60%)	\$0.53	Vida Que Canta Apartments* (60%)	\$0.50
			Pueblo De Paz Apartments* (50%)	\$0.49	Rio De Vida Apartments* (50%)	\$0.47
			Rio De Vida Apartments* (50%)	\$0.49	Pueblo De Paz Apartments* (50%)	\$0.45
			Pueblo De Paz Apartments* (40%)	\$0.38	Pueblo De Paz Apartments* (40%)	\$0.35
			La Villa De Alton* (30%)	\$0.23	Vida Que Canta Apartments* (30%)	\$0.23
					La Villa De Alton* (30%)	\$0.22

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The rents at all of the surveyed LIHTC properties, including those of the market rate units, are below the current payment standards for Hidalgo County. None of the surveyed LIHTC properties have rents set at the maximum allowable levels.

LIHTC Family Supply Conclusion

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.67 and is projected to decrease slightly by 2012 to 3.65. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

The existing LIHTC multifamily properties in the West Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include patios/balconies, central air, ceiling fans, ovens, dishwashers, garbage disposals, microwaves, and refrigerators. Washers/dryers and washer/dryer connections are not prevalent in the family LIHTC market. Most of the surveyed LIHTC properties offer community amenities including carport parking, a clubhouse, a central laundry facility, off-street parking, on-site management, a picnic area, playground, and swimming pool. Security features such as perimeter fencing and limited access are prevalent in the Submarket. No premium amenities or services are offered by the surveyed LIHTC properties in the Submarket.

The surveyed one-, two-, and three-bedroom LIHTC units are 4.7, 8.0, and 6.6 percent smaller than the surveyed average unit sizes for the one-, two-, and three-bedroom market rate units in the Submarket. Three of the four surveyed properties were able to provide absorption information, resulting in an overall average absorption rate of 12.5 units per month, as compared to the average absorption rate of the surveyed market rate properties, of 8.5 percent. The average length for the waiting lists at LIHTC properties in the Submarket is 15 households, as compared to the majority of the market rate properties in the Submarket which do not maintain a waiting list. Overall vacancy at the surveyed family LIHTC properties is slightly higher than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 3.95 percent. The range of turnover rates at the surveyed family LIHTC properties in the Submarket is lower than the average turnover rate of the surveyed market rate properties (41 percent).

The rents at all of the surveyed LIHTC properties, including those of the market rate units, are below the current payment standards for Hidalgo County. None of the surveyed LIHTC properties have rents set at the maximum allowable levels.

LIHTC SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers.

Novogradac identified two senior LIHTC developments, 624 Keralum aka 4-Plex Apartments and Los Naranjos, with four and 30 units, respectively. Los Naranjos is a combination LIHTC/USDA development with 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. Therefore, this property has been excluded from the senior LIHTC analysis and will be addressed in the senior subsidized analysis section. We attempted to contact 624 Keralum multiple times in person and over the phone to no success. Therefore, due to the lack of available data, we were unable to perform a senior LIHTC market analysis.

Proposed/Under Construction

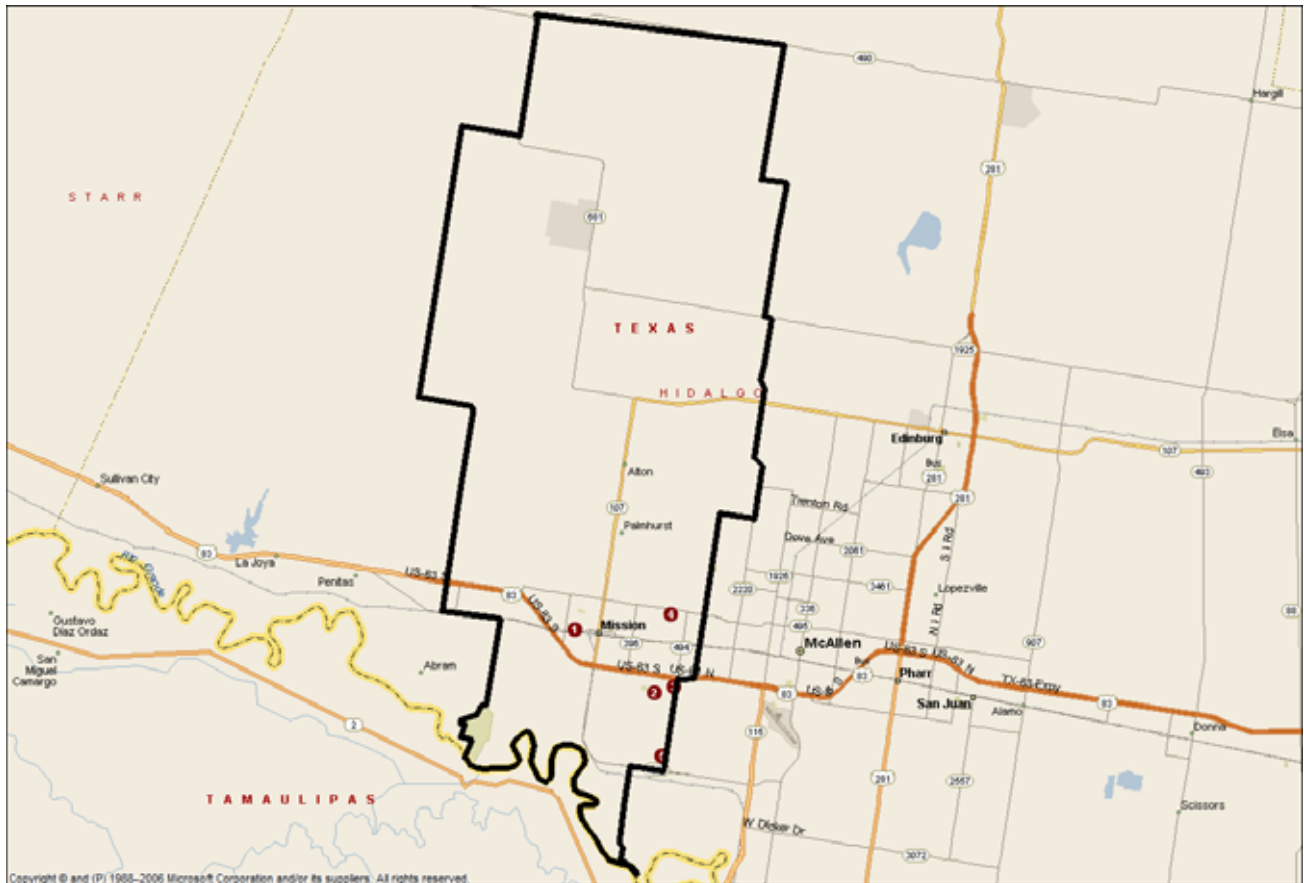
According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no proposed or under construction senior LIHTC properties in the West Central Hidalgo County Submarket..

MARKET RATE FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac was able to identify and survey five family market rate developments in the West Central Hidalgo County Submarket: San Pedro at Sharyland Apartments, River Oaks Garden Apartments, Reserve at Cimarron, Las Villas De San Augustin and Greenlawn Apartments. Due to the limited amount of available market rate family data, we completed a limited market rate family market analysis.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Greenlawn Apartments	Mission	Market – Family
2	Las Villas de San Agustin	Mission	Market – Family
3	Reserve at Cimarron	Mission	Market – Family
4	River Oaks Garden Apartments	Mission	Market – Family
5	San Pedro at Sharyland Apartments	Mission	Market - Family

Market Rate Multifamily Market

The following pictures identify the surveyed market rate family properties in the Submarket.



Greenlawn Apartments



Las Villas de San Agustin



Reserve at Cimarron



River Oaks Garden Apartments



San Pedro at Sharyland Apartments

Excluded Properties

The following table illustrates all of the excluded market rate properties in the Submarket. There are no other identifiable market rate properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments. We attempted to contact the excluded properties multiple times with no success. Therefore, we were unable to confirm the target population for each development; we assume all of the following properties are family-oriented.

Name	Location	Type	Reason for Exclusion
Texan Guest Ranch Apartments	Mission	Market – Family	Fully Furnished
Mission Village	Mission	Market – Family	Could not contact
Shary Creek Apartments	Mission	Market – Family	Could not contact
Ocean Tower	Mission	Market – Family	Could not contact

Proposed Construction

According to the property manager at Las Villas De San Augustin, there is a market rate property currently under construction near the property. The property, Villa Rose, is expected to be completed in approximately two months, but further details were unavailable. We contacted Daniel Silva with the Mission Economic Development Authority in Mission, Texas. According to Mr. Silva, there is a luxury gated multifamily apartment development comprised of 60 units, which is currently under construction, adjacent to the under construction Vantage Condominium tower. Mr. Silva was unable to provide further information regarding this development. However, Mr. Silva did note that this project is also adjacent to a newly constructed apartment complex, developed by JMA Enterprises. Mr. Silva was unable to provide the name of this multifamily development.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market. It should be noted that market rate properties unable to provide unit mixes and have been excluded from this analysis.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
1 BR	122	33%
2 BR	210	56%
3 BR	40	11%
Total	372	100%

We were unable to identify any four-bedroom market rate units. Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.67 and is projected to decrease slightly by 2012 to 3.65. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Size – Market Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	695	830	771
2 BR	954	1,100	1,013
3 BR	1,200	1,278	1,249

The average unit sizes of the market rate family one-, two-, and three-bedroom units in the Submarket are 4.6, 8.0, and 7.0 percent larger, respectively, than the one-, two-, and three-bedroom units at family LIHTC properties.

Common and In-Unit Amenities

	Greenlawn Apts.	Las Villas De San Augustin	Reserve At Cimarron	River Oaks Garden Apts.	San Pedro At Sharyland Apts.
Comp #	1	2	3	4	5
Property Information					
Property Type	Garden	Garden	Garden	One-story	Garden
Year Built / Renovated	1970's	2006	2007	1993	2006
Market (Conv.)/Subsidy Type	Market	Market	Market	Market	Market
In-Unit Amenities					
Balcony/Patio	no	yes	yes	yes	yes
Blinds	yes	yes	yes	yes	yes
Carpet/Hardwood	no	no	yes	no	no
Carpeting	yes	yes	no	yes	yes
Central A/C	yes	yes	yes	yes	yes
Dishwasher	no	yes	yes	yes	yes
Exterior Storage	no	no	yes	no	yes
Ceiling Fan	no	yes	yes	yes	yes
Garbage Disposal	no	no	yes	yes	yes
Microwave	no	no	yes	no	yes
Oven	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes
Walk-In Closet	no	yes	yes	yes	yes
Washer/Dryer	no	yes	yes	no	no
Washer/Dryer hookup	no	no	no	yes	yes
Property Amenities					
Business Center/Computer Lab	no	no	yes	no	yes
Carport	no	yes	yes	yes	yes
Clubhouse/Meeting Room/Community Room	no	no	yes	no	yes
Exercise Facility	no	yes	yes	no	yes
Garage	no	yes	no	no	yes
Off-Street Parking	yes	yes	yes	no	yes
On-Site Management	yes	yes	yes	yes	yes
Picnic Area	no	no	no	no	yes
Playground	no	no	no	no	yes
Swimming Pool	no	no	yes	no	yes
Volleyball Court	no	no	no	no	yes
Carport Fee	--	--	\$30.00	--	\$15.00
Garage Fee	--	--	--	--	\$75.00
Services					
Security					
In-Unit Alarm	no	yes	no	yes	no
Limited Access	no	yes	no	no	yes
Patrol	no	no	no	no	yes
Perimeter Fencing	no	yes	no	no	yes
Video Surveillance	no	yes	no	no	no
Premium Amenities					
Other Amenities					

The surveyed market rate properties in the West Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. The majority of the surveyed market rate properties offer washer/dryer hookups and/or appliances in the units. Three of the five surveyed properties offer security features of some kind.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit types for the surveyed properties. It should be noted that any properties unable to provide vacancy by unit type or still in lease-up have been excluded from this analysis.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	26	0	0.0%
2 BR	78	3	3.8%
Total	104	3	2.9%

The average weighted vacancy rate for the surveyed market rate properties is approximately half that of the surveyed LIHTC properties (6.0 percent).

Absorption

Two of the surveyed market rate properties were able to provide absorption rates of 10 units per month and seven units per month, resulting in an absorption rate of 8.5 units per month, as compared to surveyed LIHTC properties which have an average absorption rate of 12.5 units per month.

Waiting List

Two of the market rate family properties in the market maintain a waiting list short waiting lists less than five households in length for one through three-bedroom units. Waiting lists are not prevalent at the market rate properties in the Submarket.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties. It should be noted any properties currently in lease-up have been excluded from this analysis.

Vacancy – Market Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Greenlawn Apartments	24	3	12.50%
Las Villas de San Augustin	80	0	0.00%
Reserve at Cimarron	152	5	3.30%
River Oaks Garden Apartments	67	0	0.00%
AVERAGE	323	8	2.5%

The average vacancy rates for the market rate properties in the Submarket is slightly lower than the average vacancy rate of the LIHTC properties in the market (5.57 percent).

Concessions

Only one market rate property is offering concessions. Concessions are not prevalent in the market.

Turnover

Four of the five surveyed market rate properties were able to provide turnover information. The following table illustrates turnover information in the market.

Turnover – Market Family		
Property Name	Number of Units	Turnover
Greenlawn Apartments	24	N/A
Las Villas de San Augustin	80	60%
Reserve at Cimarron	152	47%
River Oaks Garden Apartments	67	27%
San Pedro at Sharyland Apartments	268	31%
AVERAGE		41%

Annual turnover rates reported range from 27 percent to 60 percent, with an average of 41 percent, which is slightly higher than the average turnover rate of the surveyed LIHTC properties in the Submarket (30 percent).

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Wait List?	Units Vacant	Vacancy Rate
Greenlawn Apartments 1014 Greenlawn Mission, TX 78572 Hidalgo County	Garden 1970's	Market	2BR / 2BA	24	100.00%	Market	\$400	1,000	No	3	12.50%
				24	100%					3	12.50%
Las Villas De San Augustin 900 Travis Street Mission, TX 78572 Hidalgo County	Garden 2006	Market	1BR / 1BA 2BR / 2BA	26	32.50%	Market	\$595	830	Yes	0	0.00%
				54	67.50%	Market	\$775	1,100	No	0	0.00%
				80	100%			0	0.00%		
Reserve At Cimarron 2417 Colorado Street Mission, TX 78572 Hidalgo County	Garden 2007	Market	1BR / 1BA 1BR / 1BA 2BR / 2BA 2BR / 2BA 3BR / 2BA	N/A	N/A	Market	\$720	695	No	N/A	N/A
				N/A	N/A	Market	\$805	730	No	N/A	N/A
				N/A	N/A	Market	\$890	954	Yes	N/A	N/A
				N/A	N/A	Market	\$1,005	1,024	Yes	N/A	N/A
				N/A	N/A	Market	\$1,160	1,269	Yes	N/A	N/A
				152	100%			5	3.30%		
River Oaks Garden Apartments 1916 Summer Breeze Road Mission, TX 78572 Hidalgo County	One-story 1993	Market	2BR / 2BA 3BR / 2BA	N/A	N/A	Market	\$625	1,000	No	0	N/A
				N/A	N/A	Market	\$725	1,200	No	0	N/A
				67	100%			0	0.00%		
San Pedro At Sharyland Apartments 4206 San Gabriel Mission, TX 78572 Hidalgo County	Garden 2006	Market	1BR / 1BA 2BR / 1BA 2BR / 2BA 3BR / 2BA	96	35.80%	Market	\$695	830	No	N/A	N/A
				36	13.40%	Market	\$855	955	No	N/A	N/A
				96	35.80%	Market	\$814	1,058	No	N/A	N/A
				40	14.90%	Market	\$1,125	1,278	No	N/A	N/A
				268	100%			107	39.90%		

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.						
Units Surveyed:		591	Weighted Occupancy:		80.50%	
Market Rate		591	Market Rate		80.50%	
Tax Credit		0	Tax Credit		N/A	
	One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average
RENT	Reserve At Cimarron	\$805	Reserve At Cimarron	\$1,005	Reserve At Cimarron	\$1,160
	Reserve At Cimarron	\$720	Reserve At Cimarron	\$890	San Pedro At Sharyland Apartments	\$1,125
	San Pedro At Sharyland Apartments	\$695	San Pedro At Sharyland Apartments	\$814	River Oaks Garden Apartments	\$725
	Las Villas De San Augustin	\$595	Las Villas De San Augustin	\$775		
			River Oaks Garden Apartments	\$625		
			Greenlawn Apartments	\$400		
SQUARE FOOTAGE	Las Villas De San Augustin	830	Las Villas De San Augustin	1,100	San Pedro At Sharyland Apartments	1,278
	San Pedro At Sharyland Apartments	830	San Pedro At Sharyland Apartments	1,058	Reserve At Cimarron	1,269
	Reserve At Cimarron	730	Reserve At Cimarron	1,024	River Oaks Garden Apartments	1,200
	Reserve At Cimarron	695	Greenlawn Apartments	1,000		
			River Oaks Garden Apartments	1,000		
			Reserve At Cimarron	954		
RENT PER SQUARE FOOT	Reserve At Cimarron	\$1.10	Reserve At Cimarron	\$0.98	Reserve At Cimarron	\$0.91
	Reserve At Cimarron	\$1.04	Reserve At Cimarron	\$0.93	San Pedro At Sharyland Apartments	\$0.88
	San Pedro At Sharyland Apartments	\$0.84	San Pedro At Sharyland Apartments	\$0.77	River Oaks Garden Apartments	\$0.60
	Las Villas De San Augustin	\$0.72	Las Villas De San Augustin	\$0.70		
			River Oaks Garden Apartments	\$0.62		
			Greenlawn Apartments	\$0.40		

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The rental rates for all, but one, of the surveyed market rate properties are above the current payment standards for Hidalgo County. The average market rents for the one, two, and three-bedroom units at the surveyed market rate properties are \$704, \$827, and \$1,003. The market rate rents at all, but one, of the surveyed properties are above the LIHTC 60 percent of AMI maximum allowable level.

Market Supply Conclusion

Small unit types are currently prevalent in the Submarket. However, the Submarket's household size is significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient market rate multifamily developments on which to base an effective analysis, demographic projections, and anecdotal evidence indicate possible unmet demand for larger bedroom types.

The surveyed market rate properties in the West Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. The majority of the surveyed market rate properties offer washer/dryer hookups and/or appliances in the units. Three of the five surveyed properties offer security features of some kind.

The average unit sizes of the market rate family one-, two-, and three-bedroom units in the Submarket are 4.6, 8.0, and 7.0 percent larger, respectively, than the one-, two-, and three-bedroom units at family LIHTC properties. The average weighted vacancy rate for the surveyed market rate properties is approximately half that of the surveyed LIHTC properties (6.0 percent).

Two of the surveyed market rate properties were able to provide absorption rates of 10 units per month and seven units per month, resulting in an absorption rate of 8.5 units per month, as compared to surveyed LIHTC properties which have an average absorption rate of 12.5 units per month. Waiting lists are not prevalent at the market rate properties in the Submarket. The average vacancy rates for the market rate properties in the Submarket (2.5 percent) is slightly lower than the average vacancy rate of the LIHTC properties in the market (5.57 percent). Annual turnover rates reported range from 27 percent to 60 percent, with an average of 41 percent, which is slightly higher than the average turnover rate of the surveyed LIHTC properties in the Submarket (30 percent).

The rental rates for all, but one, of the surveyed market rate properties are above the current payment standards for Hidalgo County. The average market rents for the one, two, and three-bedroom units at the surveyed market rate properties are \$704, \$827, and \$1,003. The market rate rents at all, but one, of the surveyed properties are above the LIHTC 60 percent of AMI maximum allowable level.

MARKET RATE SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable existing senior market rate properties in the West Central Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis.

Proposed Construction

We were unable to identify any proposed or under construction market rate senior developments in the Submarket.

SUBSIDIZED FAMILY SUPPLY

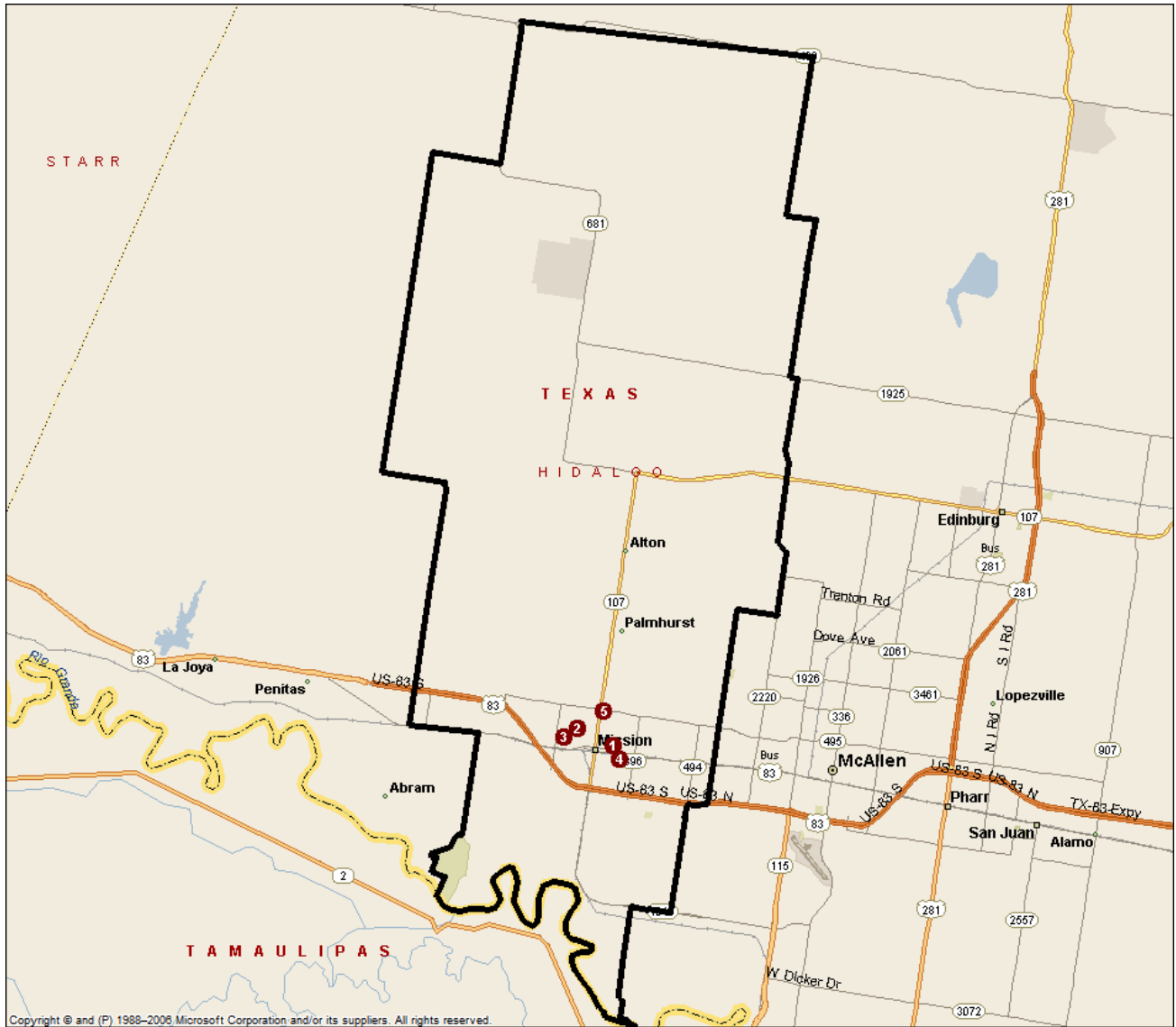
We attempted to identify all existing, proposed, and under construction family oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are six existing family-targeted subsidized developments located in the West Central Hidalgo Submarket. We were able to acquire information on five of the six existing family-oriented subsidized developments. Of the five subsidized family properties, 1209 Keralum is a LIHTC property with 100 percent of tenants using housing choice vouchers, enabling them to pay no more than 30 percent of their annual gross income towards rent. Mission Village Apartments is a Section 8 development with 100 percent of tenants paying no more than 30 percent of their annual gross income towards the contract rents. The remaining three developments, Anacua Apartments, Aldea Apartments, 52 scattered-site single-family homes, are public housing developments administered by the Mission Housing Authority.

According to Jamie Ayala, with the Housing Authority of the City of Mission, Anacua Apartments was built in 1942 and offers 80 one-, two- and three-bedroom units in 26 duplexes and rowhouses. Aldea Apartments was built in 1983 and offers 48 one-, two- and three-bedroom units in 24 duplexes. The third multifamily public housing development consists of 52 three-, four- and five-bedroom single-family homes on scattered sites. The single-family homes were built between 1994 and 1995. Addresses for the 52 scattered site single-family homes were unavailable. Although information regarding occupancy, unit mix, and amenities was available for these three developments, Mr. Ayala was unable to provide the majority of the market information and rental rates.

Based on the lack of available data, we completed only a limited subsidized family market analysis.

The following map illustrates the location of the surveyed family-oriented subsidized properties in the Submarket.



SURVEYED FAMILY PROPERTIES

Number	Name	Location	Type
1	1209 Keralum	Mission	LIHTC/Section8 – Family
2	52 Scattered-Site Single-family Homes	Mission	Public Housing – Family
3	Aldea Apartments	Mission	Public Housing – Family
4	Anacua Apartments	Mission	Public Housing – Family
5	Mission Village Apartments	Mission	LIHTC/Section 8– Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



1209 Keralum



52 scattered-site single-family homes



Aldea Apartments



Anacua Apartments



Mission Village Apartments

Excluded Properties

We were unable to acquire information on El Rosario Homes, a family-targeted Section 8 development located at 1802 Nicholson Avenue in Mission. El Rosario Homes offers three- and four-bedroom units. Additional information regarding El Rosario Homes was unavailable. We attempted to contact this property multiple times, but our calls have not been returned as of the date of this study.

Proposed Construction

We attempted to contact Jamie Ayala, with the Housing Authority of the City of Mission, however our phone calls have not been returned as of the date of this study.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	29	12.95%
2 BR	67	29.91%
3 BR	93	41.52%
4 BR	33	14.73%
5 BR	2	0.89%
Total	224	100%

Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.67 and is projected to decrease slightly by 2012 to 3.65. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the subsidized rental property market.

Unit Size - Subsidized Family			
Unit Type	Minimum Surveyed	Maximum Surveyed	Surveyed Average
1 BR	500	850	598
2 BR	700	750	726
3 BR	900	1,300	1,030
4 BR	1,134	1,400	1,267
5 BR	1,500	1,500	1,500

It should be noted that there was only one property with five-bedroom units in the Submarket. The subsidized one, two and three-bedroom average unit sizes are 18.6, 22.1, and 11.4 percent smaller, respectively, than the one, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four and five bedroom units among the surveyed LIHTC developments.

Common and In-Unit Amenities

	1209 Keralum	52 Single Family Homes	Aldea Apts.	Anacua Apts.	Mission Village Apts.
Comp #	1	2	3	4	5
Property Information					
Property Type	Various	Single Family	Duplex	Duplex	Garden
Year Built / Renovated	1990	1994/1995	1983	1942	1981
Market (Conv./)Subsidy Type	LIHTC	Market (Public Housing)	Market (Public Housing)	Market (Public Housing)	Section 8
In-Unit Amenities					
Balcony/Patio	no	yes	yes	yes	yes
Blinds	yes	yes	yes	yes	yes
Carpeting	yes	no	no	no	no
Central A/C	yes	yes	no	no	yes
Exterior Storage	no	no	no	no	yes
Ceiling Fan	yes	yes	yes	yes	no
Oven	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes
Walk-In Closet	no	no	no	no	yes
Window A/C	no	no	yes	yes	no
Washer/Dryer	no	no	no	no	no
Washer/Dryer hookup	yes	yes	yes	yes	no
Property Amenities					
Carport	no	yes	yes	yes	no
Central Laundry	no	no	no	no	yes
Off-Street Parking	no	yes	yes	yes	yes
On-Site Management	no	no	no	no	yes
Picnic Area	no	no	no	no	yes
Playground	no	no	no	no	yes
Services					
Security					
Perimeter Fencing	no	no	no	no	yes
Premium Amenities					
Other Amenities					
Other	n/a	n/a	n/a	n/a	n/a

The existing subsidized multifamily properties in the West Central Hidalgo County Submarket offer limited in-unit and community amenities. The majority of the surveyed subsidized properties offer no services, no security features, and no premium amenities. Tile flooring versus carpet flooring is common among the subsidized properties. The majority of the surveyed properties offer car port parking at no additional cost. A basic appliance package is provided with washer connections only in most units, except for Mission Village Apartments, which offers only a central laundry facility.

By-Unit Weighted Vacancy

The following table illustrates the weighted vacancy rates in the subsidized rental property market.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	29	0	0.00%
2 BR	67	1	1.50%
3 BR	93	1	1.10%
4 BR	33	0	0.00%
5 BR	2	0	0.00%
Total	224	2	0.90%

The average weighted vacancy of the subsidized properties in the Submarket (0.90 percent) is significantly lower than the average weighted vacancy of the surveyed LIHTC properties in the Submarket (6.0 percent).

Absorption

None of the surveyed subsidized properties was able to provide absorption information.

Waiting List

The following table illustrates the waiting lists in the subsidized rental property market.

Waiting Lists – Subsidized Family		
Property Name	Number of Units	Households
1209 Keralum	4	From the Waiting List at Mission Housing Authority; 1,422 HH
52 Scattered-Site Single-family Homes	52	From the Waiting List at Mission Housing Authority; 1,422
Aldea Apartments	48	From the Waiting List at Mission Housing Authority; 1,422
Anacua Apartments	80	From the Waiting List at Mission Housing Authority; 1,422
Mission Village Apartments	40	30 HH

All but one, of the surveyed developments draw tenants from the Mission Housing Authority’s combined waiting list for Housing Choice Vouchers and Public Housing units. This waiting list currently has 1,422 households and is significantly longer than the average length of the waiting lists of the LIHTC properties (15 households).

Vacancy Levels

The following table illustrates the vacancy rates in the subsidized rental property market.

Vacancy – Subsidized Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
1209 Keralum	4	0	0.00%
52 Scattered-Site Single-family Homes	52	0	0.00%
Aldea Apartments	48	1	2.10%
Anacua Apartments	80	1	1.30%
Mission Village Apartments	40	0	0.00%
AVERAGE	224	2	0.9%

The overall average vacancy rate of the surveyed subsidized properties in the Submarket (0.9 percent) is significantly lower than the overall average vacancy rate of the surveyed LIHTC properties in the market (5.57 percent).

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

Only two properties in our survey were able to provide turnover rates of 1 and 20 percent, respectively, for an average turnover rate of 10.5 percent as compared to the average turnover rate of the surveyed LIHTC properties (30 percent).

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	1209 Keralum 1209 Keralum Mission, TX 78572 Hidalgo County	Various 1990	LIHTC/Section 8	1BR / 1.5BA	1	25.00%	@60%	\$380	850	no	Yes	0	0.00%
				2BR / 1BA	1	25.00%	@60%	\$360	700	no	Yes	0	0.00%
				2BR / 1BA	1	25.00%	@60%	\$400	700	no	Yes	0	0.00%
				2BR / 1BA	1	25.00%	@60%	\$380	700	no	Yes	0	0.00%
					4	100%							0
2	52 Single Family Homes Scattered Sites Mission, TX 78572 Hidalgo County	Single Family 1994/1995	Market (Public Housing)	3BR / 2BA	25	48.10%	Market	N/A	1,300	n/a	Yes	0	0.00%
				4BR / 2BA	25	48.10%	Market	N/A	1,400	n/a	Yes	0	0.00%
				5BR / 2BA	2	3.80%	Market	N/A	1,500	n/a	Yes	0	0.00%
					52	100%							0
3	Aldea Apartments 1300 Aldea Street Mission, TX 78572 Hidalgo County	Duplex 1983	Market (Public Housing)	1BR / 1BA	10	20.80%	Market	N/A	500	n/a	Yes	0	0.00%
				2BR / 1BA	17	35.40%	Market	N/A	750	n/a	Yes	0	0.00%
				3BR / 1BA	21	43.80%	Market	N/A	900	n/a	Yes	1	4.80%
					48	100%							1
4	Anacua Apartments 906 East 8th Street Mission, TX 78572 Hidalgo County	Duplex 1942	Market (Public Housing)	1BR / 1BA	10	12.50%	Market	N/A	500	n/a	Yes	0	0.00%
				2BR / 1BA	35	43.80%	Market	N/A	750	n/a	Yes	1	2.90%
				3BR / 1BA	35	43.80%	Market	N/A	900	n/a	Yes	0	0.00%
					80	100%							1
5	Mission Village Apartments 320 E Griffin Parkway Mission, TX 78572 Hidalgo County	Garden 1981	Section 8	1BR / 1BA	8	20.00%	Section 8	\$458	542	n/a	Yes	0	0.00%
				2BR / 1BA	12	30.00%	Section 8	\$541	703	n/a	Yes	0	0.00%
				3BR / 1.5BA	12	30.00%	Section 8	\$630	1,019	n/a	Yes	0	0.00%
				4BR / 2BA	8	20.00%	Section 8	\$691	1,134	n/a	Yes	0	0.00%
					40	100%							0

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Units Surveyed:	224	Weighted Occupancy:	99.10%
Market Rate	220	Market Rate	99.10%
Tax Credit	4	Tax Credit	100.00%

	One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average	Property	Average
RENT	Mission Village Apartments	\$458	Mission Village Apartments (1BA)	\$541	Mission Village Apartments (1.5BA)	\$630	Mission Village Apartments	\$691
	1209 Keralum* (1.5BA 60%)	\$380	1209 Keralum* (1BA 60%)	\$400				
			1209 Keralum* (1BA 60%)	\$380				
			1209 Keralum* (1BA 60%)	\$360				
SQUARE FOOTAGE	1209 Keralum* (1.5BA 60%)	850	Mission Village Apartments (1BA)	703	Mission Village Apartments (1.5BA)	1,019	Mission Village Apartments	1,134
	Mission Village Apartments	542	1209 Keralum* (1BA 60%)	700				
			1209 Keralum* (1BA 60%)	700				
			1209 Keralum* (1BA 60%)	700				
RENT PER SQUARE FOOT	Mission Village Apartments	\$0.85	Mission Village Apartments (1BA)	\$0.77	Mission Village Apartments (1.5BA)	\$0.62	Mission Village Apartments	\$0.61
	1209 Keralum* (1.5BA 60%)	\$0.45	1209 Keralum* (1BA 60%)	\$0.57				
			1209 Keralum* (1BA 60%)	\$0.54				
			1209 Keralum* (1BA 60%)	\$0.51				

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Only two surveyed subsidized properties to provide rental rates. The rents at both surveyed subsidized properties are well below the payment standards for Hidalgo County. According to the Mission Housing Authority, the combined waiting list for Housing Choice Vouchers and Public Housing is 1,422 households long, indicating significant demand for very low income affordable housing.

Subsidized Family Supply Conclusion

Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.67 and is projected to decrease slightly by 2012 to 3.65. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 39 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

The existing subsidized multifamily properties in the West Central Hidalgo County Submarket offer limited in-unit and community amenities. The majority of the surveyed subsidized properties offer no services, no security features, and no premium amenities. Tile flooring versus carpet flooring is common among the subsidized properties. The majority of the surveyed properties offer car port parking at no additional cost. A basic appliance package is provided with washer connections only in most units, except for Mission Village Apartments, which offers only a central laundry facility.

None of surveyed properties is offering concessions and none of the properties was able to provide absorption information. The subsidized one, two and three-bedroom average unit sizes are 18.6, 22.1, and 11.4 percent smaller, respectively, than the one, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four and five bedroom units among the surveyed LIHTC developments. The average weighted vacancy of the subsidized properties in the Submarket (0.90 percent) is significantly lower than the average weighted vacancy of the surveyed LIHTC properties in the Submarket (6.0 percent).

All but one, of the surveyed developments draw tenants from the Mission Housing Authority's combined waiting list for Housing Choice Vouchers and Public Housing units. This waiting list currently has 1,422 households and is significantly longer than the average length of the waiting lists of the LIHTC properties (15 households). Only two properties in our survey were able to provide turnover rates of 1 and 20 percent, respectively, for an average turnover rate of 10.5 percent as compared to the average turnover rate of the surveyed LIHTC properties (30 percent). The overall average vacancy rate of the surveyed subsidized properties in the Submarket (0.9 percent) is significantly lower than the overall average vacancy rate of the surveyed LIHTC properties in the market (5.57 percent)

Only two surveyed subsidized properties to provide rental rates. The rents at both surveyed subsidized properties are well below the payment standards for Hidalgo County.

SUBSIDIZED SENIOR SUPPLY

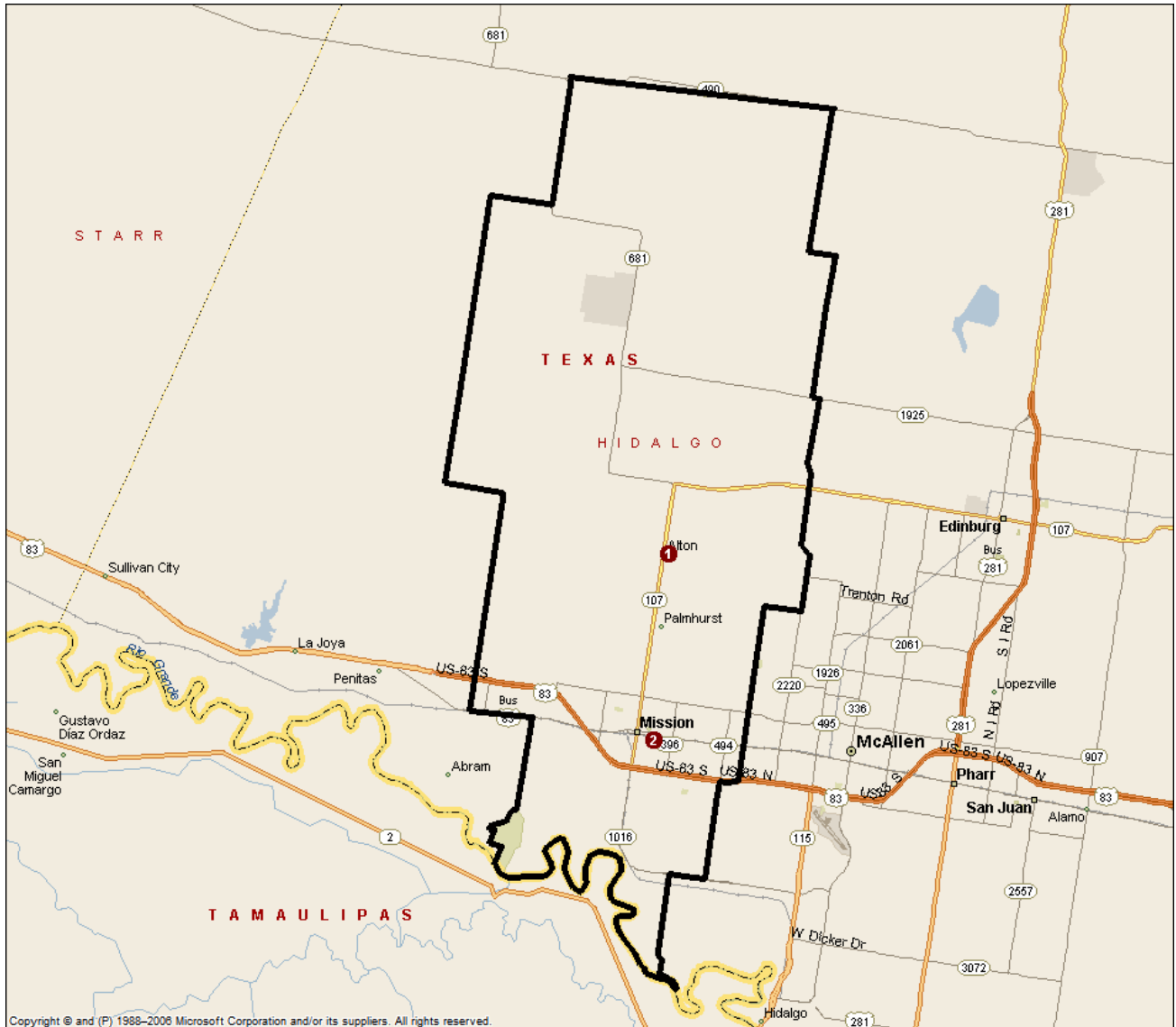
We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are four existing senior subsidized developments located in the West Central Hidalgo Submarket, Mission Palms Retirement Homes, Villas De Arnaldo Ramirez, Los Naranjos and Palm Plaza I, II, and III, which operate as one property. We were able to acquire information on two of the four subsidized senior properties.

Los Naranjos is a combination LIHTC/USDA senior/disabled property with 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. Palm Plaza I, II, and III is a three-phase senior/disabled public housing development constructed in 1967, 1969, and 1996. According to Jaime Ayala in the Public Housing Office of the Housing Authority of the City of Mission, Palm Plaza I, II and III offers 90 studio, one-, and two-bedroom units. Although information regarding occupancy, unit mix, and amenities was available for Palm Plaza, Mr. Ayala was unable to provide the majority of the market information and rental rates.

Based on the lack of available data, we completed only a limited subsidized senior supply analysis.

The following map illustrates the location of the surveyed senior subsidized properties in the Submarket.



SURVEYED SENIOR PROPERTIES

Number	Name	Location	Type
1	Los Naranjos	Alton	LIHTC/USDA – Senior/Disabled
2	Palm Plaza I, II, III	Mission	Public Housing – Senior/Disabled

Subsidized Senior Market

The following pictures identify the surveyed subsidized senior properties in the Submarket.



Los Naranjos



Palm Plaza I



Palm Plaza II and III

Excluded Properties

We were unable to acquire information on Villas De Arnaldo Ramirez and Mission Palms Retirement Housing. We attempted to contact these properties multiple times, but our calls have not been returned as of the date of this study.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Villas De Arnaldo Ramirez	1305 Matamoros Street	Section 8	N/A	Could not Contact
Mission Palms Retirement Housing	900 Los Ebanos Road	Section 8	N/A	Could not Contact

Proposed Construction

We attempted to contact Jamie Ayala, with the Housing Authority of the City of Mission, however our phone calls have not been returned as of the date of this study.

Unit Mix

The following table illustrates the unit mix in the senior subsidized rental property market.

Unit Mix - Subsidized Senior		
Unit Type	Total Units	Percent
0 BR	30	25.00%
1 BR	84	70.00%
2 BR	6	5.00%
Total	120	100.00%

Small unit types are currently prevalent in the senior subsidized Submarket.

Unit Size

Management at Los Naranjos was unable to provide unit size information. The following table illustrates the existing unit sizes for Palm Plaza I, II, and III.

Unit Size - Subsidized Senior			
Unit Type	0 Bedroom	1 Bedroom	2 Bedroom
Palm Plaza I,II, and III	450	500	750

Common and In-Unit Amenities

	Los Naranjos	Palm Plaza I, II, III
Comp #	1	2
Property Information		
Property Type	One-story (age-restricted)	Midrise (age-restricted)
Year Built / Renovated	2005	1967, 1969, 1996
Market (Conv.)/Subsidy Type	Rural Development	Market (Public Housing)
In-Unit Amenities		
Balcony/Patio	yes	no
Blinds	yes	yes
Carpeting	yes	no
Central A/C	yes	no
Exterior Storage	yes	no
Ceiling Fan	no	yes
Hand Rails	no	yes
Oven	yes	yes
Refrigerator	yes	yes
Window A/C	no	yes
Washer/Dryer hookup	yes	no
Property Amenities		
Business Center/Computer Lab	yes	no
Carport	no	yes
Clubhouse/Meeting Room/Community Room	yes	no
Elevators	no	yes
Exercise Facility	no	yes
Central Laundry	yes	yes
Off-Street Parking	yes	yes
On-Site Management	yes	no
Picnic Area	no	yes
Services		
Security		
Premium Amenities		
Other Amenities		
Other	n/a	n/a

The existing senior subsidized multifamily properties in the West Central Hidalgo County Submarket offer moderate in-unit and community amenities. The majority of the surveyed subsidized properties offer no non-shelter services, no security features, and no premium amenities. Tile flooring versus carpet flooring is common among the subsidized properties. The surveyed properties offer only off-street parking. A basic appliance package is provided with in unit washer/dryer connections found at the newer property, Los Naranjos, and a central laundry facility only at Palm Plaza. Overall, as a newly constructed combination USDA/LIHTC property, Los Naranjos offers a superior in unit and community amenities package, relative to the amenities offered by Palm Plaza I, II, and III. For example, Palm Plaza does not offer central air conditioning, onsite-management, or balconies/patios. However, Palm Plaza does offer elevators and hand rails. As a single story property, Los Naranjos does not require elevators.

By-Unit Weighted Vacancy

None of the surveyed subsidized senior properties is currently exhibiting vacancies.

Absorption

None of the surveyed subsidized senior properties was able to provide absorption information.

Waiting List

The following table illustrates the waiting lists in the subsidized rental property market.

Waiting Lists – Subsidized Senior		
Property Name	Number of Units	Households
Los Naranjos	30	4HH
Palm Plaza I, II, and III	90	Undetermined

Los Naranjos currently maintains a waiting list of four households. Palm Plaza draws tenants from the Housing Authority of the City of Mission’s combined waiting list for Housing Choice Vouchers and Public Housing units. This waiting list currently has 1,422 households; however, the number of senior/disabled households on the waiting list was unavailable.

Vacancy Levels

There are currently no vacancies at the surveyed senior subsidized properties.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

The one property able to provide turnover information currently has a turnover rate of 10 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
Los Naranjos	One-story (age-restricted)	Rural Development	1BR / 1BA	26	86.70%	Rural Development	\$395	N/A	n/a	Yes	0	0.00%
212 N Eagle Pass Road Alton, TX 78574 Hidalgo County	2005		2BR / 1BA	4	13.30%	Rural Development	\$520	N/A	n/a	Yes	0	0.00%
				30	100%						0	0.00%
Palm Plaza I, II, II	Midrise (age-restricted)	Market (Public Housing)	Studio / 1BA	30	33.30%	Market	N/A	450	n/a	Yes	0	0.00%
810 North Mayberry Street Mission, TX 78572 Hidalgo County	1967, 1969, 1996		1BR / 1BA	58	64.40%	Market	N/A	500	n/a	Yes	0	0.00%
			2BR / 1BA	2	2.20%	Market	N/A	750	n/a	Yes	0	0.00%
				90	100%						0	0.00%

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions				
	Units Surveyed:	120	Weighted Occupancy:	100.00%
	Market Rate	120	Market Rate	100.00%
	Tax Credit	0	Tax Credit	N/A
	One Bedroom One Bath		Two Bedrooms Two Bath	
	Property	Average	Property	Average
RENT	Los Naranjos	\$395	Los Naranjos (1BA)	\$520
SQUARE FOOTAGE	Los Naranjos	N/A	Los Naranjos (1BA)	N/A
RENT PER SQUARE FOOT	Los Naranjos	\$0.00	Los Naranjos (1BA)	\$0.00

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Only Los Naranjos was able to provide information on rental rates. Los Naranjos is a LIHTC/USDA property with 100 percent of the tenants paying no more than 30 percent of their annual gross in income towards rent. The one and two-bedroom rents at Los Naranjos are well below the payment standards for Hidalgo County. According to the Mission Housing Authority, the combined waiting list for Housing Choice Vouchers and Public Housing is 1,422 households long, indicating significant demand for very low income affordable housing.

Subsidized Senior Supply Conclusion

Small unit types are currently prevalent in the senior subsidized Submarket. The existing senior subsidized multifamily properties in the West Central Hidalgo County Submarket offer moderate in-unit and community amenities. The majority of the surveyed subsidized properties offer no non-shelter services, no security features, and no premium amenities. Tile flooring versus carpet flooring is common among the subsidized properties. The surveyed properties offer only off-street parking. A basic appliance package is provided with in unit washer/dryer connections at only one of the properties.

Neither of the senior subsidized properties is offering concessions, was able to provide absorption information, or currently has any vacancies. Only Los Naranjos was able to provide turnover information. Los Naranjos currently has a turnover rate of 10 percent. Los Naranjos currently maintains a waiting list of four households. Palm Plaza draws tenants from the Housing Authority of the City of Mission's combined waiting list for Housing Choice Vouchers and Public Housing units. This waiting list currently has 1,422 households; however, the number of senior/disabled households on the waiting list was unavailable.

Only Los Naranjos was able to provide information on rental rates. Los Naranjos is a LIHTC/USDA property with 100 percent of the tenants paying no more than 30 percent of their annual gross in income towards rent. The one and two-bedroom rents at Los Naranjos are well below the payment standards for Hidalgo County. According to the Mission Housing Authority, the combined waiting list for Housing Choice Vouchers and Public Housing is 1,422 households long, indicating significant demand for very low income affordable housing.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the West Central Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the West Central Hidalgo County Submarket in 2007 is 42,868 and the total number of households in 2012 is projected to be 53,077. The total number of households age 55 and older in the Submarket for 2007 is 13,063, with a 2012 projection of 17,592 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 20.1 percent of the occupied housing unit households in the West Central Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 12.5 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum

income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the West Central Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the West Central Hidalgo County Submarket, approximately 30.0 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 4.1 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the West Central Hidalgo County Submarket, it is estimated that 25.9 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the three stabilized family LIHTC properties surveyed in the Submarket is approximately 30 percent.

The one surveyed senior LIHTC properties in this Submarket also carries an additional USDA subsidy. Therefore, for the purpose of this analysis, we have used the average senior subsidized property turnover rate of 10 percent.

Unstabilized Rental Units - Existing and Proposed

Casa Alton is a proposed LIHTC development located just north of the City of Mission in Alton, Texas. This development was allocated tax credit funding in the final allocation cycle of 2007; it will offer 76 one-, two-, three-, and four-bedroom units at 30, 40, 50, and 60 percent of AMI, as well as, market rate units. These units have been deducted from the following demand analysis, with the market rate units deducted from demand at 81 to 100 percent of AMI.

La Villa De Alton started leasing in January 2008 and is currently 81.6 percent occupied. As this property has not yet reached a stabilized occupancy rate, its 76 units at 30 and 60 percent of AMI have been deducted from the following demand analysis.

To our knowledge, there are no proposed or under construction senior LIHTC properties in the West Central Hidalgo County Submarket. With no identified senior LIHTC properties in the West Central Hidalgo County Submarket, no units were deducted from the senior demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the West Central Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the subsequent tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,560	695	64	94	94	120	92
2 person	1,597	505	91	92	98	232	150
3 person	1,573	528	170	172	116	187	40
4 person	1,497	570	210	155	75	102	68
5+person	2,407	905	339	178	132	327	145
Total	8,634	3,204	876	691	515	968	495
Number of Income-Qualified Renter Households		3,204	876	691	515	968	495
X	Percentage of Rent-Overburdened (30%)	960	262	207	154	290	148
X	Percentage of Substandard Housing (4.1%)	131	36	28	21	40	20
X	Percentage of Overcrowded Housing (25.9%)	830	227	179	134	251	128
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,921	525	414	309	581	297
<i>Less Existing and Planned Unstablized Competing Units</i>		18	10	17	104	0	2
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,903	515	397	205	581	295

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,008	894	83	121	121	155	119
2 person	1,925	609	110	111	119	280	180
3 person	1,935	649	210	212	142	231	49
4 person	1,830	697	257	190	92	125	83
5+person	2,993	1,126	422	221	164	406	180
Total	10,691	3,975	1,082	855	638	1,197	611
Number of Income-Qualified Renter Households		3,975	1,082	855	638	1,197	611
X	Percentage of Rent-Overburdened (30%)	1191	324	256	191	359	183
X	Percentage of Substandard Housing (4.1%)	163	44	35	26	49	25
X	Percentage of Overcrowded Housing (25.9%)	1030	280	221	165	310	158
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		2,384	649	513	383	718	366
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>18</i>	<i>10</i>	<i>17</i>	<i>104</i>	<i>0</i>	<i>2</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		2,366	639	496	279	718	364

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,560	695	64	94	94	120	92
2 person	1,597	505	91	92	98	232	150
3 person	1,573	528	170	172	116	187	40
4 person	1,497	570	210	155	75	102	68
5+person	2,407	905	339	178	132	327	145
Total	8,634	3,204	876	691	515	968	495
Number of Income-Qualified Renter Households		3,204	876	691	515	968	495
X	Percentage of Rent-Overburdened (30%)	960	262	207	154	290	148
X	Percentage of Substandard Housing (4.1%)	131	36	28	21	40	20
X	Percentage of Overcrowded Housing (25.9%)	830	227	179	134	251	128
X	Percentage of Estimated Turnover (30%)	961	263	207	155	291	148
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		2,882	788	622	464	871	445
<i>Less Existing and Planned Unstabilized Competing Units</i>		18	10	17	104	0	2
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		2,864	778	605	360	871	443

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,008	894	83	121	121	155	119
2 person	1,925	609	110	111	119	280	180
3 person	1,935	649	210	212	142	231	49
4 person	1,830	697	257	190	92	125	83
5+person	2,993	1,126	422	221	164	406	180
Total	10,691	3,975	1,082	855	638	1,197	611
Number of Income-Qualified Renter Households		3,975	1,082	855	638	1,197	611
X	Percentage of Rent-Overburdened (30%)	1191	324	256	191	359	183
X	Percentage of Substandard Housing (4.1%)	163	44	35	26	49	25
X	Percentage of Overcrowded Housing (25.9%)	1030	280	221	165	310	158
X	Percentage of Estimated Turnover (30%)	1193	325	257	191	359	183
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		3,576	973	769	574	1,077	550
<i>Less Existing and Planned Unstablized Competing Units</i>		18	10	17	104	0	2
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		3,558	963	752	470	1,077	548

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	596	375	35	35	35	39	25
2 person	518	179	48	48	47	90	54
3 person	187	16	2	2	28	54	11
4 person	122	13	18	11	0	10	12
5+person	207	70	30	20	17	32	19
Total	1,631	653	131	114	128	224	122
Number of Income-Qualified Renter Households		653	131	114	128	224	122
X	Percentage of Rent-Overburdened (30%)	196	39	34	38	67	37
X	Percentage of Substandard Housing (4.1%)	27	5	5	5	9	5
X	Percentage of Overcrowded Housing (25.9%)	169	34	30	33	58	32
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		392	79	69	76	135	73
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		392	79	69	76	135	73

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	730	459	43	42	42	47	31
2 person	642	222	59	59	58	112	67
3 person	247	21	2	2	37	71	15
4 person	178	19	26	15	0	14	18
5+person	286	97	41	27	24	44	26
Total	2,083	818	171	145	161	288	157
Number of Income-Qualified Renter Households		818	171	145	161	288	157
X	Percentage of Rent-Overburdened (30%)	245	51	43	48	86	47
X	Percentage of Substandard Housing (4.1%)	34	7	6	7	12	6
X	Percentage of Overcrowded Housing (25.9%)	212	44	38	42	75	41
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		491	58	49	55	98	53
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		491	58	49	55	98	53

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	596	375	35	35	35	39	25
2 person	518	179	48	48	47	90	54
3 person	187	16	2	2	28	54	11
4 person	122	13	18	11	0	10	12
5+person	207	70	30	20	17	32	19
Total	1,631	653	131	114	128	224	122
Number of Income-Qualified Renter Households		653	131	114	128	224	122
X	Percentage of Rent-Overburdened (30%)	196	39	34	38	67	37
X	Percentage of Substandard Housing (4.1%)	27	5	5	5	9	5
X	Percentage of Overcrowded Housing (25.9%)	169	34	30	33	58	32
X	Percentage of Estimated Turnover (10%)	65	13	11	13	22	12
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		457	92	80	89	157	85
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		457	92	80	89	157	85

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	730	459	43	42	42	47	31
2 person	642	222	59	59	58	112	67
3 person	247	21	2	2	37	71	15
4 person	178	19	26	15	0	14	18
5+person	286	97	41	27	24	44	26
Total	2,083	818	171	145	161	288	157
Number of Income-Qualified Renter Households		818	171	145	161	288	157
X	Percentage of Rent-Overburdened (30%)	245	51	43	48	86	47
X	Percentage of Substandard Housing (4.1%)	34	7	6	7	12	6
X	Percentage of Overcrowded Housing (25.9%)	212	44	38	42	75	41
X	Percentage of Estimated Turnover (10%)	82	17	15	16	29	16
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		572	120	101	113	202	110
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		572	120	101	113	202	110

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the West Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 25 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain the 6.0 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 2.9 percent. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than average vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

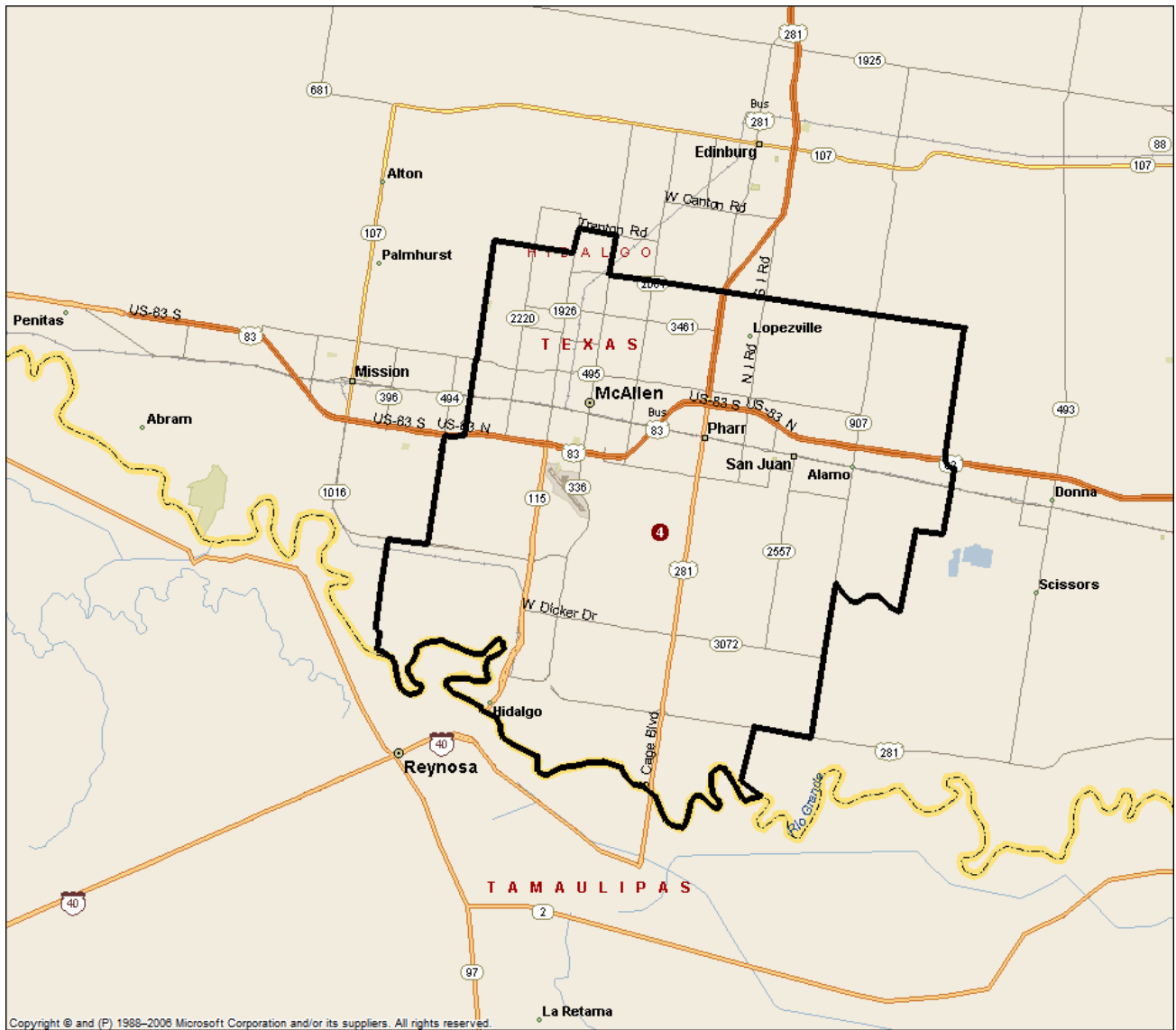
Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 120 subsidized units serving low-income senior households in the West Central Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

4. SOUTH CENTRAL HIDALGO COUNTY SUBMARKET ANALYSIS

SOUTH CENTRAL HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the South Hidalgo County Submarket, which is bounded to the north by Lark Avenue, Trenton Road, and Owassa Road; to the east by Valverde Road, Lakes Avenue, Border Road, Main Floodway Road, and South Alamo Road; to the south by the Texas-Mexico border; and to the west by Stewart Road, West Military Highway, Sharyland Road, U.S. Highway 83, and Taylor Road.. The following map illustrates the boundaries of the Submarket as defined above.

South Central Hidalgo County Submarket Map



The South Central Hidalgo County Submarket includes the communities/cities of McAllen, Pharr, San Juan, Lopezville, Hidalgo and Alamo. Approximately 50 to 70 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 30 to 50 percent of the land in this Submarket contains moderate to little development and offers relatively limited access to locational amenities and essential services. Development is located along U.S. Highway 83, which is the area's primary thoroughfare, and dissipates slowly in each direction with limited development occurring along the U.S. Mexico border region near the community of Hidalgo. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 50 years in age. There is a significant amount of multifamily development in fair to excellent condition and less than five to 40 years in age.

Local Government

As previously mentioned, the South Central Hidalgo County Submarket includes the communities/cities of McAllen, Pharr, San Juan, Lopezville, Hidalgo and Alamo.

McAllen, Texas is the largest city in Hidalgo County and operates under a city manager/city Council form of government chartered on January 31, 1927. According to the City of McAllen website, the city is comprised of a land area of 46.7 square miles and has a population of 130,831.

Pharr, Texas is a city in Hidalgo County operating under a Mayor-Council form of government with one elected Mayor and six elected Commissioners. According to the U.S. Census, Pharr is comprised of a land area of 20.8 square miles and had a 2000 population of 46,660.

San Juan, Texas is a city in Hidalgo County. According to the U.S. Census, San Juan is comprised of a land area of 11.0 square miles and had a 2000 population of 26,229.

Lopezville, Texas is a census-designated place in Hidalgo County. According to the U.S. Census, Lopezville is comprised of a land area of 1.8 square miles and had a 2000 population of 4,476.

Hidalgo, Texas is a city in Hidalgo County. Hidalgo was incorporated in 1876. According to the U.S. Census, Hidalgo is comprised of a land area of 4.4 square miles and had a 2000 population of 7,322.

Alamo, Texas is a city in Hidalgo County operating under a Mayor-Council form of government with one elected Mayor and four elected Commissioners. According to the U.S. Census, Alamo is comprised of a land area of 5.7 square miles and had a 2000 population of 14,760.

Employment by Industry

The following table illustrates employment by industry for the South Central Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	1,444	1.68%	5,955	2.54%
Mining	788	0.92%	2,143	0.91%
Construction	8,124	9.46%	25,549	10.90%
Manufacturing	4,706	5.48%	13,071	5.58%
Wholesale Trade	3,365	3.92%	9,652	4.12%
Retail Trade	12,554	14.62%	30,163	12.87%
Transportation/Warehousing	3,252	3.79%	9,335	3.98%
Utilities	374	0.44%	1,438	0.61%
Information	1,245	1.45%	2,704	1.15%
Finance/Insurance	2,676	3.12%	5,917	2.53%
Real Estate/Rental/Leasing	1,258	1.47%	3,399	1.45%
Prof/Scientific/Tech Services	2,882	3.36%	6,868	2.93%
Mgmt of Companies/Enterprises	35	0.04%	82	0.03%
Admin/Support/Waste Mgmt Svcs	3,371	3.93%	8,174	3.49%
Educational Services	12,619	14.70%	36,869	15.73%
Health Care/Social Assistance	10,448	12.17%	29,322	12.51%
Arts/Entertainment/Recreation	1,044	1.22%	2,302	0.98%
Accommodation/Food Services	6,982	8.13%	16,906	7.21%
Other Services (excl Publ Adm)	5,037	5.87%	13,767	5.88%
Public Administration	3,655	4.26%	10,715	4.57%
Total Employment	85,859	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the South Central Hidalgo County Submarket are the educational services, retail trade, healthcare/social assistance, and construction sectors. Approximately 51 percent of people in South Central Hidalgo County work in these four industries. The Submarket has a larger number of persons employed in the retail trade sector and a smaller number of people employed in the construction, healthcare/social assistance and educational services sectors, relative to the MSA. Although, educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Submarket due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should help promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing.

Commute Patterns in the South Central Hidalgo County Submarket

The table below summarizes commute times for the South Central Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	1,866
5-9 min	7,971
10-14 min	13,472
15-19 min	16,740
20-24 min	10,734
25-29 min	2,723
30-34 min	7,551
35-39 min	359
40-44 min	756
45-59 min	1,334
60-89 min	1,171
90+ min	1,020
Average Travel Time	19.3 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The South Central Hidalgo County Submarket has the shortest average commute time of the seven Submarkets. This Submarket includes McAllen, which is the largest population center in the MSA. Most of the area’s major employers are within close proximity to McAllen, resulting in short commutes for employees.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the South Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the South Central Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population growth in the South Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Year	Total Population			
	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	156,204	-	383,545	-
2000	207,576	3.29%	569,463	4.85%
2007	256,001	3.22%	732,166	3.94%
2012	298,163	3.29%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been slightly slower than growth in the MSA in all years of analysis. Both the Submarket and the MSA show strong growth from 2007 through 2012, although the MSA will grow at a faster rate than the Submarket from 2007 through 2012. Overall, the rate of population growth in the MSA will decrease slightly from 2007 through 2012, while the rate of population growth in the Submarket will increase slightly from 2007 through 2012. The strong growth in the Submarket and the MSA is a positive indicator of the need for all forms of housing.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
South Central Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	13,596	20,039	26,228	30,347
5-9	15,026	20,087	23,409	27,201
10-14	16,169	18,261	22,285	25,617
15-19	16,113	18,123	19,483	24,378
20-24	11,957	16,035	18,730	20,761
25-29	11,405	16,267	21,364	21,453
30-34	11,152	14,633	19,664	22,172
35-39	10,916	13,511	17,351	20,123
40-44	9,529	12,458	14,669	18,433
45-49	7,008	11,462	14,594	16,610
50-54	5,663	10,164	13,213	15,602
55-59	5,280	7,546	11,427	14,785
60-64	5,584	6,464	8,236	11,861
65-69	5,730	6,396	6,621	8,167
70-74	4,361	6,102	6,189	6,337
75-79	3,473	4,969	5,516	5,660
80-84	2,003	2,836	3,958	4,552
85+	1,239	2,223	3,064	4,104
Total	156,204	207,576	256,001	298,163
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	43,622	-	103,479	-
2000	59,634	3.67%	156,824	5.15%
2007	74,654	3.47%	205,804	4.31%
2012	87,319	3.39%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007; household growth in the Submarket slowed slightly from 2000 to 2007 and the trend is expected to continue through 2012. Similarly, household growth in the MSA is expected to slow from 2007 through 2012. However, overall household growth is strong and as the number of households increases, there will be a larger pool of potential tenants, suggesting a need for all forms of housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.46	-	3.60	-
2007	3.41	-0.20%	3.53	-0.27%
2012	3.40	-0.06%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly smaller than the MSA and both are significantly larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	\$26,065	-	\$24,843	-
2007	\$32,123	3.21%	\$30,519	3.15%
2012	\$36,853	2.94%	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 5.0 percent higher than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slower rate from 2007 through 2012 than the previous seven years, as in the MSA. It should be noted that the median household income in the Submarket and MSA were approximately 60.4 and 57.4 percent of the national average in 2007. The lower median income level indicates increasing need for affordable housing in the Submarket.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - South Central Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	12,041	16.1%	11,548	13.2%
\$10,000-\$14,999	5,283	7.1%	6,094	7.0%
\$15,000-\$19,999	6,433	8.6%	6,102	7.0%
\$20,000-\$24,999	5,786	7.8%	5,898	6.8%
\$25,000-\$29,999	5,443	7.3%	6,463	7.4%
\$30,000-\$34,999	5,084	6.8%	5,311	6.1%
\$35,000-\$39,999	4,283	5.7%	5,584	6.4%
\$40,000-\$44,999	4,146	5.6%	4,261	4.9%
\$45,000-\$49,999	2,739	3.7%	4,169	4.8%
\$50,000-\$59,999	6,188	8.3%	6,420	7.4%
\$60,000-\$74,999	5,836	7.8%	8,152	9.3%
\$75,000-\$99,999	4,798	6.4%	7,308	8.4%
\$100,000-	2,919	3.9%	3,856	4.4%
\$125,000-	1,401	1.9%	2,393	2.7%
\$150,000-	980	1.3%	1,706	2.0%
\$200,000-	577	0.8%	850	1.0%
\$250,000-	591	0.8%	915	1.0%
\$500,000+	126	0.2%	289	0.3%
Total	74,654	100%	87,319	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-	7,409	3.6%	10,073	4.1%
\$125,000-	3,767	1.8%	6,223	2.5%
\$150,000-	2,290	1.1%	4,504	1.8%
\$200,000-	1,246	0.6%	2,018	0.8%
\$250,000-	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 31.8 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007, with the largest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 27.2 percent and 29.4 percent, respectively. However, in both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	27,670	-	63,856	-
2000	36,536	3.2%	90,763	4.2%
2007	45,011	3.2%	116,831	4.0%
2012	55,466	4.6%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Senior population growth in the South Central Hidalgo County Submarket increased at a slightly slower pace, relative to the MSA from 2000 to 2007. Senior population growth in both the Submarket and the MSA is expected to grow at a strong rate from 2007 through 2012, with growth in the MSA exceeding that of the Submarket.

The exceptional projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	South Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	20,796	-	52,073	-
2007	25,582	3.2%	67,113	4.0%
2012	31,396	4.5%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth in the Submarket and MSA is expected to be strong through 2012. The household growth rate in the MSA will exceed that of the Submarket from 2007 through 2012; however, the Submarket’s household growth rate of 4.5 percent is considered very strong. The strong projected growth in senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		South Central Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
			<i>All Ages</i>			
2007	\$30,519	-	\$32,213	-	\$53,154	-
2012	\$35,078	2.59%	\$36,853	2.52%	\$62,503	3.52%
			<i>Age 55+</i>			
2007	\$27,687	-	\$30,759	-	\$32,710	-
2012	\$32,712	3.07	\$35,856	2.84%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all areas of analysis are below those of all households. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The median household income in the Submarket and MSA were approximately 39.6 and 42.6 percent of the national average in 2007.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - South Central Hidalgo County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	6,598	25.8%	6,940	22.1%
\$15,000-\$24,999	3,924	15.3%	4,027	12.8%
\$25,000-\$34,999	3,404	13.3%	3,972	12.7%
\$35,000-\$49,999	3,488	13.6%	4,533	14.4%
\$50,000-\$74,999	4,099	16.0%	5,184	16.5%
\$75,000-\$99,999	1,519	5.9%	2,547	8.1%
100,000-\$149,999	1,607	6.3%	2,543	8.1%
150,000-\$199,999	343	1.3%	682	2.2%
200,000-\$249,999	295	1.2%	462	1.5%
250,000-\$499,999	262	1.0%	412	1.3%
\$500,000+	43	0.2%	94	0.3%
Total	25,582	100%	31,396	100%

Household Income Distribution - McAllen-Mission-Edinburg, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-\$24,999	10,918	16.3%	11,816	13.8%
\$25,000-\$34,999	8,645	12.9%	10,306	12.0%
\$35,000-\$49,999	9,485	14.1%	12,964	15.1%
\$50,000-\$74,999	9,921	14.8%	13,604	15.9%
\$75,000-\$99,999	3,485	5.2%	6,161	7.2%
100,000-\$149,999	3,783	5.6%	6,157	7.2%
150,000-\$199,999	728	1.1%	1,622	1.9%
200,000-\$249,999	543	0.8%	933	1.1%
250,000-\$499,999	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. When compared to the Submarket, the MSA has the largest percentage of seniors earning less than \$35,000 annually, although negligibly so. Approximately 54.4 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The Submarket features slightly fewer senior households in these income brackets when compared to the MSA. By 2012, both areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 47.6 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. These factors indicate that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
South Central Hidalgo County Submarket					McAllen-Edinburg-Mission, TX MSA			
Year	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	16,974	81.6%	3,822	18.4%	43,784	84.1%	8,289	15.9%
2007	20,880	81.6%	4,702	18.4%	56,430	84.1%	10,683	15.9%
2012	25,626	81.6%	5,770	18.4%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units in all areas of analysis. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in developing submarkets, where owner-occupied housing is predominant.

Senior Demographic Conclusion

Although the median senior household income for the Submarket is projected to increase from 2007 to 2012, growth in the national and MSA’s median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket feature significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Approximately 54.4 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The Submarket features slightly less senior households in these income brackets when compared to the MSA and national averages.

LOCAL MARKET INFORMATION

South Central Hidalgo County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

The majority of the healthcare providers in the South Central Hidalgo County Submarket are located in McAllen. The primary major medical providers in the South Central Hidalgo Submarket are the Rio Grande Regional Hospital, A&M Medical Center in McAllen, McAllen Heart Hospital, Texas Children's Hospital, and McAllen Medical Center. The McAllen Medical Center offers 441 licensed beds and approximately 400 physicians in 50 medical specialties.

Transportation

The South Central Hidalgo County Submarket is served by the McAllen Miller International Airport, which is located in McAllen, Texas. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Highway access to the South Central Hidalgo County Submarket can be accomplished via U.S. Highway 83. U.S. Highway 83 runs east/west from Harlingen, Texas to Manitoba, Canada.

Education

The South Central Hidalgo County Submarket is served by the McAllen Independent School District. The McAllen Independent School District has 21 elementary schools, six middle schools, and three high schools. The nearest universities are located in Edinburg and McAllen. The University of Texas-Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the 10th largest university in the state and the fifth largest in the UT system and offers 54 bachelor's degree programs, 50 master's, and two doctoral programs. McAllen offers four additional colleges/universities including the San Antonio College of Medical and Dental Assistants, South Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

The South Central Hidalgo County Submarket is served by McAllen Express Transit, which operates six routes and one para-transit vehicle throughout the city of McAllen. Average monthly ridership is approximately 27,048 passengers. The \$3.4 million Central Station serves as the main hub for McAllen Express Transit's six routes. Central Station is equipped with 14 bus bays, a 250-seat lobby, 14 ticket counters, and various commercial and retail uses. During its second year of operation Central Station hosted approximately 1.3 million people and approximately 60,709 people depart from Central Station per month.

Employment Centers

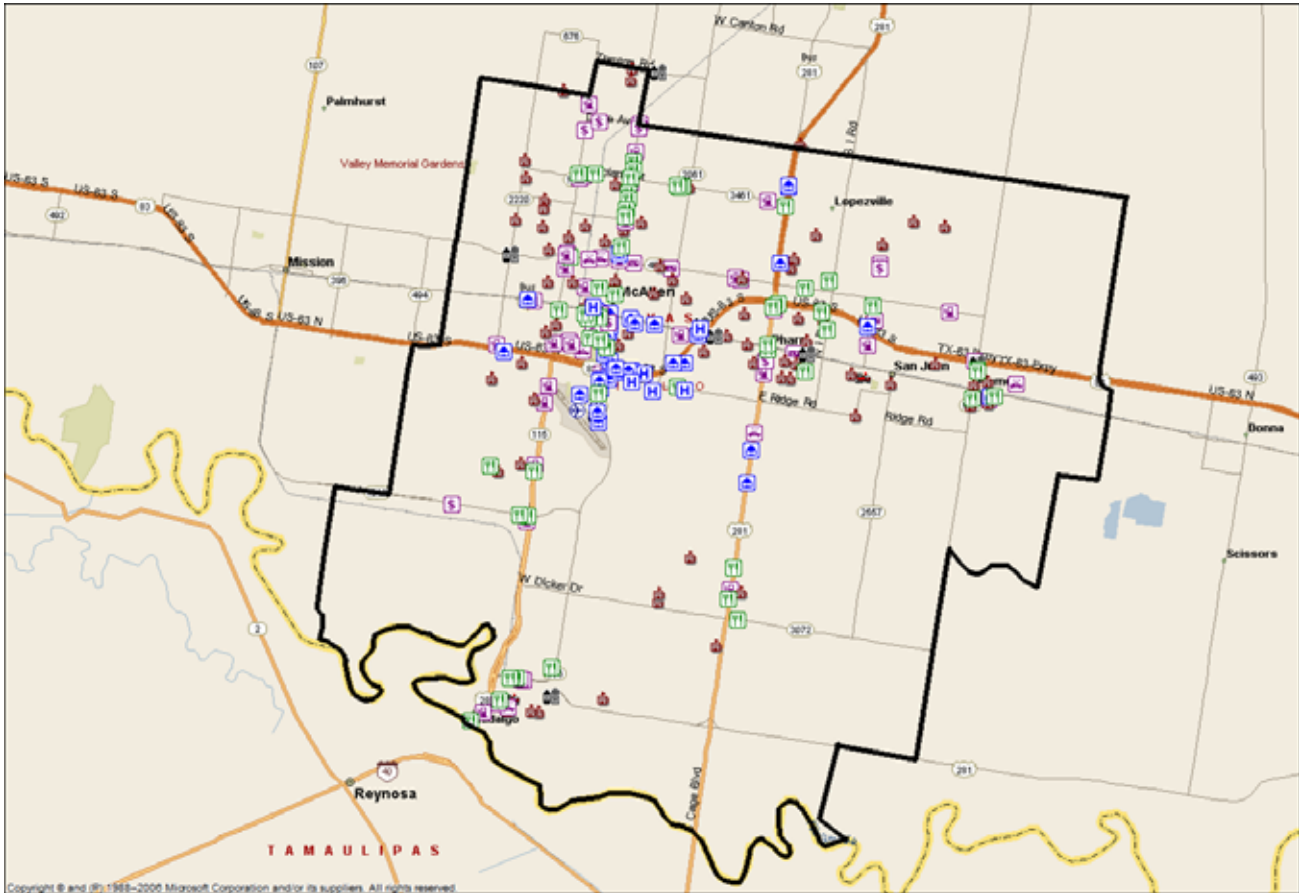
There are a significant number of employment centers in the South Central Hidalgo County Submarket. However, information regarding largest employers by submarket was unavailable. The largest Employers in the McAllen-Edinburg-Mission MSA include the following:

Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	McAllen I.S.D.	Education	3,595
3	Edinburg Regional Medical Center	Healthcare	3,000
4	University of Texas Pan American	Education	2,850
5	McAllen Medical Center	Healthcare	2,800
6	Hidalgo County	Government	2,211
7	Mission Consolidated I.S.D.	Education	2,140
8	City of McAllen	Government	1,801
9	Columbia Rio Grande Regional Hospital	Healthcare	975
10	South Texas Community College	Education	811














Employment in the McAllen-Edinburg-Mission MSA is dominated by relatively stable industries and all ten of the major employers are in the education, healthcare, and government sectors. However, according to 2007 employment by industry demographics, the educational services, retail trade, healthcare/social assistance, and construction sectors comprise approximately 51 percent of overall employment and are the top four industry sectors in the Submarket. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare, which make up approximately 26.9 percent of employment in the Submarket. Therefore, due to the high concentration of retail trade and construction industries in the Submarket, it is possible that the Submarket will experience slowing growth as a result of the national economic downturn.

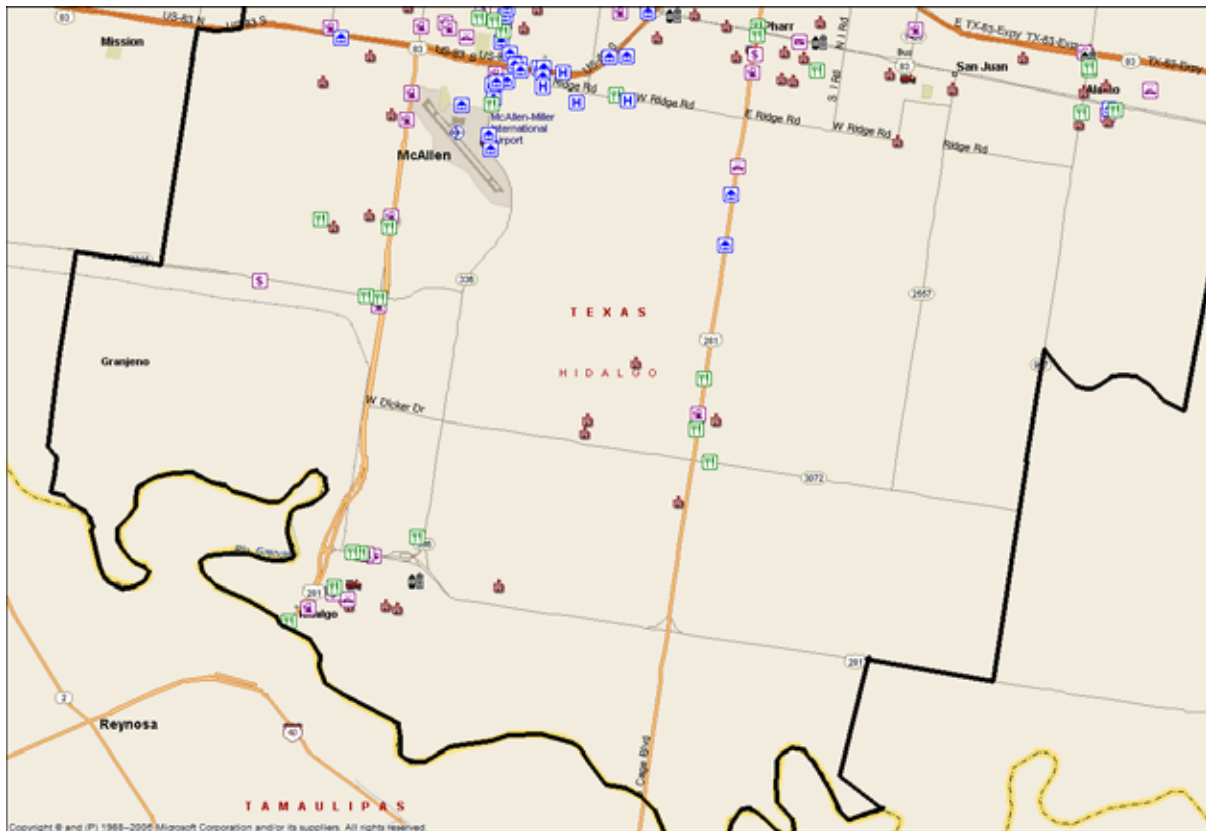
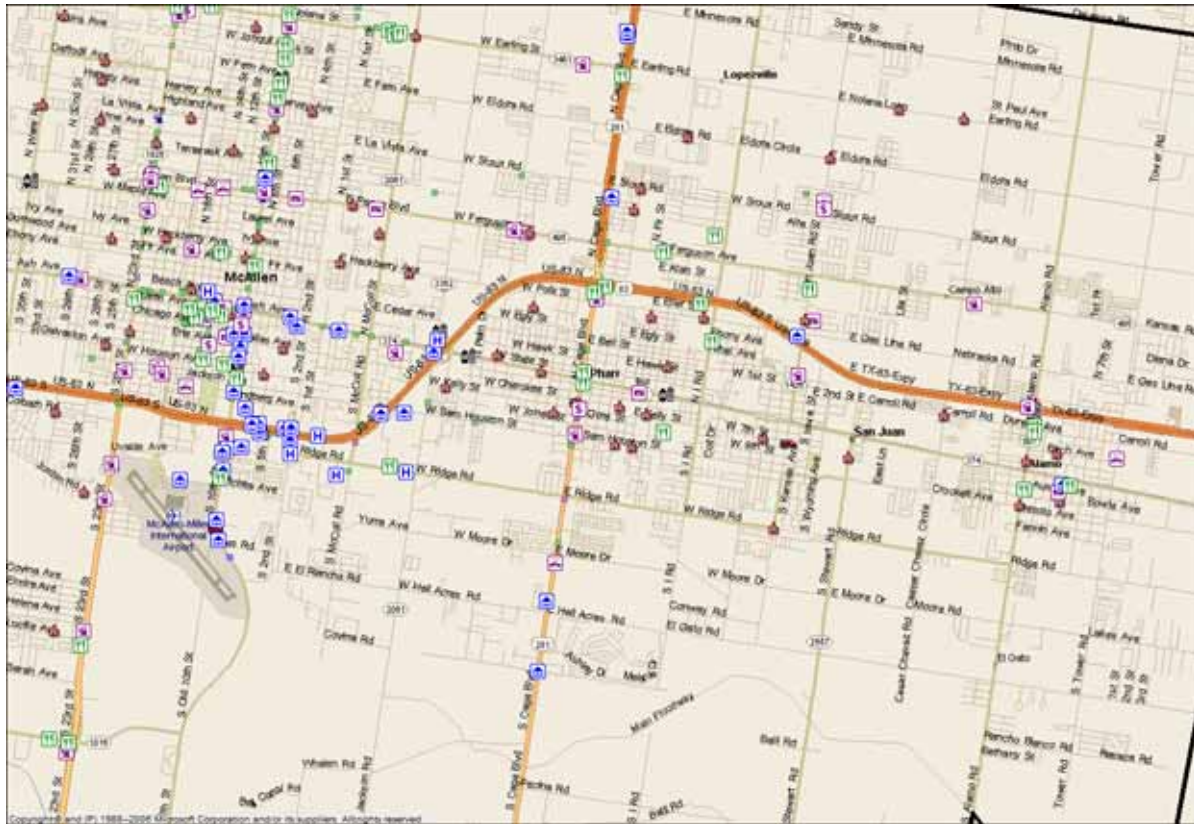
Proximity to Local Services

There are a significant number of locational amenities in the South Central Hidalgo County Submarket. The majority of locational amenities are located in and surrounding the City of McAllen, Texas.



Source: Novogradac and Company LLP, July 2008.

	Ranch		School		Bank
	United States Post Office		Hospital		
	Fire Station		Airport		
	Restaurant		Police Station		
	Hotel/Motel		College/University		
	Grocery/Supermarket		Gas Station		



HOUSING SUPPLY ANALYSIS

SOUTH CENTRAL HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the South Central Hidalgo County Submarket.

AGE OF HOUSING STOCK IN PMA

Years	Number of Units	Percent of Housing Stock
1999-3/2000	3,718	5.15%
1995-1998	10,155	14.08%
1990-1994	8,628	11.96%
1980-1989	19,722	27.34%
1970-1979	15,341	21.27%
1960-1969	7,008	9.71%
1950-1959	4,122	5.71%
1940-1949	1,929	2.67%
1939 and Before	1,513	2.10%
Total	72,136	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (74.65 percent) in the South Central Hidalgo County Submarket was constructed from 1970 through 1998. Approximately 50 to 70 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 30 to 50 percent of the area in this Submarket contains moderate to little development and offers relatively limited access to locational amenities and essential services. Development is located along U.S. Highway 83, which is the area’s primary thoroughfare, and dissipates slowly in each direction with limited development occurring along the U.S. Mexico border region near the community of Hidalgo. The South Central Hidalgo County Submarket consists of primarily single-family homes and multifamily housing. Based upon observations in the field the predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 50 years in age. There is a significant amount of multifamily development in fair to excellent condition and less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008. The small percentage of multifamily permits issued indicates demand for multifamily housing of all kinds.

Interviews

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Section 8 Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding those administered the City of McAllen. Two of these developments, Villa San Juanita Rutledge and Memorial Apartments, are located in the South Central Hidalgo County Submarket and will be addressed in the subsidized family supply analysis section of this Submarket discussion. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open, while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher

Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

McAllen Housing Authority

We spoke to Elena Salsedo, Section 8 Supervisor for the McAllen Housing Authority. Ms. Salsedo noted that there are currently 1,179 Housing Choice Vouchers designated for the City of McAllen and 1,079 are currently in use. The waiting list re-opened in July 2008 and there are currently 213 applicants on the list resulting in a one to 1.5 year wait for a voucher. There are approximately 52 elderly/disabled households on the current waiting list. The current payment standards are the same as those reported by the Housing Authority of the County of Hidalgo. Ms. Salsedo also noted that there are currently 49 units of Public Housing being administered by McAllen’s Housing Authority. Vine Terrace is a 49-unit public housing development with one, two-, three-, and four-bedroom units. This development is addressed in the subsidized family supply section of this Submarket. There were previously 149 additional units of Public Housing in one development. However this development has been demolished and a combination LIHTC/Section 8/Public Housing development, comprised of two phases named Retama Village I and II, is currently being built upon the site of the former public housing development.

Retama Village I, located in McAllen, Texas, received a LIHTC allocation in 2006. The development is a proposed new construction, family oriented, multifamily complex consisting of 128-units in nine two-and three-story garden style buildings. Field observations confirm that this project is currently under construction. Retama Village will offer window coverings, ovens/ranges, garbage disposals, dishwashers, refrigerators with ice makers, microwaves, washer/dryer connections, ceiling fans, and individual heat and air conditioning. Community amenities will include BBQ grills, a picnic area, central laundry, business center, computer room, perimeter fencing, community room, fitness center, and two playgrounds. There will be 18 one-bedroom, 30

two-bedroom, and 16 three-bedroom public housing units. The remaining 64 one, two, and three bedroom units will be restricted to households earning less than 60 percent of the AMI.

Retama Village II, located in McAllen, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, family oriented, multifamily complex consisting of 74 units in 16 two-story garden style buildings. Field observations confirm that this development is still in the planning stages. Information regarding in-unit and community amenities for Retama Village II was unavailable. There will be 6 one-bedroom, 13 two-bedroom, and 6 three-bedroom public housing units. The remaining 49 one-, two-, and three-bedroom units will be restricted to households earning less than 60 percent of the AMI.

Pharr Housing Authority

We made numerous attempts to contact the Pharr Housing Authority, both in person and over the phone. However our calls were not returned as of the date of this study.

Hidalgo Housing Authority

We made numerous attempts to contact the Hidalgo Housing Authority, both in person and over the phone. However our calls were not returned as of the date of this study.

Alamo Housing Authority

We spoke to Anna with the Alamo Housing Authority. There are currently 120 vouchers designated for the City of Alamo and 119 vouchers are currently in use. The waiting list for vouchers is currently closed and has approximately 200 applicants, resulting in a six-month to one-year waiting list. Anna noted that there is a preference for three- and four-bedroom units and senior households are having trouble finding one-bedroom units. Approximately ten percent of the households on the waiting list are senior households. Anna noted that there is one public housing development administered by the Alamo Housing Authority, Macario Villareal, comprised of 20 single-family homes. This development is addressed in the subsidized family supply section of this Submarket. The payment standards for the City of Alamo are below. It is worth noting that Alamo’s payment standards are below the payment standards published by the Hidalgo County Housing Authority.

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$447
One-bedroom	\$494
Two-bedroom	\$579
Three-bedroom	\$694
Four-bedroom	\$797

San Juan Housing Authority

We made numerous attempts to contact the San Juan Housing Authority, both in person and over the phone. However our calls were not returned as of the date of this study.

McAllen Commercial/Residential Development and Planning

We attempted to contact Rodrigo Sanchez, with the City of McAllen Planning Division. However, our inquiries have not been addressed as of the date of this study. We attempted to contact Robert Gomez with the Building Permits division with the City of McAllen in order to find information on proposed market rate multifamily development in the City of McAllen. However our information request has not been returned as of the date of this study.

Based on observations in the field, there is an under construction multifamily development within close proximity to St. Antimo Apartments, Stonewood Apartments, and Atrium Villa. Mosaic Apartments and Lofts will be a luxury market rate gated community, with a tenant lounge/café, Wi-Fi in all common areas, indoor/outdoor pool and spa, 24 hour fitness center, indoor basketball court, and private media room available to all residents. There will be 21 open and traditional floor plans comprised of one-, two-, and three-bedroom units. In-unit amenities will include washer/dryer hookups, attached garages, and intrusion alarms. This project is now leasing and was scheduled to open in late summer 2008; however, based upon observations in the field, the project is still under construction and approximately three quarters complete.

We conducted an Internet search for multifamily development in McAllen. According to a May 2008 news report published by the Texas A&M Real Estate Center, a Mexican developer broke ground in May 2008 on a new \$16 million condominium project in South McAllen near La Plaza Mall. The five-story residential property off South 10th Street will target the growing number of affluent Mexican nationals looking to purchase property in McAllen. The four-building project, called the Luxe Gallery Condominiums, will have 88 units when complete. The Luxe Gallery is the newest in a string of proposed high-end condominium projects in Greater McAllen. With the Luxe Gallery, the developer is hoping to attract Mexican visitors with easy access to La Plaza Mall, as well as to U.S. Highway 83 and the Hidalgo-Reynosa International Bridge. The units will range from 1,450 to 1,900 sf. The least expensive unit will cost about \$230,000, which is more than double the average home price in Hidalgo County. Approximately one quarter of the condominium units have already been sold. The first building will house 16 units and is scheduled to open in May 2009.

The aforementioned news report also notes that local developer Fred Harms hopes to finish the first of 37 under construction townhomes this summer. The townhome project is called Barrio Antiguo and the homes range from \$180,000 to \$220,000. The price is similar to other single-family units in the neighborhood near Date Palm Avenue and North Sixth Street. Like other new condo and townhome projects in the Valley, Barrio Antiguo developers are targeting people who do not want the trouble of keeping up with a large property. Some developers are also looking to add an affordable option to one of the Rio Grande Valley's most expensive housing markets.

Sam Saxena, a mortgage broker who lives in McAllen, is building a 192-unit development on Jackson Road in North McAllen. Latitude 360 targets young professionals. Units start at about \$90,000 for 1,000 sf. Most other homes in the area cost more than \$120,000.

McAllen Economic Development

According to the McAllen Chamber of Commerce, between January 1988 and March 2008, 250 new companies relocated to McAllen and 326 new companies relocated to Reynosa for a total of 576 new facilities. This resulted in the creation of over 120,000 new jobs in the region.

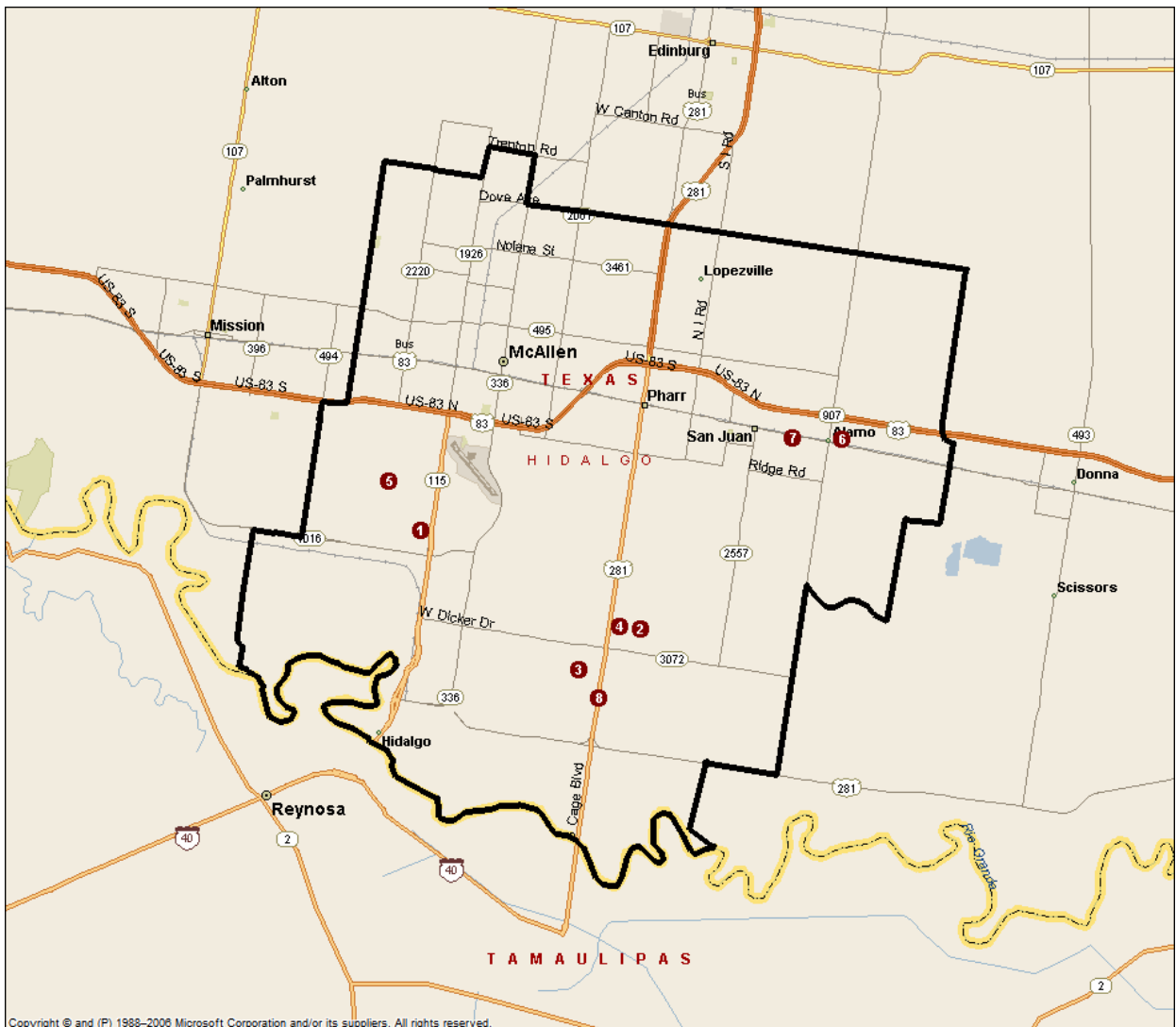
According to the McAllen Economic Development Corporation (MEDC), the construction of an automotive assembly plant is currently being proposed in McAllen in order to compete with the recent ground-breaking of a Chinese North American automotive assembly plant in Mexico. Further details were unavailable at this time.

According to the Reynosa Maquiladora and Manufacturers Association (RAMMAC), 28 new foreign firms are expected to begin operations in 2008 in the Northern Tamaulipas border region, creating over 3,000 new jobs. Seventeen of these companies will build facilities and begin operations in the Reynosa area, while the other 11 firms will open plants in Rio Grande Valley communities such as Mission, McAllen, Pharr and Edinburg, which are part of the McAllen-Edinburg-Mission MSA.

LIHTC FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified 16 family-oriented LIHTC developments in the South Central Hidalgo County Submarket. Of the 16 family LIHTC developments, five properties offer an alternate subsidy or had 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. These five properties have been excluded from the LIHTC analysis and will be addressed in the subsidized family market analysis section that follows. Information was available for eight of the eleven remaining stabilized LIHTC properties in the Submarket. Multiple attempts were made to contact each of the three remaining LIHTC properties with no success. The excluded properties and reasons for exclusion can be found on the excluded properties list on the following pages. A map of the surveyed properties can be found below:



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	El Patrimonio	McAllen	LIHTC/Market – Family
2	El Pueblo Dorado	Pharr	LIHTC/Market – Family
3	Jardines De La Fuente	Pharr	LIHTC/Market – Family
4	Las Canteras Apts.	Pharr	LIHTC – Family
5	Padre de Vida Apts.	McAllen	LIHTC – Family
6	Rudy Villareal Oak Square Apts.	Alamo	LIHTC – Family
7	Sun Meadow Apts.	Alamo	LIHTC – Family
8	Valley View Apartments	Pharr	LIHTC – Family

The following pictures identify the surveyed LIHTC family properties in the Submarket:



El Patrimonio



El Pueblo Dorado



Jardines De La Fuente



Las Canteras Apartments



Padre De Vida Apartments



Rudy Villareal Oak Square Apartments



Sun Meadow Apartments



Valley View Apartments

Excluded Properties

Multiple attempts were made to contact each of the three excluded LIHTC properties with no success. It should be noted that the three existing and stabilized LIHTC properties with no alternate form of subsidy were constructed from 1988 through 1989. Furthermore, none of the three aforementioned properties are currently listed on the most recent 2008 Property Inventory published by the Texas Department of Housing and Community Affairs. Therefore, it is likely that the three LIHTC properties are no longer within their compliance period and are operating as market rate properties. None of the three LIHTC properties have more than 10 units or offer on-site management.

The excluded properties and reasons for exclusion can be found on the excluded properties list on the following page:

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
400 East Ulex	400 East Ulex	LIHTC-Family	2	Could not Contact
4608 North D Street	4608 North D Street	LIHTC-Family	4	Could not Contact
Acacia Apartments	424 Acacia	LIHTC-Family	10	Could not Contact
Sunset Terrace	920 West Villegas	LIHTC-Family	100	Planning Stages
Retama Village I & II	2301 Jasmine Avenue	LIHTC-Family	128	Under Construction/Planning Stages
La Vista	2401 La Vista Avenue	LIHTC/Section 8-Family	48	100 percent of tenants paying 30 percent of income
San Juan Village	400 North Iowa	LIHTC/USDA-Family	86	100 percent of tenants paying 30 percent of income
Raintree Apartments	650 Raintree Street	LIHTC/USDA-Family	32	100 percent of tenants paying 30 percent of income
Alamo Village Apartments	504 North 9th Street	LIHTC/Section 8-Family	56	100 percent of tenants paying 30 percent of income
Old Fort Highway Apartments	1101E Pirae Drive	LIHTC/USDA-Family	39	100 percent of tenants paying 30 percent of income

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are eight family-oriented LIHTC developments in the South Central Hidalgo Submarket, which have received an allocation in the last three years.

RECENT LIHTC ALLOCATIONS						
Name	Address	Type	No. of Units	Status	Date of Allocation	
Poinsettia Apartments aka Rudy Villareal Oak Square Apartments	Between N. 9th St. & N. 10th St. at Duranta Ave.	LIHTC-Family	100	Complete; being used in the LIHTC supply analysis	2005/2008	
Alamo Village Apartments	504 North 9th Street	LIHTC/Section 8-Family	56	A/R; Complete; being used in subsidized supply analysis	2005/2008	
Retama Village I & II	2301 Jasmine Avenue	LIHTC/Public Housing-Family	128	Under Construction/Planning Stages	2006/2007	
Las Vista Apartments	2401 La Vista Avenue	LIHTC/Section 8-Family	48	Undergoing renovations; being used in subsidized supply analysis	2006	
Las Canteras Apartments	400 East Thomas Road	LIHTC-Family	100	Complete; being used in the LIHTC supply analysis	2004/2007	
Sunset Terrace Apartments	920 West Villegas	LIHTC/Public Housing-Family	100	Planning Stages	2007	
Parkview Terrace	211 W. Audrey	LIHTC/Public Housing-Family	100	Planning Stages	2008	
San Juan Village	400 North Iowa	LIHTC/USDA-Family	86	A/R; Complete; being used in subsidized supply analysis	2005/2008	

Poinsettia Apartments aka Rudy Villareal Oak Square Apartments was constructed in 2007 and opened in November of 2007. This property began pre-leasing in the beginning of September 2007 and was fully leased by June 2008, and is being used in the supply analysis that follows.

Retama Village I, located in McAllen, Texas, received a LIHTC allocation in 2006. The development is a proposed new construction, family oriented multifamily complex consisting of 128-units in nine two- and three-story garden style buildings. Prior to construction, an existing public housing development constructed in 1951 was demolished. Field observations confirm that

this project is currently under construction. Retama Village will offer window coverings, ovens/ranges, garbage disposals, dishwashers, refrigerators with ice makers, microwaves, washer/dryer connections, ceiling fans, and individual heat and air conditioning. Community amenities will include BBQ grills, a picnic area, central laundry, business center, computer room, perimeter fencing, community room, fitness center, and two playgrounds. There will be 18 one-bedroom, 30 two-bedroom, and 16 three-bedroom public housing units. The remaining 64 one, two, and three bedroom units will be restricted to households earning less than 60 percent of the AMI.

Retama Village II, located in McAllen, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, family oriented, multifamily complex consisting of 74 units in 16 two-story garden style buildings. Prior to construction, 74 existing public housing units constructed in 1951 were demolished. Field observations confirm that this development is still in the planning stages. Information regarding in-unit and community amenities for Retama Village II was unavailable. There will be 6 one-bedroom, 13 two-bedroom, and 6 three-bedroom public housing units. The remaining 49 one, two, and three bedroom units will be restricted to households earning less than 60 percent of the AMI.

Sunset Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, family oriented, multifamily complex consisting of 100-units in 20 two-story garden style buildings. Prior to construction on the site, an existing 100-unit public housing multifamily duplex development will be demolished. Information regarding in-unit and community amenities for Sunset Terrace was unavailable. There will be 12 one-bedroom, 16 two-bedroom, and 12 three-bedroom public housing units. The remaining 60 one, two, and three bedroom units will be restricted to households earning less than 60 percent of the AMI. Calls made to the development contact, Roy Navarro with the Housing Authority of the City of Pharr, have not been returned as of the date of this study. However, observations in the field confirm that the vacant public housing development is still located on the site and demolition and reconstruction have not yet commenced.

Parkview Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2008. The development is a proposed reconstruction of an existing public housing complex. This development will be a family oriented, multifamily complex consisting of 100-units in 20 residential buildings. Prior to construction on the site, an existing 100-unit public housing multifamily development, 40 years in age, will be demolished. Information regarding in-unit and community amenities for Sunset Terrace was unavailable. There will be 9 one-bedroom, 12 two-bedroom, and 9 three-bedroom public housing units. The remaining 70 one-, two-, and three-bedroom units will be restricted to households earning less than 50 and 60 percent of the AMI. Due to the recent allocation date of this development, it is assumed that this project is still in the planning stages.

Alamo Village Apartments, La Vista Apartments, and San Juan Village are all LIHTC properties with an additional subsidy allowing 100 percent of the tenants to pay no more than 30 percent of their annual gross income towards rent. Alamo Village Apartments and San Juan Village Apartments are acquisition/rehabilitation projects that are currently complete and being used in the family subsidized market analysis section. La Vista Apartments is currently undergoing renovations and is also addressed in the family subsidized market analysis section.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	91	8.60%
2 BR	556	52.90%
3 BR	405	38.50%
Total	1,052	100%

We were unable to identify any properties with four-bedroom LIHTC units. Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease slightly by 2012 to 3.40. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	516	750	646
2 BR	783	1,119	928
3 BR	1,100	1,198	1,153

The average sizes of the surveyed one, two, and three-bedroom units are 10.2, 8.0, and 8.6 percent smaller, respectively, than the average one-, two-, and three-bedroom unit sizes of the surveyed market rate developments.

Common and In-Unit Amenities

	El Patrimonio	El Pueblo Dorado	Jardines De La Fuente	Las Canteras Apts.	Padre De Vida Apts.	Rudy Villareal Oak Square Apts.	Sun Meadow Apts.	Valley View Apts.
Comp #	Subject	1	2	3	4	5	6	7
Property Information								
Property Type	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden
Year Built / Renovated	2001	2002	2004	2004	2004 Feb	2007	2002	2004
Market (Conv.)/Subsidy Type	@50%, @60%, Market	@50%, @60%, Market	@30%, @40%, @50%, @60%, Market	@60%	@40%, @50%, @60%	@30%, @60%	@50%, @60%	@40%, @50%, @60%
In-Unit Amenities								
Balcony/Patio	yes	yes	yes	yes	yes	yes	yes	no
Blinds	yes	yes	yes	yes	yes	yes	yes	yes
Carpeting	yes	yes	no	yes	yes	no	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes
Coat Closet	no	no	no	no	yes	no	no	no
Dishwasher	yes	yes	yes	yes	yes	yes	no	yes
Exterior Storage	no	no	yes	yes	no	no	no	no
Ceiling Fan	yes	yes	yes	yes	no	yes	no	yes
Garbage Disposal	no	yes	yes	yes	yes	yes	yes	yes
Microwave	no	no	no	yes	yes	yes	no	yes
Oven	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	yes	no	yes	no	no	no	no
Washer/Dryer hookup	no	no	no	yes	no	yes	no	no
Property Amenities								
Basketball Court	no	no	no	no	no	no	no	yes
Business Center/Computer Lab	no	no	yes	yes	no	yes	no	yes
Carport	yes	yes	no	yes	yes	yes	no	no
Clubhouse/Meeting Room/Community Room	yes	yes	yes	yes	yes	yes	no	yes
Exercise Facility	no	no	no	no	no	yes	no	no
Jacuzzi	yes	no	no	no	no	no	no	no
Central Laundry	yes	yes	yes	yes	yes	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes	yes	yes	yes	yes
Picnic Area	yes	yes	no	no	no	yes	no	no
Playground	yes	yes	yes	yes	no	yes	yes	yes
Swimming Pool	yes	yes	yes	yes	yes	yes	yes	yes
Volleyball Court	no	no	no	no	no	yes	no	yes
Carport Fee	\$10.00	\$10.00	--	\$15.00	--	\$15.00	--	--
Services								
Afterschool Program	yes	no	no	no	no	no	no	no
Computer Tutoring	no	yes	no	no	no	no	no	no
Tutoring	yes	no	no	no	no	no	no	no
Security								
Limited Access	yes	no	yes	no	no	no	no	yes
Patrol	no	yes	no	no	no	no	no	no
Perimeter Fencing	yes	yes	yes	yes	yes	no	yes	yes
Premium Amenities								
Other Amenities								
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The existing LIHTC multifamily properties in the South Central Hidalgo County Submarket offer a moderate to extensive amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include patios/balconies, min-blinds, central air, ceiling fans, ovens, dishwashers, garbage disposals, and refrigerators. Half of the surveyed properties offer microwaves. In-unit washers/dryer appliances are not prevalent in the family LIHTC market however, all except two of the surveyed properties offered washer/dryer connections. The majority of the surveyed LIHTC properties offer community amenities including carport parking, a clubhouse, a central laundry facility, off-street parking, on-site management, a playground, and a swimming pool. Half of the surveyed properties offer a business center or computer room. Perimeter fencing is prevalent in the Submarket, however, other security features such as a security patrol or limited access are not as common. The majority of the surveyed properties do not offer premium amenities or non-shelter services.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. Las Canteras was unable to provide a numerical breakdown by unit type, and therefore this development’s 100 units have been excluded from this analysis.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	91	3	3.30%
2 BR	590	3	0.05%
3 BR	405	4	1.00%
Total	1,052	10	1.00%

The surveyed market rate properties in the Submarket have a higher average weighted vacancy rate of 4.20 percent. The vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. Overall, the surveyed LIHTC properties are exhibiting very low weighted vacancy rates, which is indicative of demand for affordable housing.

Absorption

The following table lists the absorption rates for the surveyed properties.

Absorption – LIHTC Family		
Property Name	Number of Units	Absorption Rate
El Pueblo Dorado	176	20 units per month
Jardines De La Fuente	200	19 units per month
Padre De Vida	180	15 units per month
Rudy Villareal Oak Square Apartments	100	11 units per month
Valley View Apartments	128	18 units per month
AVERAGE		16.6 units per month

Five of the eight surveyed properties were able to provide absorption information, resulting in an average absorption rate of 16.6 units per month. El Pueblo Dorado was constructed in 2002 while, Jardines De La Fuente, Padre De Vida, and Valley View Apartments were constructed in 2004. The most recently constructed surveyed development is Rudy Villareal Oak Square Apartments, which was constructed in 2007 and opened in November of 2007. This property began pre-leasing in the beginning of September 2007 and was fully leased by June 2008 for an absorption rate of 11 units per month. It appears as if the absorption rate for newly constructed properties in the Submarket has been slowing since 2002.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Households
El Patrimonio	192	None
El Pueblo Dorado	176	None
Jardines De La Fuente	200	10HH for 2BR units at 30% and 40% AMI; 10 HH for 3BR units at 30%, 40%, 50% AMI
Las Canteras Apts.	100	Yes; 2-3HH per unit type
Padre De Vida Apts.	180	None
Rudy Villareal Oak Square Apts.	100	Yes; no number given
Sun Meadow Apts.	76	25HH
Valley View Apartments	128	10HH

Jardines de La Fuente maintains a waiting list for only the units at the lower AMI levels and El Patrimonio, Padre De Vida and El Pueblo Dorado do not maintain waiting lists. El Patrimonio, El Pueblo Dorado, and Jardines de la Fuente offer 50, 44, and 40 market rate units respectively, which represent 26, 25, and 20 percent of their total units, respectively. Additionally, the existing vacancies at El Patrimonio and El Pueblo Dorado are found in the units at 60 percent of AMI and market rate units. Demand appears to be strong overall in the Submarket, especially for units at the lower AMI levels, as five of the eight surveyed LIHTC properties currently maintain short to moderate waiting lists, resulting in an average waiting list of approximately 12 households.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
El Patrimonio	192	2.10%
El Pueblo Dorado	176	1.10%
Jardines De La Fuente	200	0.00%
Las Canteras Apts.	100	0.00%
Padre De Vida Apts.	180	0.00%
Rudy Villareal Oak Square Apts.	100	2.00%
Sun Meadow Apts.	76	0.00%
Valley View Apartments	128	1.60%
AVERAGE		0.85%

The average vacancy rate of the surveyed family LIHTC properties is very low, relative to the average vacancy rate of the surveyed market rate properties in the Submarket (3.03 percent).

Concessions

None of the LIHTC family properties in the market are offering concessions. Concessions do not appear to be prevalent in the family LIHTC market.

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
El Patrimonio	192	39%
El Pueblo Dorado	176	34%
Jardines De La Fuente	200	18%
Las Canteras Apts.	100	15%
Padre De Vida Apts.	180	16%
Rudy Villareal Oak Square Apts.	100	N/A
Sun Meadow Apts.	76	38%
Valley View Apartments	128	24%
AVERAGE		26.3%

The average turnover rate of the surveyed LIHTC properties in the Submarket is negligibly lower than the average turnover rate of the surveyed market rate properties in the Submarket (27 percent).

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate			
1	El Patrimonio 2601 Sarah Avenue McAllen, TX 78503 Hidalgo County	Garden 2001	@50%, @60%, Market	1BR / 1BA	20	10.40%	@60%	\$413	600	yes	No	2	10.00%			
				1BR / 1BA	8	4.20%	Market	\$495	600	n/a	No	0	0.00%			
				2BR / 2BA	44	22.90%	@50%	\$407	900	yes	No	0	0.00%			
				2BR / 2BA	34	17.70%	@60%	\$505	900	yes	No	2	5.90%			
				2BR / 2BA	26	13.50%	Market	\$599	900	n/a	No	0	0.00%			
				3BR / 3BA	44	22.90%	@60%	\$579	1,100	yes	No	0	0.00%			
				3BR / 3BA	16	8.30%	Market	\$699	1,100	n/a	No	0	0.00%			
				192	100%						4	2.10%				
2	El Pueblo Dorado 901 E. Thomas Pharr, TX 78577 Hidalgo County	Garden 2002	@50%, @60%, Market	2BR / 2BA	66	37.50%	@50%	\$425	900	yes	No	0	0.00%			
				2BR / 2BA	16	9.10%	@60%	\$523	900	yes	No	0	0.00%			
				2BR / 2BA	28	15.90%	Market	\$575	900	yes	No	0	0.00%			
				3BR / 2BA	50	28.40%	@60%	\$604	1,150	yes	No	0	0.00%			
				3BR / 2BA	16	9.10%	Market	\$675	1,150	yes	No	2	12.50%			
								176	100%						2	1.10%
3	Jardines De La Fuente 1701 West Las Milpas Road Pharr, TX 78577 Hidalgo County	Garden 2004	@30%, @40%, @50%, @60%, Market	2BR / 2BA	16	8.00%	@30%	\$234	900	n/a	Yes	0	0.00%			
				2BR / 2BA	8	4.00%	@40%	\$331	900	n/a	Yes	0	0.00%			
				2BR / 2BA	16	8.00%	@50%	\$429	900	n/a	No	0	0.00%			
				2BR / 2BA	40	20.00%	@60%	\$527	900	n/a	No	0	0.00%			
				2BR / 2BA	20	10.00%	Market	\$575	900	n/a	No	0	0.00%			
				3BR / 2BA	16	8.00%	@30%	\$268	1,150	n/a	Yes	0	0.00%			
				3BR / 2BA	8	4.00%	@40%	\$381	1,150	n/a	Yes	0	0.00%			
				3BR / 2BA	16	8.00%	@50%	\$494	1,150	n/a	Yes	0	0.00%			
				3BR / 2BA	40	20.00%	@60%	\$608	1,150	n/a	No	0	0.00%			
				3BR / 2BA	20	10.00%	Market	\$675	1,150	n/a	No	0	0.00%			
								200	100%						0	0.00%
				4	Las Canteras Apartments 400 East Thomas Road Pharr, TX 78587 Hidalgo County	Garden 2004	@60%	1BR / 1BA	N/A	N/A	@60%	\$440	652	yes	Yes--3HH	0
2BR / 2BA	N/A	N/A	@60%					\$525	976	yes	Yes--2HH	0	N/A			
2BR / 2BA	N/A	N/A	@60%					\$525	1,119	yes	Yes--2HH	0	N/A			
3BR / 2BA	N/A	N/A	@60%					\$607	1,171	yes	Yes--2HH	0	N/A			
3BR / 2BA	N/A	N/A	@60%					\$607	1,192	yes	Yes--2HH	0	N/A			
								100	100%						0	0.00%
5	Padre De Vida Apartments 3900 South Ware Road McAllen, TX 78577 Hidalgo County	Garden 2004 Feb	@40%, @50%, @60%	2BR / 2BA	29	16.10%	@40%	\$309	900	yes	No	0	0.00%			
				2BR / 2BA	61	33.90%	@60%	\$505	900	yes	No	0	0.00%			
				3BR / 2BA	58	32.20%	@50%	\$465	1,150	yes	No	0	0.00%			
				3BR / 2BA	32	17.80%	@60%	\$579	1,150	yes	No	0	0.00%			
								180	100%						0	0.00%
6	Rudy Villareal Oak Square Apartments 309 N. 9th Street Alamo, TX 78516 Hidalgo County	Garden 2007	@30%, @60%	1BR / 1BA	10	10.00%	@30%	\$182	710	n/a	Yes	0	0.00%			
				1BR / 1BA	12	12.00%	@60%	\$417	710	n/a	Yes	0	0.00%			
				2BR / 2BA	44	44.00%	@60%	\$503	963	n/a	Yes	0	0.00%			
				3BR / 2BA	34	34.00%	@60%	\$580	1,147	n/a	No	2	5.90%			
								100	100%						2	2.00%
7	Sun Meadow Apartments 400 North Cesar Chavez Alamo, TX 78516 Hidalgo County	Garden 2002	@50%, @60%	1BR / 1BA	4	5.30%	@50%	\$365	516	yes	Yes	0	0.00%			
				1BR / 1BA	8	10.50%	@60%	\$425	516	no	Yes	0	0.00%			
				2BR / 2BA	15	19.70%	@50%	\$433	783	yes	Yes	0	0.00%			
				2BR / 2BA	33	43.40%	@60%	\$472	783	no	Yes	0	0.00%			
				3BR / 2BA	4	5.30%	@50%	\$494	1,198	yes	Yes	0	0.00%			
				3BR / 2BA	12	15.80%	@60%	\$560	1,198	no	Yes	0	0.00%			
								76	100%						0	0.00%
8	Valley View Apartments 1401 W. Anaya Road Pharr, TX 78577 Hidalgo County	Garden 2004	@40%, @50%, @60%	1BR / 1BA	5	3.90%	@40%	\$246	750	yes	Yes	0	0.00%			
				1BR / 1BA	16	12.50%	@50%	\$327	750	yes	Yes	0	0.00%			
				1BR / 1BA	8	6.20%	@60%	\$409	750	yes	Yes	1	12.50%			
				2BR / 1BA	4	3.10%	@40%	\$289	908	yes	Yes	0	0.00%			
				2BR / 1BA	21	16.40%	@50%	\$387	908	yes	Yes	0	0.00%			
				2BR / 1BA	35	27.30%	@60%	\$485	908	yes	Yes	1	2.90%			
				3BR / 2BA	4	3.10%	@40%	\$327	1,123	yes	Yes	0	0.00%			
				3BR / 2BA	12	9.40%	@50%	\$440	1,123	yes	Yes	0	0.00%			
				3BR / 2BA	23	18.00%	@60%	\$525	1,123	yes	Yes	0	0.00%			
								128	100%						2	1.60%

Rent and Square Footage Ranking

	One Bedroom One Bath Property	Average
	El Patrimonio* (M)	\$495
	Las Canteras Apartments* (60%)	\$440
	Sun Meadow Apartments* (60%)	\$425
	Rudy Villareal Oak Square Apartments* (60%)	\$417
	El Patrimonio* (60%)	\$413
RENT	Valley View Apartments* (60%)	\$409
	Sun Meadow Apartments* (50%)	\$365
	Valley View Apartments* (50%)	\$327
	Valley View Apartments* (40%)	\$246
	Rudy Villareal Oak Square Apartments* (30%)	\$182
	Valley View Apartments* (40%)	750
	Valley View Apartments* (50%)	750
	Valley View Apartments* (60%)	750
	Rudy Villareal Oak Square Apartments* (30%)	710
SQUARE FOOTAGE	Rudy Villareal Oak Square Apartments* (60%)	710
	Las Canteras Apartments* (60%)	652
	El Patrimonio* (60%)	600
	El Patrimonio* (M)	600
	Sun Meadow Apartments* (50%)	516
	Sun Meadow Apartments* (60%)	516
	El Patrimonio* (M)	\$0.82
	Sun Meadow Apartments* (60%)	\$0.82
	Sun Meadow Apartments* (50%)	\$0.71
	El Patrimonio* (60%)	\$0.69
	Las Canteras Apartments* (60%)	\$0.67
	Rudy Villareal Oak Square Apartments* (60%)	\$0.59
RENT PER SQUARE FOOT	Valley View Apartments* (60%)	\$0.55
	Valley View Apartments* (50%)	\$0.44
	Valley View Apartments* (40%)	\$0.33
	Rudy Villareal Oak Square Apartments* (30%)	\$0.26

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Weighted Occupancy:	99.10%
Market Rate	N/A
Tax Credit	99.10%

Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
Property	Average	Property	Average	Property	Average
El Patrimonio* (M)	\$599	El Patrimonio* (3BA M)	\$699		
El Pueblo Dorado* (M)	\$575	El Pueblo Dorado* (M)	\$675		
Jardines De La Fuente* (M)	\$575	Jardines De La Fuente* (M)	\$675		
Jardines De La Fuente* (60%)	\$527	Jardines De La Fuente* (60%)	\$608		
Las Canteras Apartments* (60%)	\$525	Las Canteras Apartments* (60%)	\$607		
Las Canteras Apartments* (60%)	\$525	Las Canteras Apartments* (60%)	\$607		
El Pueblo Dorado* (60%)	\$523	El Pueblo Dorado* (60%)	\$604		
El Patrimonio* (60%)	\$505	Rudy Villareal Oak Square Apartments* (60%)	\$580		
Padre De Vida Apartments* (60%)	\$505	El Patrimonio* (3BA 60%)	\$579		
Rudy Villareal Oak Square Apartments* (60%)	\$503	Padre De Vida Apartments* (60%)	\$579		
Valley View Apartments* (1BA 60%)	\$485	Sun Meadow Apartments* (60%)	\$560		
Sun Meadow Apartments* (60%)	\$472	Valley View Apartments* (60%)	\$525		
Sun Meadow Apartments* (50%)	\$433	Jardines De La Fuente* (50%)	\$494		
Jardines De La Fuente* (50%)	\$429	Sun Meadow Apartments* (50%)	\$494		
El Pueblo Dorado* (50%)	\$425	Padre De Vida Apartments* (50%)	\$465		
El Patrimonio* (50%)	\$407	Valley View Apartments* (50%)	\$440		
Valley View Apartments* (1BA 50%)	\$387	Jardines De La Fuente* (40%)	\$381		
Jardines De La Fuente* (40%)	\$331	Valley View Apartments* (40%)	\$327		
Padre De Vida Apartments* (40%)	\$309	Jardines De La Fuente* (30%)	\$268		
Valley View Apartments* (1BA 40%)	\$289				
Jardines De La Fuente* (30%)	\$234				
Las Canteras Apartments* (60%)	1,119	Sun Meadow Apartments* (50%)	1,198		
Las Canteras Apartments* (60%)	976	Sun Meadow Apartments* (60%)	1,198		
Rudy Villareal Oak Square Apartments* (60%)	963	Las Canteras Apartments* (60%)	1,192		
Valley View Apartments* (1BA 40%)	908	Las Canteras Apartments* (60%)	1,171		
Valley View Apartments* (1BA 50%)	908	El Pueblo Dorado* (60%)	1,150		
Valley View Apartments* (1BA 60%)	908	El Pueblo Dorado* (M)	1,150		
El Patrimonio* (50%)	900	Jardines De La Fuente* (30%)	1,150		
El Patrimonio* (60%)	900	Jardines De La Fuente* (40%)	1,150		
El Patrimonio* (M)	900	Jardines De La Fuente* (50%)	1,150		
El Pueblo Dorado* (50%)	900	Jardines De La Fuente* (60%)	1,150		
El Patrimonio* (M)	\$0.67	El Patrimonio* (3BA M)	\$0.64		
El Pueblo Dorado* (M)	\$0.64	El Pueblo Dorado* (M)	\$0.59		
Jardines De La Fuente* (M)	\$0.64	Jardines De La Fuente* (M)	\$0.59		
Sun Meadow Apartments* (60%)	\$0.60	Jardines De La Fuente* (60%)	\$0.53		
Jardines De La Fuente* (60%)	\$0.59	El Patrimonio* (3BA 60%)	\$0.53		
El Pueblo Dorado* (60%)	\$0.58	El Pueblo Dorado* (60%)	\$0.53		
El Patrimonio* (60%)	\$0.56	Las Canteras Apartments* (60%)	\$0.52		
Padre De Vida Apartments* (60%)	\$0.56	Las Canteras Apartments* (60%)	\$0.51		
Sun Meadow Apartments* (50%)	\$0.55	Rudy Villareal Oak Square Apartments* (60%)	\$0.51		
Las Canteras Apartments* (60%)	\$0.54	Padre De Vida Apartments* (60%)	\$0.50		
Valley View Apartments* (1BA 60%)	\$0.53	Valley View Apartments* (60%)	\$0.47		
Rudy Villareal Oak Square Apartments* (60%)	\$0.52	Sun Meadow Apartments* (60%)	\$0.47		
Jardines De La Fuente* (50%)	\$0.48	Jardines De La Fuente* (50%)	\$0.43		
El Pueblo Dorado* (50%)	\$0.47	Sun Meadow Apartments* (50%)	\$0.41		
Las Canteras Apartments* (60%)	\$0.47	Padre De Vida Apartments* (50%)	\$0.40		
El Patrimonio* (50%)	\$0.45	Valley View Apartments* (50%)	\$0.39		
Valley View Apartments* (1BA 50%)	\$0.43	Jardines De La Fuente* (40%)	\$0.33		
Jardines De La Fuente* (40%)	\$0.37	Valley View Apartments* (40%)	\$0.29		
Padre De Vida Apartments* (40%)	\$0.34	Jardines De La Fuente* (30%)	\$0.23		
Valley View Apartments* (1BA 40%)	\$0.32				
Jardines De La Fuente* (30%)	\$0.26				

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

All of the units at the surveyed LIHTC properties, including the market rate units, are below the current payment standards for Hidalgo County. Five of the eight the surveyed LIHTC properties have rents set at the maximum allowable levels for all set-asides. It should be noted, however, that despite confirmation from management that these five properties have rents at the 2008 maximum allowable levels, rental rates appear to be notably lower than the 2008 maximum allowable rent limits listed above.

Management at Rudy Viallreal Oak Square Apartments and Jardines De La Fuente were unable to confirm whether rents are at the maximum allowable levels; however, the surveyed rents appear to be lower than the maximum allowable rent limits. Management at Sun Meadow Apartments confirmed that the units at 60 percent of AMI are not at the maximum allowable levels. The surveyed family LIHTC properties were constructed from 2001 through 2007. Three of the surveyed properties offer market rate units and seven of the surveyed properties offer units at the 50 percent of AMI level or lower. The overall average vacancy rate at the LIHTC properties is approximately 0.85 percent, which is very low. Additionally, the vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. Five of the eight surveyed family LIHTC properties currently maintain small waiting lists, specifically for the units at the lower AMI levels.

LIHTC Supply Conclusion

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease slightly by 2012 to 3.40. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

The existing LIHTC multifamily properties in the South Central Hidalgo County Submarket offer a moderate to extensive amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include patios/balconies, min-blinds, central air, ceiling fans, ovens, dishwashers, garbage disposals, and refrigerators. Half of the surveyed properties offer microwaves. In-unit washers/dryer appliances are not prevalent in the family LIHTC market however, all except two of the surveyed properties offered washer/dryer connections. The majority of the surveyed LIHTC properties offer community amenities including carport parking, a clubhouse, a central laundry facility, off-street parking, on-site management, a playground, and a swimming pool. Half of the surveyed properties offer a business center or computer room. Perimeter fencing is prevalent in the Submarket however, other security features such as a security patrol or limited access are not as common. The majority of the surveyed properties do not offer premium amenities or non-shelter services.

Five of the eight surveyed properties were able to provide absorption information, resulting in an average absorption rate of 16.6 units per month. None of surveyed properties is offering concessions and five of the eight of the properties currently maintain small waiting lists with an average length of 12 households. The average vacancy rate of the surveyed family LIHTC properties (0.85 percent) is very low, relative to the average vacancy rate of the surveyed market rate properties in the Submarket (3.03 percent). The average turnover rate of the surveyed LIHTC properties in the Submarket (26.3 percent) is negligibly lower than the average turnover rate of the surveyed market rate properties in the Submarket (27 percent).

All of the units at the surveyed LIHTC properties, including the market rate units, are below the current payment standards for Hidalgo County. Five of the eight the surveyed LIHTC properties have rents set at the maximum allowable levels for all set-asides.

LIHTC SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers.

Novogradac identified one existing senior LIHTC development, Las Brisas. Las Brisas is a combination LIHTC/USDA development with 100 percent of the tenants paying no more than 30 percent of their annual gross income towards rent. Therefore this property has been excluded from the senior LIHTC analysis and will be addressed in the senior subsidized analysis section. Due to the lack of available data, we were unable to perform a senior LIHTC market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are three proposed senior LIHTC properties in the South Central Hidalgo County Submarket, Bluebonnet Senior Village, Mesquite Terrace, and Villas at Beaumont.

Mesquite Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, senior-oriented development consisting of 106 units in 5 one-story and three-story buildings. Unit amenities will include mini-blinds, dishwashers, garbage disposals, refrigerators, ovens/ranges, ceiling fans, microwaves, icemakers, and washer/dryer connections in some units. Community amenities will include a community garden, an accessible walking path, central laundry, controlled access gates, a community porch, perimeter fencing, a community room, a fitness center, a library, a 24-hour public telephone, secure access entry to residential buildings, an activity room, off-street parking and service coordination. There will be six studio, 13 one-bedroom, and one two-bedroom public housing units. The remaining 86 studio, one-, and two-bedroom units will be restricted to households earning less than 60 percent of the AMI. Observations in the field confirm that although the project has broken ground, construction has not yet commenced.

Bluebonnet Senior Village, located in Alamo, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, senior-oriented development consisting of 36-units in 2 two- and three-story elevator serviced buildings. Prior to construction, an existing 12-unit public housing development will be demolished. Field observations confirm that the public housing development has already been demolished; however, the project is not currently under construction. Bluebonnet Senior Village will offer window coverings, ovens/ranges, garbage disposals, dishwashers, refrigerators with ice makers, microwaves, washer/dryer connections, and ceiling fans. Community amenities will include off-street parking, a central laundry room, a community room, and a senior activity room. There will be 30 one-bedroom and 6 two-bedroom units at 30 and 60 percent of AMI. However all 36 of the units will also be subject to a Project based Section 8 contract, whereby tenants will pay no more than 30 percent of their annual income towards rent.

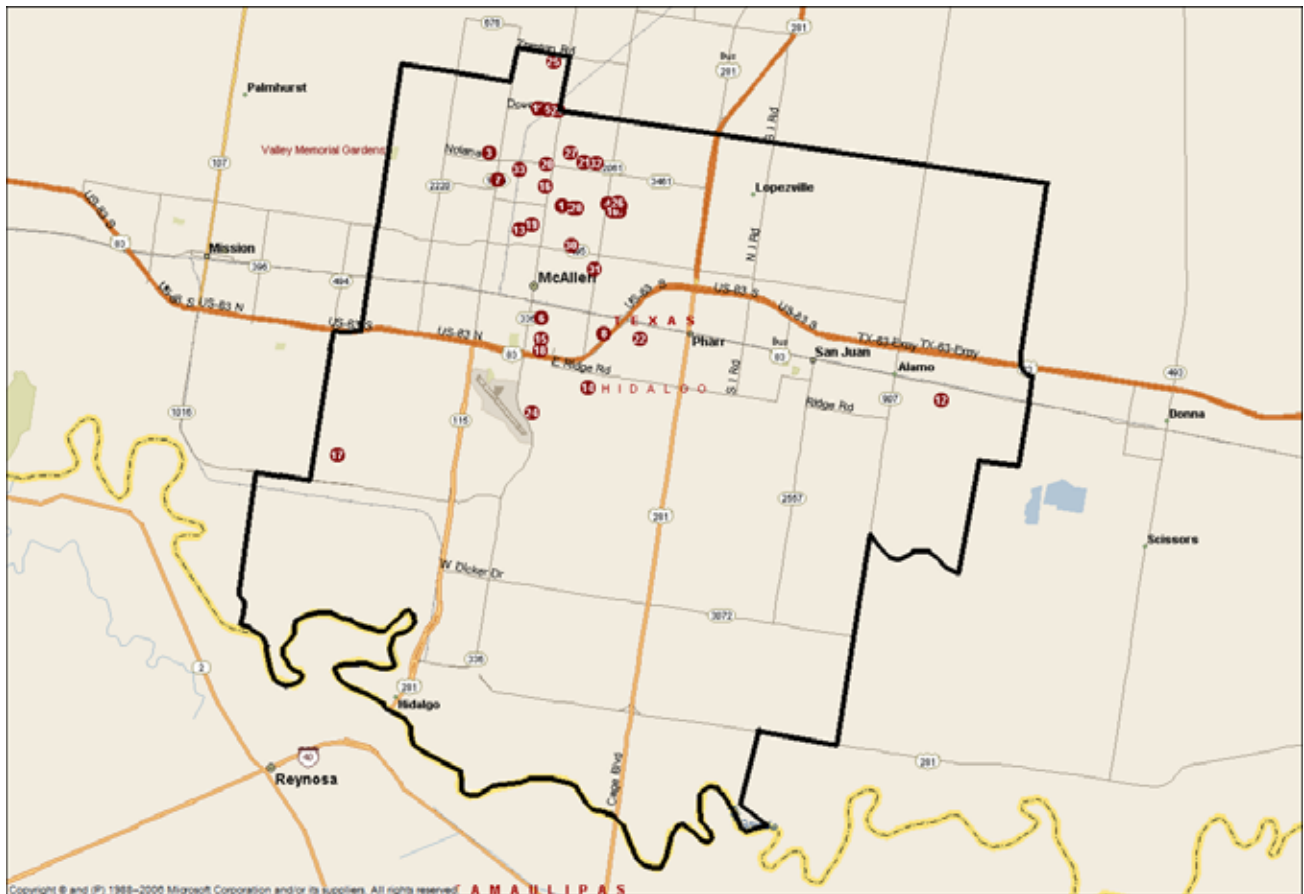
Villas at Beaumont, located in McAllen, Texas, received a LIHTC allocation in 2008. The development is a proposed new construction multi-story senior-oriented development consisting of 36 units in one elevator-serviced building plus one adjoining clubhouse building. This development will offer 2 one-bedroom units at 30 percent of AMI, 13 one-bedroom units at 50 percent of AMI, and 21 one-bedroom units at 60 percent of AMI. All thirty six units will also have an underlying Project-Based Section 8 Subsidy. Due to the recent allocation date of this development, it is assumed that this project is still in the planning stages.

MARKET RATE SUPPLY

We attempted to identify all existing, proposed, and under construction market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac identified 53 family-oriented market rate developments in the South Central Hidalgo County Submarket. Market information was available for 33 of the 53 family market rate properties in the Submarket. Multiple attempts were made to contact each of the 20 remaining family market rate properties with no success. The excluded properties and reasons for exclusion can be found on the excluded properties list on the following pages.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Atrium Villa Apartments	McAllen	Market – Family
2	Brentwood Apartments	McAllen	Market – Family
3	Cedar Hut Apartments	McAllen	Market – Family
4	Cedarwood Domit Apartments	McAllen	Market – Family
5	Crossings Apartments	McAllen	Market – Family
6	Dallas Heights Apartments	McAllen	Market – Family
7	Dimel Apartments	McAllen	Market – Family
8	District Apartments	McAllen	Market – Family
9	Dominion Apartments	McAllen	Market – Family
10	Dominion Estates	McAllen	Market – Family
11	Doveco Apartments	McAllen	Market – Family
12	East Croquette Apartments	Alamo	Market – Family
13	El Camino Real	McAllen	Market – Family
14	Hearthstone	McAllen	Market – Family
15	Jackson Square Apartments	McAllen	Market – Family
16	Las Haciendas Apartments	McAllen	Market – Family
17	Las Misiones at the Grove	Mission	Market – Family
18	Lindburgh Square Apartments	McAllen	Market – Family
19	Marianna’s Apartments	McAllen	Market – Family
20	Nolana Apartments	McAllen	Market – Family
21	Northwood Domit Apartments	McAllen	Market – Family
22	Palm Garden Apartments	Pharr	Market – Family
23	Peppertree Apartments	McAllen	Market – Family
24	Plaza Royale Apartments	McAllen	Market – Family
25	Rayburn Village Apartments	McAllen	Market – Family
26	Redwood Apartments	McAllen	Market – Family
27	Seville Place Apartments	McAllen	Market – Family
28	St. Antimo Apartments	McAllen	Market – Family
29	Stonewood Apartments	McAllen	Market – Family
30	Tamarack Apartments	McAllen	Market – Family
31	The Rincon Apartments	McAllen	Market – Family
32	Villas De Nolana	McAllen	Market - Family
33	Vintage Square Apartments	McAllen	Market – Family

Market Rate Multifamily Market

The following pictures identify a sampling of the surveyed market rate family properties in the Submarket.



Hearthstone Apartments



Plaza Royale Apartments



Northwood Domit Apartments



District Apartments

Excluded Properties

The following table illustrates all of the excluded market rate properties in the Submarket. There are no other identifiable market rate properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments. We attempted to contact the excluded properties multiple times with no success. Therefore, we were unable to confirm the target population for each development; we assume all of the following properties are family-oriented.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Erg Apartments	2000 Mayfair Street	Market-Family	N/A	Could not Contact
Lakes Apartments	1101 Dove Avenue	Market-Family	N/A	Could not Contact
Northpark Apartments	5500 N 15th Street	Market-Family	N/A	Could not Contact
Palm Manor	4812 N 10th Street	Market-Family	N/A	Could not Contact
Parklane Apartments	1701 Avocet Avenue	Market-Family	N/A	Could not Contact
Deseret Apartments	5317 N 17th Street	Market-Family	N/A	Could not Contact
EMC Properties	4712 N 12th Street	Market-Family	N/A	Could not Contact
Hibiscus Apartments	3413 N Mccoll Road	Market-Family	N/A	Could not Contact
Las Palmas Village	4210 North Main Street	Market-Family	N/A	Could not Contact
Ram Apartments	4300 N 23rd Street	Market-Family	N/A	Could not Contact
Greenspointe Apartments	3101 N 8th Street	Market-Family	N/A	Could not Contact
Las Fuentes Village	1901 Japonica Avenue	Market-Family	N/A	Could not Contact
Evergreen Square	2501 Nolana Avenue	Market-Family	N/A	Could not Contact
Cantu Apartments	810 W Ferguson Street	Market-Family	N/A	Could not Contact
Watkins Apartments	1400 N 16th Street	Market-Family	N/A	Could not Contact
Las Palmas Norte	601 E Ebony Avenue	Market-Family	N/A	Could not Contact
Rafael Cervantes Apartments	500 South Palm Drive	Market-Family	N/A	Could not Contact
Noser Apartments	S 10th Street	Market-Family	N/A	Could not Contact
Heritage Village	2105 S Cynthia Street	Market-Family	N/A	Could not Contact
Sunset Gardens	3101 Jordan Raod	Market-Family	N/A	Could not Contact

Proposed Construction

We attempted to contact Rodrigo Sanchez, with the City of McAllen Planning Division. However, our inquiries have not been addressed as of the date of this study. We attempted to contact Robert Gomez with the Building Permits division in order to find information on proposed market rate development in the City of McAllen. However our information request has not been returned as of the date of this study.

Based on observations in the field, there is an under construction multifamily development within close proximity to St. Antimo Apartments, Stonewood Apartments, and Atrium Villa. This Development, Mosaic Apartments and Lofts will be a luxury market rate gated community, with a tenant lounge/café, Wi-Fi in all common areas, indoor/outdoor pool and spa, 24 hour fitness center, indoor basketball court, and private media room available to all residents. There will be 21 open and traditional floor plans comprised of one-, two-, and three-bedroom units. In-unit amenities will include washer/dryer hookups, attached garages, and intrusion alarms. This project is now leasing and was scheduled to open in late summer 2008; however, based upon observations in the field, the project is still under construction and approximately three quarters complete.

We conducted an Internet search for multifamily development in McAllen. According to a May 2008 news report published by the Texas A&M Real Estate Center, a Mexican developer broke ground in May 2008 on a new \$16 million condominium project in South McAllen near La Plaza Mall. The five-story residential property off South 10th Street will target the growing number of affluent Mexican nationals looking to purchase property in McAllen. The four-building project, called the Luxe Gallery Condominiums, will have 88 units when completed. The Luxe Gallery is the newest in a string of proposed high-end condominium projects in Greater McAllen. With the Luxe Gallery, the developer is hoping to attract Mexican visitors with easy access to La Plaza Mall, as well as to U.S. Highway 83 and the Hidalgo-Reynosa International Bridge. The units will range from 1,450 to 1,900 sf. The least expensive unit will cost about \$230,000 - more than double the average home price in Hidalgo County. Approximately one quarter of the condominiums have already been sold. The first building will house 16 units and is scheduled to open in May 2009.

The aforementioned news report also notes that local developer Fred Harms hopes to finish the first of 37 under construction townhomes this summer. The townhome project is called Barrio Antiguo and the homes range from \$180,000 to \$220,000. The price is similar to other single-family units in the neighborhood near Date Palm Avenue and North Sixth Street. Like other new condo and townhome projects in the Valley, Barrio Antiguo developers are targeting people who do not want the trouble of keeping up with a large property. Much of the increased interest in McAllen-area property is coming from shoppers from Mexico. Some developers are also looking to add an affordable option to one of the Rio Grande Valley's most expensive housing markets.

Sam Saxena, a mortgage broker who lives in McAllen, is building a 192-unit development on Jackson Road in North McAllen. Latitude 360 targets young professionals. Units start at about \$90,000 for 1,000 sf. Most other homes in the area cost more than \$120,000.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market. It should be noted that properties unable to provide unit mixes and have been excluded from this analysis.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
0 BR	4	0.20%
1 BR	934	39.30%
2 BR	1,334	56.00%
3 BR	106	4.50%
Total	2,378	100%

We were unable to identify any four-bedroom market rate units. Smaller unit types are currently prevalent in the Submarket. However, demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease negligibly by 2012 to 3.40. The Submarket's household size is significantly larger than the national average of 2.59 and just slightly smaller than that of the MSA. Additionally, demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections evidence indicates a possible unmet demand for larger bedroom types.

Demographic projections show that approximately 22.5 percent of the housing in the Submarket is overcrowded.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market. It should be noted that there was only one surveyed property with studio units; therefore a unit size analysis was not performed on this unit type.

Unit Size – Market Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	500	1,072	719
2 BR	800	1,702	1,009
3 BR	1,000	1,687	1,262

The surveyed market rate properties in the Submarket had a one-bedroom average unit size of 719 square feet, two-bedroom average unit size of 1,009 square feet and a three-bedroom average unit size of 1,262 square feet. The average unit sizes of the market rate family one-, two-, and three-bedroom units in the Submarket are approximately 10.0, 8.0, and 9.0 percent larger, respectively, than the one-, two-, and three-bedroom units at family LIHTC properties.

Common and In-Unit Amenities

	Atrium Villa Apts.	Brentwood Apts.	Cedar Hut Apts.	Cedarwood Domit Apts.	Crossings Apts.	Dallas Heights Apts.	Dimel Apts.	District Apts.	Dominion Apts.
Comp #	1	2	3	4	5	6	7	8	9
Property Information									
Property Type	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden
Year Built / Renovated	2001	N/A	1990	1993	1988	1998	2004	2006	2001
Market (Conv.)/ Subsidy Type	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	no	no	no	yes	no	no	no	no	no
Blinds	yes	yes	yes	yes	yes	yes	yes	yes	yes
Carpeting	yes	no	yes	yes	yes	yes	yes	yes	no
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes
Dishwasher	yes	yes	yes	yes	no	no	no	yes	yes
Exterior Storage	no	no	no	no	no	no	no	no	no
Ceiling Fan	no	no	no	no	no	no	no	no	no
Garbage Disposal	yes	yes	yes	yes	no	no	no	yes	no
Microwave	yes	no	no	no	no	no	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	no	no	no	no	no	no	no	yes
Washer/Dryer	no	yes	no	no	no	no	no	no	no
Washer/Dryer hookup	yes	no	no	yes	no	no	no	yes	yes
Property Amenities									
Basketball Court	no	no	no	no	no	no	no	no	no
Business Center/Computer Lab	no	no	no	no	no	no	no	yes	no
Carport	no	no	no	yes	no	no	no	no	no

Clubhouse/Meeting Room/Community Room	no	no	no	no	no	no	no	no	no
Courtyard	no	yes	no	no	no	no	no	no	no
Exercise Facility	yes	no	no	yes	no	no	no	yes	no
Garage	no	no	no	no	no	no	no	no	no
Jacuzzi	no	no	no	no	no	no	no	yes	no
Central Laundry	yes	no	yes	no	yes	yes	yes	yes	no
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes	no
On-Site Management	yes	no	yes	yes	no	no	no	yes	no
Picnic Area	no	no	no	no	no	no	no	no	no
Playground	no	no	no	no	no	no	no	no	no
Sport Court	no	no	no	no	no	no	no	no	no
Swimming Pool	yes	no	no	yes	yes	no	no	yes	no
Tennis Court	no	no	no	no	no	no	no	no	no
Volleyball Court	no	no	no	no	no	no	no	no	no
Carport Fee	--	--	--	--	--	--	--	--	--
Garage Fee	--	--	--	--	--	--	--	--	--
Services									
Security									
In-Unit Alarm	no	no	no	no	no	no	no	no	no
Intercom (Buzzer)	no	no	no	no	no	no	no	no	no
Intercom (Phone)	no	no	no	no	no	no	no	no	no
Intercom (Video)	no	no	no	no	no	no	no	no	no
Limited Access	no	no	no	no	no	no	no	yes	yes
Patrol	no	no	no	no	no	no	no	no	no
Perimeter Fencing	no	no	no	no	no	no	no	yes	yes
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

	Dominion Estates	Doveco Apts.	East Crockett Apts.	El Camino Real	Hearthstone	Jackson Square Apts.	Las Haciendas Apts.	Las Misiones At The Grove	Lindburgh Square Apts.	Mariana's Apts.
	10	11	12	13	14	15	16	17	18	19
Property Information										
Property Type	Garden	Garden	Garden	Garden	Various	Garden	Garden	Garden	Garden	Garden
Year Built / Renovated	2006	1982	2003/2005	1970's	1996	1975	1974	2003-2005	1988	2002
Market (Conv.)/ Subsidy Type	Market	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities										
Balcony/Patio	no	yes	no	no	yes	yes	yes	no	yes	no
Blinds	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Carpeting	yes	no	yes	yes	yes	yes	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Dishwasher	yes	yes	no	yes	yes	yes	yes	yes	yes	no
Exterior Storage	no	no	no	no	yes	no	no	no	no	no
Ceiling Fan	no	no	no	no	yes	yes	yes	yes	yes	yes
Garbage Disposal	yes	yes	no	yes	yes	yes	yes	yes	yes	no
Microwave	no	no	no	no	no	no	no	no	no	no
Oven	yes	yes	yes	yes	no	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	yes	no	no	no	no	no	no	no	no	no
Washer/Dryer	no	no	no	no	yes	no	no	no	no	no
Washer/Dryer hookup	yes	no	no	no	yes	no	no	yes	yes	no
Property Amenities										
Basketball Court	no	no	yes	no	no	no	no	yes	no	no
Business Center/Computer Lab	no	no	no	no	no	no	no	no	no	no
Carport	no	no	no	no	yes	no	no	no	no	no

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Clubhouse/Meeting Room/Community Room	no	no	no	no	no	yes	no	yes	no	no
Courtyard	no	no	no	no	yes	no	no	no	no	no
Exercise Facility	no	no	no	no	no	no	no	yes	no	no
Garage	no	no	no	no	yes	no	no	yes	no	no
Jacuzzi	no	no	no	no	yes	no	no	yes	no	no
Central Laundry	no	yes	yes	yes	yes	yes	yes	yes	no	yes
Off-Street Parking	yes	yes	yes	yes	no	yes	yes	yes	yes	yes
On-Site Management	no	yes	yes	yes	yes	yes	yes	yes	yes	yes
Picnic Area	no	no	yes	no	no	no	no	no	no	no
Playground	no	no	yes	no	no	no	no	yes	no	no
Sport Court	no	no	no	no	no	no	no	yes	no	no
Swimming Pool	no	no	no	yes	yes	yes	no	yes	yes	no
Tennis Court	no	no	no	no	no	yes	no	no	no	no
Volleyball Court	no	no	no	no	no	yes	no	no	no	no
Carport Fee	--	--	--	--	\$15.00	--	--	--	--	--
Garage Fee	--	--	--	--	\$65.00	--	--	\$100.00	--	--
Services										
Security										
In-Unit Alarm	no	no	no	no	no	no	no	no	no	no
Intercom (Buzzer)	no	no	no	no	no	no	no	no	no	yes
Intercom (Phone)	no	no	no	no	no	no	no	no	no	no
Intercom (Video)	no	no	no	no	no	no	no	yes	no	no
Limited Access	no	no	no	no	yes	no	no	yes	no	yes
Patrol	no	no	no	no	no	no	no	no	no	no
Perimeter Fencing	no	no	no	no	yes	no	no	yes	no	yes
Premium Amenities										
Other Amenities										
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Gazebo	n/a

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

	Nolana Apts.	Northwood Domit Apts.	Palm Garden Apts.	Peppertree Apts.	Plaza Royale Apts.	Rayburn Village Apts.	Redwood Apts.	Seville Place Apts.	St. Antimo Apts.
	20	21	22	23	24	25	26	27	28
Property Information									
Property Type	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden
Year Built / Renovated	1978	2001	1986	1980's	1980s	1980's	2004	1998	2003/2004
Market (Conv.)/ Subsidy Type	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	no	no	yes	yes	yes	no	no	yes	no
Blinds	yes	yes	yes	yes	yes	yes	yes	yes	no
Carpeting	yes	yes	yes	yes	yes	no	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes
Dishwasher	yes	yes	no	yes	yes	no	yes	yes	yes
Exterior Storage	no	no	no	no	yes	no	no	no	no
Ceiling Fan	no	yes	yes	yes	yes	no	no	yes	no
Garbage Disposal	yes	yes	no	yes	yes	no	yes	yes	yes
Microwave	no	no	no	no	no	no	no	yes	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	yes	no	yes	no	no	no	yes	no
Washer/Dryer	no	no	no	no	yes	no	no	no	no
Washer/Dryer hookup	no	yes	no	no	no	yes	yes	yes	no
Property Amenities									
Basketball Court	no	no	no	no	yes	no	no	no	no
Business Center/Computer Lab	no	no	no	no	no	no	no	no	yes
Carport	yes	yes	no	no	no	no	no	yes	no

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Clubhouse/Meeting Room/Community Room	no	no	no	yes	no	no	no	yes	yes
Courtyard	no	no	no	no	no	no	no	no	no
Exercise Facility	no	yes	no	no	no	no	yes	yes	yes
Garage	no	no	no	no	no	no	yes	no	no
Jacuzzi	no	no	no	no	no	no	yes	yes	no
Central Laundry	yes	yes	yes	yes	no	no	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes	no
On-Site Management	yes	yes	yes	yes	yes	yes	yes	yes	no
Picnic Area	no	no	no	yes	no	no	yes	yes	no
Playground	no	no	no	no	yes	no	no	yes	no
Sport Court	no	no	no	no	no	no	no	no	no
Swimming Pool	yes	yes	yes	yes	yes	no	yes	yes	yes
Tennis Court	no	no	no	no	yes	no	no	no	no
Volleyball Court	no	no	no	no	no	no	no	no	no
Carport Fee	--	--	--	--	--	--	--	\$10.00	--
Garage Fee	--	--	--	--	--	--	\$100.00	--	--
Services									
Security									
In-Unit Alarm	no	no	no	no	no	no	no	no	no
Intercom (Buzzer)	no	no	no	no	yes	no	no	no	no
Intercom (Phone)	no	no	no	no	no	no	no	no	no
Intercom (Video)	no	no	no	no	no	no	no	no	no
Limited Access	no	yes	no	no	yes	no	yes	no	no
Patrol	no	no	no	yes	no	no	no	no	no
Perimeter Fencing	no	yes	no	no	yes	no	yes	no	no
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Stone Wood	Tamarack Apts.	The Rincon Apts.	Villas De Nolana	Vintage Square Apts.
	29	30	31	32	33
Property Information					
Property Type	Garden	Garden	Garden	Garden	Garden
Year Built / Renovated	2004	1976	2001	2004	1982
Market (Conv.)/ Subsidy Type	Market	Market	Market	Market	Market
In-Unit Amenities					
Balcony/Patio	no	no	yes	yes	yes
Blinds	yes	no	yes	yes	yes
Carpeting	yes	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes
Dishwasher	yes	no	no	yes	yes
Exterior Storage	no	no	no	yes	yes
Ceiling Fan	yes	no	yes	yes	no
Garbage Disposal	yes	no	no	yes	yes
Microwave	no	no	yes	yes	no
Oven	no	yes	no	yes	yes
Refrigerator	yes	yes	yes	yes	yes
Walk-In Closet	no	yes	yes	no	no
Washer/Dryer	no	no	yes	no	yes
Washer/Dryer hookup	yes	no	no	yes	no
Property Amenities					
Basketball Court	no	no	no	no	no
Business Center/Computer Lab	no	no	yes	yes	no
Carport	no	no	yes	yes	yes
Clubhouse/Meeting Room/Community Room	no	no	yes	yes	no
Courtyard	yes	no	no	no	no
Exercise Facility	yes	no	yes	yes	no
Garage	yes	no	yes	no	no
Jacuzzi	yes	no	no	yes	no
Central Laundry	yes	yes	no	yes	no
Off-Street Parking	no	yes	no	yes	yes
On-Site Management	yes	yes	no	yes	yes
Picnic Area	no	no	no	yes	no
Playground	no	no	no	no	no
Sport Court	no	no	no	no	no
Swimming Pool	yes	yes	yes	yes	yes
Tennis Court	no	no	no	no	no
Volleyball Court	no	no	no	no	no
Carport Fee	--	--	\$15.00	--	--
Garage Fee	--	--	\$60.00	--	--

Services					
Security					
In-Unit Alarm	no	no	no	yes	no
Intercom (Buzzer)	no	no	no	no	no
Intercom (Phone)	no	no	no	yes	yes
Intercom (Video)	no	no	no	no	no
Limited Access	no	no	yes	yes	yes
Patrol	no	no	no	no	no
Perimeter Fencing	yes	no	no	yes	yes
Premium Amenities					
Other Amenities					
Other	n/a	n/a	n/a	n/a	n/a

The surveyed market rate properties in the Submarket offer limited to extensive amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including window coverings, carpeting, central air, dishwashers, garbage disposals, ovens, and refrigerators. The majority of the surveyed properties offer community amenities including a central laundry, off-street parking, on-site management, and a swimming pool. Five of the 33 surveyed properties offer in-unit washers/dryers and 14 of the surveyed properties offer washer/dryer connections in the units. Less than half of the surveyed properties offer security features of some kind. Approximately one third of the surveyed properties offer carport or garage parking.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit types for the surveyed properties. Due to the limited number of studio units in the market, a weighted vacancy for this unit type was not calculated. It should be noted that properties unable to provide unit mixes and have been excluded from this analysis.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	934	26	2.80%
2 BR	1,334	65	4.90%
3 BR	106	9	8.50%
Total	2,378	100	4.20%

Weighted vacancy rates are highest in the three-bedroom units, followed by the two-bedroom units. One- and two-bedroom units are prevalent in the market and have the lowest weighted vacancy rates, indicating demand for smaller unit types, despite demographic projections that suggest otherwise. The average weighted vacancy of the surveyed market rate properties is slightly higher than that of the average weighted vacancy of the surveyed LIHTC properties (1.0 percent).

Absorption

Two of the surveyed market rate properties were able to provide absorption information, resulting in average absorption rate of 14 units per month as compared to the average absorption rate of the surveyed LIHTC properties (16.6 units per month).

Absorption – Market Family		
Property Name	Number of Units	Absorption Rate
Las Misiones at the Grove	118	12 units per month
Stonewood Apartments	77	16 units per month
AVERAGE		14 units per month

The following table lists the identifiable market rate properties constructed within the last two years in the South Central Hidalgo Submarket. Although we were able to acquire most of the pertinent market data from the following properties, information regarding absorption was unavailable.

Recently Constructed – Market Family		
Property Name	Number of Units	Date of Construction
Dimel Apartments	24	2004
District Apartments	144	2006
Dominion Estates	40	2006
East Crockett Apartments	61	2003/2005
Redwood Apartments	70	2004
St. Antimo Apartments	68	2003/2004
Villas De Nolana	120	2004

Waiting List

Four of the market rate family properties in the market maintain a waiting list with an average length less of than five households. Waiting lists at market rate properties do not appear to be common in the Submarket; however, the small waiting lists for the one- and two-bedroom units at the four properties below indicate a demand for smaller unit types.

Waiting Lists – Market Family		
Property Name	Number of Units	Households
Crossings Apartments	62	5HH
Doveco Apartments	35	Yes; none given
Jackson Square	128	3HH for the 1BR
Peppertree Apartments	84	Yes for the large 1BR and the 2BR's

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – Market Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Atrium Villa Apartments	61	2	3.30%
Brentwood Apartments	48	2	4.20%
Cedar Hut Apartments	88	7	8.00%
Cedarwood Domit Apartments	40	0	0.00%
Crossings Apartments	62	0	0.00%
Dallas Heights Apartments	8	2	25.00%
Dimel Apartments	24	2	8.30%
District Apartments	144	3	2.10%
Dominion Apartments	40	2	5.00%
Dominion Estates	24	1	4.20%
Doveco Apartments	35	0	0.00%
East Croquette Apartments	61	6	9.80%
El Camino Real	135	2	1.50%
Hearthstone	300	6	2.00%
Jackson Square Apartments	128	2	1.60%
Las Haciendas Apartments	74	2	2.70%
Las Misiones at the Grove	118	3	2.50%
Lindburgh Square Apartments	48	4	8.30%
Marianna’s Apartments	34	0	0.00%
Nolana Apartments	144	0	0.00%
Northwood Domit Apartments	124	1	0.80%
Palm Garden Apartments	60	2	3.30%
Peppertree Apartments	84	1	1.20%
Plaza Royale Apartments	88	3	3.40%
Rayburn Village Apartments	31	2	6.50%
Redwood Apartments	70	0	0.00%
Seville Place Apartments	160	12	7.50%
St. Antimo Apartments	68	0	0.00%
Stonewood Apartments	77	2	2.60%
Tamarack Apartments	100	20	20.00%
The Rincon Apartments	232	9	3.90%
Villas De Nolana	120	0	0.00%
Vintage Square Apartments	108	2	1.90%
AVERAGE	2,378	100	4.2%%

The average vacancy rate of the surveyed market rate properties is 4.2 percent as compared to the average vacancy rate of the surveyed LIHTC properties.

Concessions

Five of the 33 surveyed properties are offering concessions. Concessions do not appear to be prevalent in the market.

Concessions – Market Family	
Property Name	Concessions
District Apartments	2 Weeks free with 1 year lease on select 2BR
Jackson Square Apartments	Reduced Rents on 2BR x 2BA only
Las Misiones at the Grove	One free month with a 13 month lease
Tamarack Apartments	Half off the 2 nd month’s rent
Villas de Nolana	One month free

Turnover

Twenty-five of the 33 surveyed market rate properties were able to provide turnover information. The following table illustrates turnover information in the market.

Turnover – Market Family		
Property Name	Number of Units	Turnover
Atrium Villa Apartments	61	20%
Cedarwood Domit Apartments	40	30%
Crossings Apartments	62	15%
Dallas Heights Apartments	8	20%
Dimel Apartments	24	50%
District Apartments	144	25%
Dominion Apartments	40	25%
Dominion Estates	24	25%
East Croquette Apartments	61	25%
Hearthstone	300	30%
Jackson Square Apartments	128	28%
Las Haciendas Apartments	74	32%
Las Misiones at the Grove	118	30%
Lindburgh Square Apartments	48	25%
Marianna’s Apartments	34	35%
Northwood Domit Apartments	124	27%
Palm Garden Apartments	60	30%
Plaza Royale Apartments	88	9%
Rayburn Village Apartments	31	20%
Redwood Apartments	70	34%
St. Antimo Apartments	68	20%
Stonewood Apartments	77	30%
The Rincon Apartments	232	30%
Villas De Nolana	120	20%
Vintage Square Apartments	108	33%
AVERAGE		27%

Annual turnover rates reported range from 9 percent to 50 percent, with an average of 27 percent, as compared to the average turnover rate of the surveyed LIHTC properties (26.3 percent).

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Atrium Villa Apartments 500 East Camellia Avenue McAllen, TX 78501 Hidalgo County	Garden 2001	Market	1BR / 1BA	20	32.80%	Market	\$655	863	n/a	No	0	0.00%
				2BR / 2BA	24	39.30%	Market	\$825	1,140	n/a	No	1	4.20%
				3BR / 2BA	17	27.90%	Market	\$955	1,272	n/a	No	1	5.90%
					61	100%							2
2	Brentwood Apartments 3101 North J Street McAllen, TX 78501 Hidalgo County	Garden	Market	1BR / 1BA	48	100.00%	Market	\$495	685	n/a	No	2	4.20%
					48	100%						2	4.20%
3	Cedar Hut Apartments 4105 North 25th Lane McAllen, TX 78504 Hidalgo County	Garden 1990	Market	1BR / 1BA	42	47.70%	Market	\$400	600	n/a	No	0	0.00%
				2BR / 2BA	38	43.20%	Market	\$425	800	n/a	No	5	13.20%
				3BR / 2BA	8	9.10%	Market	\$525	1,000	n/a	No	2	25.00%
					88	100%							7
4	Cedarwood Domit Apartments 709 E. Esperanza Avenue McAllen, TX 78501 Hidalgo County	Garden 1993	Market	2BR / 2BA	40	100.00%	Market	\$695	1,040	n/a	No	0	0.00%
					40	100%						0	0.00%
5	Crossings Apartments 1401 Dove Avenue McAllen, TX 78504 Hidalgo County	Garden 1988	Market	1BR / 1BA	32	51.60%	Market	\$380	550	n/a	Yes 5HH	0	0.00%
				2BR / 1BA	30	48.40%	Market	\$480	800	n/a	Yes 5HH	0	0.00%
					62	100%							0
6	Dallas Heights Apartments 721 Dallas Avenue McAllen, TX 78501 Hidalgo County	Garden 1998	Market	1BR / 1BA	4	50.00%	Market	\$420	600	n/a	No	1	25.00%
				2BR / 1BA	4	50.00%	Market	\$500	800	n/a	No	1	25.00%
					8	100%							2
7	Dimel Apartments 2409 Hibiscus McAllen, TX 78501 Hidalgo County	Garden 2004	Market	1BR / 1BA	24	100.00%	Market	\$1,000	650	n/a	No	2	8.30%
					24	100%						2	8.30%
8	District Apartments 3301 North K Center McAllen, TX 78501 Hidalgo County	Garden 2006	Market	1BR / 1BA	12	8.30%	Market	\$750	787	n/a	No	0	0.00%
				2BR / 2BA	120	83.30%	Market	\$910	1,006	n/a	No	3	2.50%
				3BR / 2BA	12	8.30%	Market	\$1,300	1,359	n/a	No	0	0.00%
					144	100%							3
9	Dominion Apartments 2900 North J Street McAllen, TX 78501 Hidalgo County	Garden 2001	Market	2BR / 2BA	40	100.00%	Market	\$600	951	n/a	No	2	5.00%
					40	100%						2	5.00%
10	Dominion Estates 1016 E. Daffodil McAllen, TX 78501 Hidalgo County	Garden 2006	Market	1BR / 1BA	12	50.00%	Market	\$525	755	n/a	No	0	0.00%
				2BR / 1BA	6	25.00%	Market	\$600	855	n/a	No	1	16.70%
				2BR / 2BA	6	25.00%	Market	\$650	955	n/a	No	0	0.00%
					24	100%							1
11	Doveco Apartments 1600 Dove Avenue McAllen, TX 78504 Hidalgo County	Garden 1982	Market	1BR / 1BA	N/A	N/A	Market	\$430	550	n/a	Yes	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$550	900	n/a	Yes	0	N/A
					35	100%							0

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
12	East Crockett Apartments 311 East Crockett Alamo, TX 78516 Hidalgo County	Garden 2003/2005	Market	1BR / 1BA	1	1.60%	Market	\$350	600	n/a	No	0	0.00%
				2BR / 1BA	60	98.40%	Market	\$450	1,100	n/a	No	6	10.00%
					61	100%							6
13	El Camino Real 1600 Tamarack Avenue McAllen, TX 78501 Hidalgo County	Garden 1970's	Market	1BR / 1BA	64	47.40%	Market	\$440	620	n/a	No	0	0.00%
				2BR / 1BA	32	23.70%	Market	\$505	1,000	n/a	No	1	3.10%
				2BR / 2BA	38	28.10%	Market	\$530	1,000	n/a	No	1	2.60%
				3BR / 2BA	1	0.70%	Market	\$700	1,687	n/a	No	0	0.00%
					135	100%							2
14	Hearthstone 1000 E. Vermont McAllen, TX 78577 Hidalgo County	Various 1996	Market	1BR / 1BA	100	33.30%	Market	\$588	573	n/a	No	0	0.00%
				2BR / 1BA	80	26.70%	Market	\$675	800	n/a	No	0	0.00%
				2BR / 2BA	80	26.70%	Market	\$705	900	n/a	No	0	0.00%
				2BR / 2.5BA	16	5.30%	Market	\$749	1,100	n/a	No	2	12.50%
				3BR / 2BA	24	8.00%	Market	\$775	1,137	n/a	No	4	16.70%
					300	100%							6
15	Jackson Square Apartments 700 West Jackson Avenue McAllen, TX 78501 Hidalgo County	Garden 1975	Market	1BR / 1BA	64	50.00%	Market	\$450	740	n/a	Yes 3HH	0	0.00%
				2BR / 2BA	64	50.00%	Market	\$515	1,060	n/a	No	2	3.10%
					128	100%							2
16	Las Haciendas Apartments 1104 Hibiscus Avenue McAllen, TX 78501 Hidalgo County	Garden 1974	Market	1BR / 1BA	36	48.60%	Market	\$425	850	n/a	No	1	2.80%
				2BR / 1BA	24	32.40%	Market	\$495	1,100	n/a	No	1	4.20%
				2BR / 2BA	14	18.90%	Market	\$550	1,200	n/a	No	0	0.00%
					74	100%							2
17	Las Misiones At The Grove 3807 Plantation Grove Boulevard Mission, TX 78572 Hidalgo County	Garden 2003-2005	Market	1BR / 1BA	28	23.70%	Market	\$735	734	n/a	No	0	0.00%
				1.5BR / 1BA	20	16.90%	Market	\$885	972	n/a	No	1	5.00%
				2BR / 2BA	65	55.10%	Market	\$882	1,006	n/a	No	2	3.10%
				3BR / 2BA	5	4.20%	Market	\$1,350	1,384	n/a	No	0	0.00%
					118	100%							3
18	Lindburgh Square Apartments 1301 South 6th Street McAllen, TX 78501 Hidalgo County	Garden 1988	Market	2BR / 2BA	48	100.00%	Market	\$540	905	n/a	No	4	8.30%
					48	100%							4
19	Mariana's Apartments 2300 North Broadway Street McAllen, TX 78501 Hidalgo County	Garden 2002	Market	1BR / 1BA	34	100.00%	Market	\$490	725	n/a	No	0	0.00%
					34	100%							0
20	Nolana Apartments 1200 Nolana Street McAllen, TX 78504 Hidalgo County	Garden 1978	Market	1BR / 1BA	N/A	N/A	Market	\$435	655	n/a	No	0	N/A
				2BR / 1BA	N/A	N/A	Market	\$475	821	n/a	No	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$515	903	n/a	No	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$555	1,057	n/a	No	0	N/A
				3BR / 2BA	N/A	N/A	Market	\$675	1,131	n/a	No	0	N/A
					144	100%							

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
21	Northwood Domit Apartments 201 Quamasia Avenue McAllen, TX 78504 Hidalgo County	Garden 2001	Market	1BR / 1BA 2BR / 1BA	64	51.60%	Market	\$645	750	n/a	No	1	1.60%
					60	48.40%	Market	\$795	1,050	n/a	No	0	0.00%
					124	100%						1	0.80%
22	Palm Garden Apartments 500 South Palm Drive Pharr, TX 78577 Hidalgo County	Garden 1986	Market	2BR / 2BA	60	100.00%	Market	\$500	840	n/a	No	2	3.30%
					60	100%						2	3.30%
23	Peppertree Apartments 1101 Dove Avenue McAllen, TX 78504 Hidalgo County	Garden 1980's	Market	1BR / 1BA 1BR / 1.5BA 2BR / 1.5BA 2BR / 1.5BA	60	71.40%	Market	\$550	660	n/a	No	1	1.70%
					4	4.80%	Market	\$635	800	n/a	Yes	0	0.00%
					12	14.30%	Market	\$675	900	n/a	Yes	0	0.00%
					8	9.50%	Market	\$840	1,200	n/a	Yes	0	0.00%
				84	100%						1	1.20%	
24	Plaza Royale Apartments 700 Bales Road McAllen, TX 78503 Hidalgo County	Garden 1980s	Market	1BR / 1BA 2BR / 2BA 2BR / 2BA 2BR / 2BA	12	13.60%	Market	\$525	940	n/a	No	0	0.00%
					28	31.80%	Market	\$550	980	n/a	No	0	0.00%
					28	31.80%	Market	\$600	1,100	n/a	No	0	0.00%
					20	22.70%	Market	\$625	1,180	n/a	No	3	15.00%
				88	100%						3	3.40%	
25	Rayburn Village Apartments 7200 North Main Street McAllen, TX 78504 Hidalgo County	Garden 1980's	Market	1BR / 1BA 2BR / 1.5BA 2BR / 2.5BA	N/A	N/A	Market	\$425	500	n/a	No	0	N/A
					N/A	N/A	Market	\$525	750	n/a	No	2	N/A
					N/A	N/A	Market	\$555	1,000	n/a	No	0	N/A
					31	100%						2	6.50%
26	Redwood Apartments 1001 E. Fern Avenue McAllen, TX 78501 Hidalgo County	Garden 2004	Market	1BR / 1BA 2BR / 2BA	N/A	N/A	Market	\$695	700	n/a	No	0	N/A
					N/A	N/A	Market	\$870	1,100	n/a	No	0	N/A
					70	100%						0	0.00%
27	Seville Place Apartments 4401 N. 6th Street McAllen, TX 78504 Hidalgo County	Garden 1998	Market	1BR / 1BA 2BR / 1BA 2BR / 2BA 3BR / 2BA	N/A	N/A	Market	\$525	620	n/a	No	0	N/A
					N/A	N/A	Market	\$600	922	n/a	No	6	N/A
					N/A	N/A	Market	\$650	940	n/a	No	4	N/A
					N/A	N/A	Market	\$725	1,012	n/a	No	2	N/A
				160	100%						12	7.50%	
28	St. Antimo Apartments 301 E. Camellia McAllen, TX 78501 Hidalgo County	Garden 2003/2004	Market	1BR / 1BA 2BR / 2BA	34	50.00%	Market	\$625	800	n/a	No	0	0.00%
					34	50.00%	Market	\$785	1,100	n/a	No	0	0.00%
					68	100%						0	0.00%
29	Stone Wood 501 E. Camellia Ave McAllen, TX 78577 Hidalgo County	Garden 2004	Market	Studio / 1BA 1BR / 1BA 2BR / 2BA 3BR / 2BA	4	5.20%	Market	\$565	450	n/a	No	0	0.00%
					35	45.50%	Market	\$695	733	n/a	No	2	5.70%
					19	24.70%	Market	\$895	1,096	n/a	No	0	0.00%
					19	24.70%	Market	\$995	1,289	n/a	No	0	0.00%
				77	100%						2	2.60%	

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
30	Tamarack Apartments 1901 N. Colonel Rowe Boulevard McAllen, TX 78501 Hidalgo County	Garden 1976	Market	1BR / 1BA	60	60.00%	Market	\$383	685	n/a	No	10	16.70%
				2BR / 2BA	40	40.00%	Market	\$455	1,089	n/a	No	10	25.00%
					100	100%						20	20.00%
31	The Rincon Apartments 3801 N. Mccoll Road McAllen, TX 78501 Hidalgo County	Garden 2001	Market	1BR / 1BA	40	17.20%	Market	\$645	618	n/a	No	2	5.00%
				1BR / 1BA	40	17.20%	Market	\$735	740	n/a	No	2	5.00%
				2BR / 1BA	32	13.80%	Market	\$860	987	n/a	No	3	9.40%
				2BR / 1BA	32	13.80%	Market	\$910	1,005	n/a	No	2	6.20%
				2BR / 2BA	44	19.00%	Market	\$930	1,037	n/a	No	0	0.00%
				2BR / 2BA	44	19.00%	Market	\$940	1,075	n/a	No	0	0.00%
	232	100%							9	3.90%			
32	Villas De Nolana 121 East Quamasia Avenue McAllen, TX 78504 Hidalgo County	Garden 2004	Market	1BR / 1BA	N/A	N/A	Market	\$620	733	n/a	No	0	N/A
				1BR / 1BA	N/A	N/A	Market	\$635	748	n/a	No	0	N/A
				1BR / 1BA	N/A	N/A	Market	\$645	763	n/a	No	0	N/A
				1BR / 1BA	N/A	N/A	Market	\$670	793	n/a	No	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$795	1,058	n/a	No	0	N/A
				3BR / 2BA	N/A	N/A	Market	\$955	1,284	n/a	No	0	N/A
				3BR / 2BA	N/A	N/A	Market	\$965	1,302	n/a	No	0	N/A
	120	100%							0	0.00%			
33	Vintage Square Apartments 3601 North Bicentennial Blvd McAllen, TX 78501 Hidalgo County	Garden 1982	Market	1BR / 1BA	44	40.70%	Market	\$625	1,072	n/a	No	1	2.30%
				2BR / 2BA	22	20.40%	Market	\$735	1,092	n/a	No	0	0.00%
				2BR / 2BA	22	20.40%	Market	\$880	1,702	n/a	No	1	4.50%
				3BR / 2BA	20	18.50%	Market	\$835	1,287	n/a	No	0	0.00%
					108	100%							2

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Effective Rent Date: Aug-08 Units Surveyed: 2820
 Market Rate 2820
 Tax Credit 0

	Studio One Bath		One Bedroom One Bath	
	Property	Average	Property	Average
RENT	Stone Wood	\$565	Dimel Apartments	\$1,000
			District Apartments	\$750
			The Rincon Apartments	\$735
			Redwood Apartments	\$695
			Stone Wood	\$695
			Villas De Nolana	\$670
			Atrium Villa Apartments	\$655
			Northwood Domit Apartments	\$645
			The Rincon Apartments	\$645
			Villas De Nolana	\$645
			Villas De Nolana	\$635
			St. Antimo Apartments	\$625
			Vintage Square Apartments	\$625
			Villas De Nolana	\$620
			Hearthstone	\$588
			Peppertree Apartments	\$550
			Dominion Estates	\$525
			Plaza Royale Apartments	\$525
			Seville Place Apartments	\$525
			Brentwood Apartments	\$495
			Mariana's Apartments	\$490
			Jackson Square Apartments	\$450
			El Camino Real	\$440
			Nolana Apartments	\$435
			Doveco Apartments	\$430
			Las Haciendas Apartments	\$425
			Rayburn Village Apartments	\$425
			Dallas Heights Apartments	\$420
			Cedar Hut Apartments	\$400
			Tamarack Apartments	\$383
			Crossings Apartments	\$380
			East Crockett Apartments	\$350
	Stone Wood	450	Vintage Square Apartments	1,072
			Plaza Royale Apartments	940
			Atrium Villa Apartments	863
			Las Haciendas Apartments	850
			St. Antimo Apartments	800
			Villas De Nolana	793
			District Apartments	787
			Villas De Nolana	763
			Dominion Estates	755
			Northwood Domit Apartments	750
			Villas De Nolana	748
			Jackson Square Apartments	740
			The Rincon Apartments	740
			Stone Wood	733
			Villas De Nolana	733
			Mariana's Apartments	725
			Redwood Apartments	700
SQUARE FOOTAGE			Brentwood Apartments	685
			Tamarack Apartments	685
			Peppertree Apartments	660
			Nolana Apartments	655
			Dimel Apartments	650
			El Camino Real	620
			Seville Place Apartments	620
			The Rincon Apartments	618
			Cedar Hut Apartments	600
			Dallas Heights Apartments	600
			East Crockett Apartments	600
			Hearthstone	573
			Crossings Apartments	550
			Doveco Apartments	550
			Rayburn Village Apartments	500

	Stone Wood	\$1.26		Dimel Apartments	\$1.54
				The Rincon Apartments	\$1.04
				Hearthstone	\$1.03
				The Rincon Apartments	\$0.99
				Redwood Apartments	\$0.99
				District Apartments	\$0.95
				Stone Wood	\$0.95
				Northwood Domit Apartments	\$0.86
				Rayburn Village Apartments	\$0.85
				Villas De Nolana	\$0.85
				Seville Place Apartments	\$0.85
				Villas De Nolana	\$0.85
				Villas De Nolana	\$0.85
				Villas De Nolana	\$0.84
				Peppertree Apartments	\$0.83
				Doveco Apartments	\$0.78
				St. Antimo Apartments	\$0.78
RENT PER SQUARE FOOT				Atrium Villa Apartments	\$0.76
				Brentwood Apartments	\$0.72
				El Camino Real	\$0.71
				Dallas Heights Apartments	\$0.70
				Dominion Estates	\$0.70
				Crossings Apartments	\$0.69
				Mariana's Apartments	\$0.68
				Cedar Hut Apartments	\$0.67
				Nolana Apartments	\$0.66
				Jackson Square Apartments	\$0.61
				East Crockett Apartments	\$0.58
				Vintage Square Apartments	\$0.58
				Tamarack Apartments	\$0.56
				Plaza Royale Apartments	\$0.56
				Las Haciendas Apartments	\$0.50

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.

Weighted Occupancy:	96.60%
Market Rate	96.60%
Tax Credit	N/A

Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
Property	Average	Property	Average	Property	Average
The Rincon Apartments	\$940	District Apartments	\$1,300		
The Rincon Apartments	\$930	Stone Wood	\$995		
District Apartments	\$910	Villas De Nolana	\$965		
Stone Wood	\$895	Atrium Villa Apartments	\$955		
Vintage Square Apartments	\$880	Villas De Nolana	\$955		
Redwood Apartments	\$870	Vintage Square Apartments	\$835		
Peppertree Apartments (1.5BA)	\$840	Hearthstone	\$775		
Atrium Villa Apartments	\$825	Seville Place Apartments	\$725		
Northwood Domit Apartments (1BA)	\$795	El Camino Real	\$700		
Villas De Nolana	\$795	Nolana Apartments	\$675		
St. Antimo Apartments	\$785	Cedar Hut Apartments	\$525		
Vintage Square Apartments	\$735				
Hearthstone	\$705				
Cedarwood Domit Apartments	\$695				
Peppertree Apartments (1.5BA)	\$675				
Dominion Estates	\$650				
Seville Place Apartments	\$650				
Plaza Royale Apartments	\$625				
Dominion Apartments	\$600				
Plaza Royale Apartments	\$600				
Nolana Apartments	\$555				
Rayburn Village Apartments (2.5BA)	\$555				
Doveco Apartments	\$550				
Las Haciendas Apartments	\$550				
Plaza Royale Apartments	\$550				
Lindburgh Square Apartments	\$540				
El Camino Real	\$530				
Jackson Square Apartments	\$515				
Nolana Apartments	\$515				
Dallas Heights Apartments (1BA)	\$500				
Palm Garden Apartments	\$500				
Crossings Apartments (1BA)	\$480				
Vintage Square Apartments	1,702	El Camino Real	1,687		
Las Haciendas Apartments	1,200	District Apartments	1,359		
Peppertree Apartments (1.5BA)	1,200	Villas De Nolana	1,302		
Plaza Royale Apartments	1,180	Stone Wood	1,289		
Atrium Villa Apartments	1,140	Vintage Square Apartments	1,287		
East Crockett Apartments (1BA)	1,100	Villas De Nolana	1,284		
Plaza Royale Apartments	1,100	Atrium Villa Apartments	1,272		
Redwood Apartments	1,100	Hearthstone	1,137		
St. Antimo Apartments	1,100	Nolana Apartments	1,131		
Stone Wood	1,096	Seville Place Apartments	1,012		
Vintage Square Apartments	1,092	Cedar Hut Apartments	1,000		
Tamarack Apartments	1,089				
The Rincon Apartments	1,075				
Jackson Square Apartments	1,060				
Villas De Nolana	1,058				
Nolana Apartments	1,057				
Northwood Domit Apartments (1BA)	1,050				
Cedarwood Domit Apartments	1,040				
The Rincon Apartments	1,037				
District Apartments	1,006				
El Camino Real	1,000				
Rayburn Village Apartments (2.5BA)	1,000				
Plaza Royale Apartments	980				
Dominion Estates	955				
Dominion Apartments	951				
Seville Place Apartments	940				
Lindburgh Square Apartments	905				
Nolana Apartments	903				
Doveco Apartments	900				
Hearthstone	900				
Peppertree Apartments (1.5BA)	900				
Palm Garden Apartments	840				
Cedar Hut Apartments	800				
Crossings Apartments (1BA)	800				
Dallas Heights Apartments (1BA)	800				

District Apartments	\$0.90	District Apartments	\$0.96
The Rincon Apartments	\$0.90	Stone Wood	\$0.77
The Rincon Apartments	\$0.87	Atrium Villa Apartments	\$0.75
Stone Wood	\$0.82	Villas De Nolana	\$0.74
Redwood Apartments	\$0.79	Villas De Nolana	\$0.74
Hearthstone	\$0.78	Seville Place Apartments	\$0.72
Northwood Domit Apartments (1BA)	\$0.76	Hearthstone	\$0.68
Villas De Nolana	\$0.75	Vintage Square Apartments	\$0.65
Peppertree Apartments (1.5BA)	\$0.75	Nolana Apartments	\$0.60
Atrium Villa Apartments	\$0.72	Cedar Hut Apartments	\$0.52
St. Antimo Apartments	\$0.71	El Camino Real	\$0.41
Peppertree Apartments (1.5BA)	\$0.70		
Seville Place Apartments	\$0.69		
Dominion Estates	\$0.68		
Vintage Square Apartments	\$0.67		
Cedarwood Domit Apartments	\$0.67		
Dominion Apartments	\$0.63		
Dallas Heights Apartments (1BA)	\$0.62		
Doveco Apartments	\$0.61		
Crossings Apartments (1BA)	\$0.60		
Lindburgh Square Apartments	\$0.60		
Palm Garden Apartments	\$0.60		
Nolana Apartments	\$0.57		
Plaza Royale Apartments	\$0.56		
Rayburn Village Apartments (2.5BA)	\$0.56		
Plaza Royale Apartments	\$0.55		
Cedar Hut Apartments	\$0.53		
El Camino Real	\$0.53		
Plaza Royale Apartments	\$0.53		
Nolana Apartments	\$0.53		
Vintage Square Apartments	\$0.52		
Jackson Square Apartments	\$0.49		
Las Haciendas Apartments	\$0.46		
Tamarack Apartments	\$0.42		
East Crockett Apartments (1BA)	\$0.41		

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The average market rents for the one, two, and three-bedroom units at the surveyed market rate properties are \$573, \$660, and \$896. Fifty-five percent of the one-bedroom units, 53 percent of the two-bedroom units, and 64 percent of the three-bedroom units in the market offer rents that are higher than the current payment standards for one-, two-, and three-bedroom units, respectively.

The market rate one-bedroom rents at 59 percent of the surveyed properties are above the LIHTC 60 percent of AMI maximum allowable level. The market rate two-bedroom rents at 57 percent of the surveyed properties are above the LIHTC 60 percent of AMI maximum allowable level. The market rate three-bedroom rents at 82 percent of the surveyed properties are above the LIHTC 60 percent of AMI maximum allowable level. The average market rents for the one-, two-, and three-bedroom units in the market are approximately 14.5 percent, 10.9 percent, and 24.1 percent higher than the 2008 maximum allowable rents for one-, two-, and three-bedroom units, respectively.

Market Supply Conclusion

Smaller unit types are currently prevalent in the Submarket. However, demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease negligibly by 2012 to 3.40. The Submarket's household size is significantly larger than the national average of 2.59 and just slightly smaller than that of the MSA. Additionally, demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections indicate a possible unmet demand for larger bedroom types.

The surveyed market rate properties in the South Central Hidalgo County Submarket offer a limited to extensive amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including window coverings, carpeting, central air, dishwashers, garbage disposals, ovens, and refrigerators. The majority of the surveyed properties offer community amenities including a central laundry, off-street parking, on-site-management, and a swimming pool. Five of the 33 surveyed properties offer in-unit washers/dryers and 14 of the surveyed properties offer washer/dryer connections in the units. Less than half of the surveyed properties offer security features of some kind. Approximately one third of the surveyed properties offer carport or garage parking.

The average unit sizes of the market rate one-, two-, and three-bedroom units in the Submarket are approximately 10.0, 8.0, and 9.0 percent larger, respectively, than the one-, two-, and three-bedroom units at the family LIHTC properties. The average weighted vacancy of the surveyed market rate properties (4.20) is slightly higher than that of the average weighted vacancy of the surveyed LIHTC properties (1.0 percent). Two of the surveyed market rate properties were able to provide absorption information, resulting in average absorption rate of 14 units per month as compared to the average absorption rate of the surveyed LIHTC properties (16.6 units per month). Four of the market rate family properties maintain a waiting list with an average length of less than five households, as compared to the surveyed LIHTC properties which have waiting lists which average 12 households in length.

The average vacancy rate of the surveyed market rate properties is 4.2 percent. Five of the 33 surveyed properties are offering concessions. Concessions do not appear to be prevalent in the market. Annual turnover rates reported range from 9 percent to 50 percent, with an average of 27 percent, compared to the average turnover rate of the surveyed LIHTC properties (26.3 percent).

The average market rents for the one, two, and three-bedroom units at the surveyed market rate properties are \$573, \$660, and \$896. The average market rents for the one-, two-, and three-bedroom units in the market are approximately 14.5 percent, 10.9 percent, and 24.1 percent higher than the 2008 maximum allowable rents at 60 percent of AMI for one-, two-, and three-bedroom units, respectively.

MARKET RATE SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There was one identifiable existing senior market rate multifamily rental property in the South Central Hidalgo County Submarket, Brook Ridge Retirement.

Brook Ridge Retirement is a 106-unit independent living age restricted property constructed in 1995. This development is restricted to seniors age 55 and older and is currently exhibiting an occupancy rate of approximately 95 percent. The average age at this property is 87 and 90 percent of the current residents are from the immediate area. The average turnover rate is 20 percent and none of the tenants are Housing Choice Voucher holders. This property offers studio, one-, and two-bedroom units 425, 600, and 800 square feet in size. Vacancies are evenly spread between the studio and two-bedroom units with one-bedroom units exhibiting the lowest vacancy rate. Rental rates are \$1,300, \$1,850, and \$2,400 for the studio, one, and two-bedroom units respectively, and include weekly housekeeping, three daily meals, and scheduled transportation. Rental rates are based on single-person occupancy. Additional occupants cost \$480 extra per month. According to management, this property is difficult to market due to the high rental rates, which many of the area residents cannot afford. The property relies on residents moving back or retiring from areas such as Dallas and from various northern states.

Based on the lack of available data, we did not complete a market rate senior market analysis.

Proposed Construction

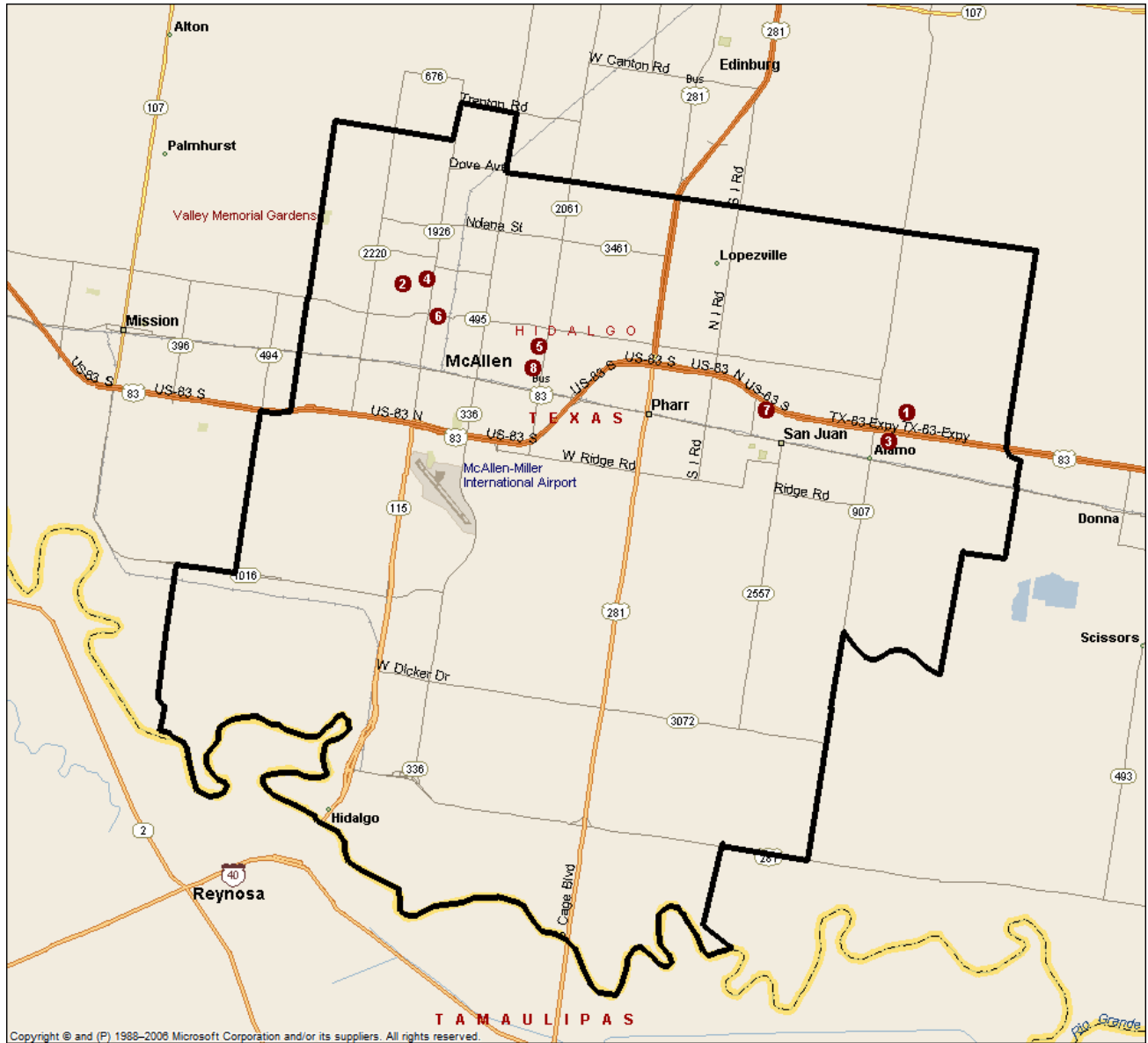
We were unable to identify any proposed market rate senior rental properties in the Submarket.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are fourteen existing family-targeted subsidized developments located in the South Central Hidalgo Submarket, five of which are also LIHTC properties. Alamo Village, La Vista Apartments, San Juan Village, Raintree Apartments, and Old Fort Highway Apartments are LIHTC properties with 100 percent of the tenants paying no more than 30 percent of their annual gross income towards rent, and therefore have been included in the subsidized family rental analysis. Three of the subsidized housing developments are public housing/farm labor housing projects located in McAllen and Alamo. We were able to acquire information on eight of the thirteen family-oriented subsidized properties. Multiple attempts were made to contact each of the six remaining family subsidized properties with no success. The excluded properties and reasons for exclusion can be found on the excluded properties list on the following pages.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.



SURVEYED FAMILY PROPERTIES

Number	Name	Location	Type
1	Macario Villareal Apartments	Alamo	Public Housing – Family
2	Vine Terrace	McAllen	Public Housing – Family
3	Alamo Village	Alamo	LIHTC/Section 8 – Family
4	La Vista Apartments	McAllen	LIHTC/Section 8 – Family
5	Memorial Apartments	McAllen	Farm Labor Housing/Rural Development– Family
6	Pecan Village Apartments	McAllen	Section 8 – Family
7	San Juan Village Apartments	San Juan	LIHTC/Section 8 – Family
8	Valley View Apartments	McAllen	Section 8 – Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



Marcario Villareal Apartments



Vine Terrace



Alamo Village



La Vista Apartments



Memorial Apartments



Pecan Village Apartments



San Juan Village



Valley View Apartments

Excluded Properties

We were able to acquire information on six of the fourteen family-oriented subsidized properties. Multiple attempts were made to contact each of the six remaining family subsidized properties with no success. The excluded properties and reasons for exclusion can be found on the excluded properties list below.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Las Palmas	601 E Ebony Avenue	Section 8	N/A	Could not Contact
Raintree Apartments	650 Raintree Street	LIHTC/USDA-Family	32	Could not Contact
Old Fort Highway Apartments	1101 E Pirate Drive	LIHTC/USDA-Family	40	Could not Contact
Ivy Terrace	2801 Maple Drive	Section 8	N/A	Could not Contact
Villa San Juanita Rutledge	1200 N Standard Street	Public Housing	289	Could not Contact
San Juan FLH	700 Maldonado Drive	USDA	36	Could not Contact

Proposed Construction

We spoke to Elena Salsedo, the Section 8 Supervisor for the McAllen Housing Authority. Ms. Salsedo noted that there were previously 149 additional units of Public Housing in one development. However, this development has been demolished and a two-phase LIHTC/Section 8/Public Housing project, named Retama Village I and II, is currently being built upon the site of the former public housing development.

Retama Village I, located in McAllen, Texas, received a LIHTC allocation in 2006. The development is a proposed new construction, family oriented, multifamily complex consisting of 128-units in nine two- and three-story garden style buildings. Field observations confirm that this project is currently under construction. Retama Village II, located in McAllen, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, family oriented, multifamily complex consisting of 74 units in 16 two- story garden style buildings. Field observations confirm that this development is still in the planning stages. Information regarding in-unit and community amenities for Retama Village II was unavailable. There will be 6 one-bedroom,

13 two-bedroom, and 6 three-bedroom public housing units. The remaining 49 one-, two-, and three-bedroom units will be restricted to households earning less than 60 percent of the AMI.

Sunset Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, family oriented, multifamily complex consisting of 100-units in 20 two-story garden style buildings. Prior to construction on the site, an existing 100-unit public housing multifamily duplex development will be demolished. Information regarding in-unit and community amenities for Sunset Terrace was unavailable. There will be 12 one-bedroom, 16 two-bedroom, and 12 three-bedroom public housing units. The remaining 60 one-, two-, and three-bedroom units will be restricted to households earning less than 60 percent of the AMI. Calls made to the development contact, Roy Navarro with the Housing Authority of the City of Pharr, have not been returned as of the date of this study. However, observations in the field confirm that the public housing development is still located on the site and demolition and reconstruction have not yet commenced.

Parkview Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2008. The development is a proposed reconstruction of an existing public housing complex. This development will be a family oriented, multifamily complex consisting of 100-units in 20 residential buildings. Prior to construction on the site, an existing 100-unit public housing multifamily development, 40 years in age, will be demolished. Information regarding in-unit and community amenities for Sunset Terrace was unavailable. There will be 9 one-bedroom, 12 two-bedroom, and 9 three-bedroom public housing units. The remaining 70 one-, two-, and three-bedroom units will be restricted to households earning less than 50 and 60 percent of the AMI. Due to the recent allocation date of this development it is assumed that this project is still in the planning stages.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market. Properties unable to provide a breakdown by unit type have been excluded from the unit mix analysis.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	89	14.00%
2 BR	245	38.60%
3 BR	282	44.40%
4 BR	19	3.00%
Total	635	100%

Large unit types are currently prevalent among the subsidized properties in the Submarket. Similarly, large unit types are also prevalent in the family LIHTC properties in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease negligibly by 2012 to 3.40. The Submarket’s household size is significantly larger than the national average of 2.59 and just slightly smaller than that of the MSA. Additionally, demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012, suggesting an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the subsidized rental property market. Properties unable to provide unit sizes have been excluded from the unit size analysis.

Unit Size - Subsidized Family			
Unit Type	Minimum Surveyed	Maximum Surveyed	Surveyed Average
1 BR	551	778	685
2 BR	658	928	803
3 BR	839	1,039	955
4 BR	1,210	1,210	1,210

The surveyed one-, two-, three-, and four-bedroom subsidized units have average sizes of 685, 803, 955 and 1,210 square feet, respectively. It should be noted that there was only one property with unit size information available for four-bedroom units in the Submarket. The subsidized one-, two-, and three-bedroom average unit sizes are 5.7 percent larger, 13.5 percent smaller, and 17.2 percent smaller, respectively, than the one-, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four-bedroom units among the surveyed market rate and LIHTC developments.

Common and In-Unit Amenities

	Macario Villareal Apartments	Vine Terrace	Alamo Village	La Vista Apartments	Memorial Apartments	Pecan Village Apartments	San Juan Village Apartments	Valley View Apartments
Comp #	1	2	3	4	5	6	7	8
Property Information								
Property Type	Single Family	Garden	Garden	Garden	Garden	Various	Garden	Single Story
Year Built / Renovated	2000	1976	1970's / 2006	1977	1977	N/A	1978 / 2006	1979
Market (Conv.)/Subsidy Type	@30% (Public Housing)	@30% (Public Housing)	LIHTC/Section 8	LIHTC/Section 8	Rural Development	Section 8	LIHTC/Section 8	Section 8
In-Unit Amenities								
Balcony/Patio	no	no	no	no	no	yes	no	no
Blinds	no	yes	yes	yes	no	yes	yes	yes
Carpeting	no	no	yes	no	no	no	no	no
Central A/C	yes	yes	yes	yes	no	no	yes	yes
Dishwasher	no	no	no	yes	no	no	yes	no
Exterior Storage	no	no	no	no	no	yes	no	yes
Garbage Disposal	no	no	no	no	no	no	yes	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes
Window A/C	no	no	no	no	yes	yes	no	no
Washer/Dryer hookup	yes	no	no	no	yes	no	yes	no
Property Amenities								
Clubhouse/Meeting Room/Community Room	no	no	no	no	no	no	yes	no
Central Laundry	no	no	yes	yes	yes	yes	yes	yes
Off-Street Parking	no	yes	yes	yes	yes	yes	yes	yes
On-Site Management	no	no	yes	yes	yes	yes	yes	yes
Playground	no	yes	no	yes	yes	yes	yes	yes
Services								
Security								
Premium Amenities								
Other Amenities								
Other	n/a	Headstart program next door	n/a	n/a	n/a	n/a	n/a	n/a

The existing subsidized multifamily properties in the Submarket offer limited in-unit and community amenities, specifically in the public housing developments and farm labor developments. Common in-unit amenities offered by the properties include window coverings, central air, ovens, and refrigerators. The majority of the properties offer washer/dryer connections but no in-unit washer/dryer appliances are offered. Common community amenities include a central laundry, off-street parking, on-site management, and a playground. Vine Terrace is located proximate to a Headstart program. However, the properties do not offer any security features, non-shelter services, premium amenities, or covered parking of any kind.

By-Unit Weighted Vacancy

The following table illustrates the weighted vacancy rates in the subsidized rental property market. Properties unable to provide a breakdown by unit type were excluded from the weighted vacancy analysis.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	89	4	4.50%
2 BR	245	16	6.53%
3 BR	282	11	3.90%
4 BR	19	0	0.00%
Total	635	31	4.90%

The average weighted vacancy of the surveyed subsidized properties (4.90 percent) is higher than the average weighted vacancy of the surveyed LIHTC properties (1.0 percent).

Absorption

None of the surveyed subsidized properties was able to provide absorption information.

Waiting List

The following table illustrates the waiting lists in the subsidized rental property market.

Waiting Lists – Subsidized Family		
Property Name	Number of Units	Households
Macario Villareal Apartments	20	100 HH
Vine Terrace	49	52HH
Alamo Village	56	Yes; number not provided
La Vista Apartments	48	10HH
Memorial Apartments	246	50HH
Pecan Village Apartments	70	7HH
San Juan Village Apartments	86	25HH
Valley View Apartments	80	1BR-2HH; 2BR-5HH; 3BR-8HH

The average length of the waiting lists at the surveyed subsidized properties is 37 households which is significantly higher than the average length of the waiting lists of the surveyed LIHTC properties (12 households). All of the surveyed developments maintain short to extensive waiting lists. Based on this information, we anticipate significant future demand for affordable housing.

Vacancy Levels

The following table illustrates the vacancy rates in the subsidized rental property market.

Vacancy – Subsidized Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Macario Villareal Apartments	20	0	0.00%
Vine Terrace	49	0	0.00%
Alamo Village	56	0	0.00%
La Vista Apartments	48	16	33.30%
Memorial Apartments	246	12	4.90%
Pecan Village Apartments	70	0	0.00%
San Juan Village Apartments	86	1	1.20%
Valley View Apartments	80	2	2.50%
AVERAGE	655	31	4.7%

All but one of the surveyed developments are exhibiting low vacancy rates. Management at La Vista apartments noted that the current high vacancy rate is due to an ongoing renovation process; all available units are fully occupied, resulting in an effective occupancy rate of 100 percent. The average vacancy rate assuming La Vista Apartments is fully occupied is 4.7 percent, as compared to the average vacancy rate of the surveyed LIHTC properties. The notably low average vacancy rate and extensive waiting lists at the subsidized properties is indicative of the demand for affordable housing in the Submarket.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

Only two properties in our survey were able to provide rates of 7 and 30 percent, respectively, resulting in an average turnover rate of 18.5, as compared to the surveyed LIHTC properties which have an average turnover rate of 26.3 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Reno.	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Macario Villareal Apts. 823 N. 8th Street Alamo, TX 78516 Hidalgo County	Single Family 2000	@30% (Public Housing)	3BR / 2BA	N/A	N/A	@30%	\$561	N/A	n/a	Yes	0	N/A
				4BR / 2BA	N/A	N/A	@30%	\$631	N/A	n/a	Yes	0	N/A
					20	100%							0
2	Vine Terrace Vine Avenue McAllen, TX 78501 Hidalgo County	Garden 1976	@30% (Public Housing)	1BR / 1BA	7	14.30%	@30%	\$380	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	28	57.10%	@30%	\$400	N/A	n/a	Yes	0	0.00%
				3BR / 1BA	4	8.20%	@30%	\$480	N/A	n/a	Yes	0	0.00%
				4BR / 1.5BA	10	20.40%	@30%	\$625	N/A	n/a	Yes	0	0.00%
				49	100%						0	0.00%	
3	Alamo Village 504 N 9th Street Alamo, TX 78516 Hidalgo County	Garden 1970's / 2006	LIHTC/ Section 8	1BR / 1BA	16	28.60%	Section 8	\$512	778	n/a	Yes	0	0.00%
				2BR / 1BA	20	35.70%	Section 8	\$539	928	n/a	Yes	0	0.00%
				3BR / 1BA	20	35.70%	Section 8	\$686	1,039	n/a	Yes	0	0.00%
					56	100%							0
4	La Vista Apts. 2401 La Vista Ave McAllen, TX 78501 Hidalgo County	Garden 1977	LIHTC/ Section 8	1BR / 1BA	8	16.70%	Section 8	\$549	551	n/a	Yes	4	50.00%
				2BR / 1BA	24	50.00%	Section 8	\$591	658	n/a	Yes	8	33.30%
				3BR / 1.5BA	16	33.30%	Section 8	\$654	839	n/a	Yes	4	25.00%
					48	100%							16
5	Memorial Apts. 501 E Jasmine Avenue McAllen, TX 78501 Hidalgo County	Garden 1977	Rural Development/ Farm Labor Housing	2BR / 1BA	82	33.30%	Rural Development	\$304	N/A	n/a	Yes	6	7.30%
				3BR / 1BA	164	66.70%	Rural Development	\$364	N/A	n/a	Yes	6	3.70%
					246	100%							12
6	Pecan Village Apts. 2200 Pecan Blvd McAllen, TX 78501 Hidalgo County	Various	Section 8	1BR / 1BA	30	42.90%	Section 8	\$446	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	10	14.30%	Section 8	\$540	N/A	n/a	Yes	0	0.00%
				3BR / 1.5BA	30	42.90%	Section 8	\$689	N/A	n/a	Yes	0	0.00%
					70	100%							0
7	San Juan Village Apts. 400 N. Iowa Avenue San Juan, TX 78589 Hidalgo County	Garden 1978 / 2006	LIHTC/ Section 8	1BR / 1BA	18	20.90%	Section 8	\$535	725	n/a	Yes	0	0.00%
				2BR / 1BA	41	47.70%	Section 8	\$551	824	n/a	Yes	0	0.00%
				3BR / 1BA	20	23.30%	Section 8	\$689	987	n/a	Yes	1	5.00%
				4BR / 1.5BA	7	8.10%	Section 8	\$828	1,210	n/a	Yes	0	0.00%
					86	100%							1
8	Valley View Apts. 602 E Ebony Ave McAllen, TX 78501 Hidalgo County	Single-story 1979	Section 8	1BR / 1BA	10	12.50%	Section 8	\$465	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	40	50.00%	Section 8	\$592	N/A	n/a	Yes	2	5.00%
				3BR / 1BA	28	35.00%	Section 8	\$705	N/A	n/a	Yes	0	0.00%
				4BR / 1BA	2	2.50%	Section 8	\$811	N/A	n/a	No	0	0.00%
					80	100%							2

Rent and Square Footage Ranking

RENT AND SQUARE FOOTAGE RANKING -- All rents adjusted for utilities and concessions extracted from the market.								
Units Surveyed:		655	Weighted Occupancy:		95.30%			
Market Rate		586	Market Rate		94.70%			
Tax Credit		69	Tax Credit		100.00%			
	One Bedroom One Bath		Two Bedrooms Two Bath		Three Bedrooms Two Bath		Four Bedrooms Two Bath	
	Property	Average	Property	Average	Property	Average	Property	Average
RENT	La Vista Apartments	\$549	Valley View Apartments (1BA)	\$592	Valley View Apartments (1BA)	\$705	San Juan Village Apartments (1.5BA)	\$828
	San Juan Village Apartments	\$535	La Vista Apartments (1BA)	\$591	Pecan Village Apartments (1.5BA)	\$689	Valley View Apartments (1BA)	\$811
	Alamo Village	\$512	San Juan Village Apartments (1BA)	\$551	San Juan Village Apartments (1BA)	\$689	Macario Villareal Apartments* (30%)	\$631
	Valley View Apartments	\$465	Pecan Village Apartments (1BA)	\$540	Alamo Village (1BA)	\$686	Vine Terrace* (1.5BA 30%)	\$625
	Pecan Village Apartments	\$446	Alamo Village (1BA)	\$539	La Vista Apartments (1.5BA)	\$654		
	Vine Terrace* (30%)	\$380	Vine Terrace* (1BA 30%)	\$400	Macario Villareal Apartments* (30%)	\$561		
			Memorial Apartments (1BA)	\$304	Vine Terrace* (1BA 30%)	\$480		
				Memorial Apartments (1BA)	\$364			
SQUARE FOOTAGE	Alamo Village	778	Alamo Village (1BA)	928	Alamo Village (1BA)	1,039	San Juan Village Apartments (1.5BA)	1,210
	San Juan Village Apartments	725	San Juan Village Apartments (1BA)	824	San Juan Village Apartments (1BA)	987	Macario Villareal Apartments* (30%)	N/A
	La Vista Apartments	551	La Vista Apartments (1BA)	658	La Vista Apartments (1.5BA)	839	Vine Terrace* (1.5BA 30%)	N/A
	Vine Terrace* (30%)	N/A	Vine Terrace* (1BA 30%)	N/A	Macario Villareal Apartments* (30%)	N/A	Valley View Apartments (1BA)	N/A
	Pecan Village Apartments	N/A	Memorial Apartments (1BA)	N/A	Vine Terrace* (1BA 30%)	N/A		
	Valley View Apartments	N/A	Pecan Village Apartments (1BA)	N/A	Memorial Apartments (1BA)	N/A		
			Valley View Apartments (1BA)	N/A	Pecan Village Apartments (1.5BA)	N/A		
				Valley View Apartments (1BA)	N/A			
RENT PER SQUARE FOOT	La Vista Apartments	\$1.00	La Vista Apartments (1BA)	\$0.90	La Vista Apartments (1.5BA)	\$0.78	San Juan Village Apartments (1.5BA)	\$0.68
	San Juan Village Apartments	\$0.74	San Juan Village Apartments (1BA)	\$0.67	San Juan Village Apartments (1BA)	\$0.70	Macario Villareal Apartments* (30%)	\$0.00
	Alamo Village	\$0.66	Alamo Village (1BA)	\$0.58	Alamo Village (1BA)	\$0.66	Vine Terrace* (1.5BA 30%)	\$0.00
	Vine Terrace* (30%)	\$0.00	Vine Terrace* (1BA 30%)	\$0.00	Macario Villareal Apartments* (30%)	\$0.00	Valley View Apartments (1BA)	\$0.00
	Pecan Village Apartments	\$0.00	Memorial Apartments (1BA)	\$0.00	Vine Terrace* (1BA 30%)	\$0.00		
		Valley View Apartments	\$0.00	Memorial Apartments (1BA)	\$0.00			
				Pecan Village Apartments (1BA)	\$0.00			
				Valley View Apartments (1BA)	\$0.00			
				Pecan Village Apartments (1.5BA)	\$0.00			
				Valley View Apartments (1BA)	\$0.00			

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$470
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

All but two of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County. La Vista Apartments and San Juan Village Apartments are combination LIHTC/Section 8 developments with 100 percent of the tenants paying no more than 30 percent of their annual gross income towards rent. The one-bedroom units at both of these developments have rental rates which are slightly above the current payment standards.

Subsidized Family Supply Conclusion

Large unit types are currently prevalent in the subsidized properties in the Submarket. Similarly, large unit types are also prevalent in the family LIHTC properties in the Submarket. It should be noted that smaller unit types are prevalent in the family market rate developments in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.41 and is projected to decrease negligibly by 2012 to 3.40. The Submarket's household size is significantly larger than the national average of 2.59 and just slightly smaller than that of the MSA. Additionally, demographic estimates show that approximately 36 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012, suggesting an unmet demand for larger bedroom types.

The existing subsidized multifamily properties in the West Central Hidalgo County Submarket offer limited in-unit and community amenities, specifically in the public housing developments and farm labor developments. Common in-unit amenities offered by the comparable properties include window coverings, central air, ovens, and refrigerators. The majority of the properties offer washer/dryer connections but no in-unit washer/dryer appliances are offered. Common community amenities include a central laundry, off-street parking, on-site management, and a playground. Vine Terrace is located proximate to a Headstart program. However, the properties do not offer any security features, non-shelter services, premium amenities, or covered parking of any kind.

The surveyed one-, two-, three-, and four-bedroom subsidized units have average sizes of 685, 803, 955 and 1,210 square feet, respectively. The subsidized one-, two-, and three-bedroom average unit sizes are 5.7 percent larger, 13.5 percent smaller, and 17.2 percent smaller, respectively, than the one-, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. None of surveyed properties is offering concessions and none of the properties was able to provide absorption information. The average weighted vacancy of the surveyed subsidized properties (4.90 percent) is higher than the average weighted vacancy of the surveyed LIHTC properties (1.0 percent).

The average length of the waiting lists at the surveyed subsidized properties is 37 households which is significantly higher than the average length of the waiting lists of the surveyed LIHTC properties (12 households). Only two properties in our survey were able to provide rates of 7 and 30 percent, respectively, resulting in an average turnover rate of 18.5, as compared to the surveyed LIHTC properties which have an average turnover rate of 26.3 percent. The average vacancy rate of the surveyed subsidized properties is 4.7 percent as compared to the surveyed LIHTC properties (0.85 percent).

All but two of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County. La Vista Apartments and San Juan Village Apartments are combination LIHTC/Section 8 developments with 100 percent of the tenants paying no more than 30 percent of their annual gross income towards rent. The one-bedroom units at both of these developments have rental rates which are slightly above the current payment standards.

SUBSIDIZED SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are four existing senior subsidized developments located in the South Central Hidalgo Submarket, Casa De Amigos II, Casa de Amigos VI, Casa Linda, and Las Brisas. We were unable able to acquire information on any of the four subsidized senior properties. Based on the lack of available data, we were unable to complete subsidized senior supply analysis.

Excluded Properties

We attempted to contact the following properties multiple times, but our calls have not been returned as of the date of this study.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Casa De Amigos II	1100 E Dallas Ave	Senior - Section 8	N/A	Could not Contact
Casa De Amigos VI	200 E Helmer Street	Senior - Section 8	N/A	Could not Contact
Casa Linda	301 S Fifth Street	Senior - USDA	32	Could not Contact
Las Brisas	1119 South Tower Road	Senior - LIHTC/USDA	26	Could not Contact

Proposed Construction

There are three senior oriented LIHTC developments with subsidized components in the planning stages in the South Central Hidalgo Submarket.

Mesquite Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, senior-oriented development consisting of 106 units in five one- and three-story buildings. Unit amenities will include mini-blinds, dishwashers, garbage disposals, refrigerators, ovens/ranges, ceiling fans, microwaves, icemakers, and washer/dryer connections in some units. Community amenities will include a community garden, an accessible walking path, central laundry, controlled access gates, a community porch, perimeter fencing, a community room, a fitness center, a library, a 24-hour public telephone, secure access entry to residential buildings, an activity room, off-street parking and service coordination. There will be six studio, 13 one-bedroom, and one two-bedroom public housing units. The remaining 86 studio, one-, and two-bedroom units will be restricted to households earning less than 60 percent of the AMI. Observations in the field confirm that although the project has broken ground, construction has not yet commenced.

Bluebonnet Senior Village, located in Alamo, Texas, received a LIHTC allocation in 2007. The development is a proposed new construction, senior-oriented development consisting of 36 units in 2 two-and three-story elevator serviced buildings. Prior to construction, an existing 12-unit public housing development will be demolished. Field observations confirm that the public housing development has already been demolished. However, the project is not currently under construction. Bluebonnet Senior Village will offer window coverings, ovens/ranges, garbage

disposals, dishwashers, refrigerators with ice makers, microwaves, washer/dryer connections, and ceiling fans. Community amenities will include off-street parking, a central laundry room, a community room, and a senior activity room. There will be 30 one-bedroom and 6 two-bedroom units at 30 and 60 percent of AMI. However all 36 of the units will also be subject to a Project Based Section 8 contract whereby tenants will pay no more than 30 percent of their annual income towards rent.

Villas at Beaumont, located in McAllen, Texas, received a LIHTC allocation in 2008. The development is a proposed new construction, senior-oriented development consisting of 36-units in one multi-story elevator serviced building plus one adjoining clubhouse building. This development will offer 2 one-bedroom units at 30 percent of AMI, 13 one bedroom units at 50 percent of AMI, and 21 one-bedroom units at 60 percent of AMI. All thirty-six units will also have an underlying Project Based Section 8 Subsidy. Due to the recent allocation date of this development, it is assumed that this project is still in the planning stages.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the South Central Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the South Central Hidalgo County Submarket in 2007 is 74,654 and the total number of households in 2012 is projected to be 53,077. The total number of households age 55 and older in the Submarket for 2007 is 25,582, with a 2012 projection of 31,396 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 30.0 percent of the occupied housing unit households in the South Central Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 18.4 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum

income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the South Central Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the South Central Hidalgo County Submarket, approximately 29.6 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 2.0 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the South Central Hidalgo County Submarket, it is estimated that 22.5 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 26.3 percent.

We identified one senior LIHTC/USDA property in this Submarket. We were not able to contact this property. With so few senior LIHTC properties able to provide turnover data in the MSA, we have used the average senior subsidized turnover rate of 6.5 percent.

Unstabilized Rental Units - Existing and Proposed

Retama Village I, located in McAllen, Texas, received a LIHTC allocation in 2006. There will be 64 public housing units and 64 units will be restricted to households earning less than 60 percent of the AMI. Retama Village II, located in McAllen, Texas, received a LIHTC allocation in 2007. There will be 25 public housing units and 49 units restricted to households earning less than 60 percent of the AMI. Sunset Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. There will be 40 public housing units and 60 units restricted to households earning less than 60 percent of the AMI. These 455 units have been deducted from the following demand analysis.

To our knowledge, there are two proposed or under construction senior LIHTC properties in the South Central Hidalgo County Submarket. Mesquite Terrace Apartments, located in Pharr, Texas, received a LIHTC allocation in 2007. There will be 20 public housing units and 86 restricted to households earning less than 60 percent of the AMI. Bluebonnet Senior Village, located in Alamo, Texas, received a LIHTC allocation in 2007. There will be units at 30 and 60 percent of AMI. However all 36 of the units will also be Subject to a Project based Section 8 contract whereby tenants will pay no more than 30 percent of their annual income towards rent. These 142 units have

been deducted from the following senior demand analysis. These units also are deducted from the analysis of all households, as demand from all households includes households age 55 and older.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the South Central Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	5,307	1,851	172	292	292	443	388
2 person	4,307	918	347	351	325	513	352
3 person	3,907	1,306	420	425	273	475	300
4 person	3,725	1,130	331	330	326	541	351
5+person	5,183	1,694	674	475	434	544	408
Total	22,429	6,899	1,945	1,872	1,650	2,517	1,798
Number of Income-Qualified Renter Households		6,899	1,945	1,872	1,650	2,517	1,798
X	Percentage of Rent-Overburdened (29.6%)	2041	576	554	488	745	532
X	Percentage of Substandard Housing (2%)	138	39	37	33	50	36
X	Percentage of Overcrowded Housing (22.5%)	1552	438	421	371	566	405
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		3,732	1,052	1,013	892	1,361	973
<i>Less Existing and Planned Unstabilized Competing Units</i>		299	0	10	319	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		3,433	1,052	1,003	573	1,361	973

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	6,423	2,240	208	354	354	536	469
2 person	4,851	1,034	391	395	366	578	397
3 person	4,466	1,493	480	485	312	543	343
4 person	4,337	1,316	386	384	379	630	408
5+person	6,184	2,022	805	567	517	649	486
Total	26,260	8,105	2,270	2,185	1,928	2,936	2,103
Number of Income-Qualified Renter Households		8,105	2,270	2,185	1,928	2,936	2,103
X	Percentage of Rent-Overburdened (29.6%)	2398	672	646	570	869	622
X	Percentage of Substandard Housing (2%)	162	45	44	39	59	42
X	Percentage of Overcrowded Housing (22.5%)	1824	511	492	434	661	473
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		4,384	1,228	1,182	1,043	1,588	1,137
<i>Less Existing and Planned Unstabilized Competing Units</i>		299	0	10	319	0	0
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		4,085	1,228	1,172	724	1,588	1,137

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	5,307	1,851	172	292	292	443	388
2 person	4,307	918	347	351	325	513	352
3 person	3,907	1,306	420	425	273	475	300
4 person	3,725	1,130	331	330	326	541	351
5+person	5,183	1,694	674	475	434	544	408
Total	22,429	6,899	1,945	1,872	1,650	2,517	1,798
Number of Income-Qualified Renter Households		6,899	1,945	1,872	1,650	2,517	1,798
X	Percentage of Rent-Overburdened (29.6%)	2041	576	554	488	745	532
X	Percentage of Substandard Housing (2%)	138	39	37	33	50	36
X	Percentage of Overcrowded Housing (22.5%)	1552	438	421	371	566	405
X	Percentage of Estimated Turnover (26.3%)	1815	512	492	434	662	473
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		5,546	1,564	1,505	1,326	2,024	1,445
<i>Less Existing and Planned Unstabilized Competing Units</i>		299	0	10	319	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		5,247	1,564	1,495	1,007	2,024	1,445

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	6,423	2,240	208	354	354	536	469
2 person	4,851	1,034	391	395	366	578	397
3 person	4,466	1,493	480	485	312	543	343
4 person	4,337	1,316	386	384	379	630	408
5+person	6,184	2,022	805	567	517	649	486
Total	26,260	8,105	2,270	2,185	1,928	2,936	2,103
Number of Income-Qualified Renter Households		8,105	2,270	2,185	1,928	2,936	2,103
X	Percentage of Rent-Overburdened (29.6%)	2398	672	646	570	869	622
X	Percentage of Substandard Housing (2%)	162	45	44	39	59	42
X	Percentage of Overcrowded Housing (22.5%)	1824	511	492	434	661	473
X	Percentage of Estimated Turnover (26.3%)	2132	597	575	507	772	553
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		6,515	1,825	1,756	1,550	2,360	1,690
<i>Less Existing and Planned Unstabilized Competing Units</i>		299	0	10	319	0	0
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		6,216	1,825	1,746	1,231	2,360	1,690

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,038	1,172	109	104	104	137	105
2 person	1,355	358	135	136	118	143	95
3 person	595	157	82	82	36	57	39
4 person	401	93	37	40	43	75	46
5+person	486	87	37	50	57	63	32
Total	4,875	1,867	399	411	359	475	317
Number of Income-Qualified Renter Households		1,867	399	411	359	475	317
X	Percentage of Rent-Overburdened (29.6%)	552	118	122	106	141	94
X	Percentage of Substandard Housing (2%)	37	8	8	7	10	6
X	Percentage of Overcrowded Housing (22.5%)	420	90	93	81	107	71
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,010	216	223	194	257	171
<i>Less Existing and Planned Unstabilized Competing Units</i>		56	0	0	86	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		954	216	223	108	257	171

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,466	1,418	132	126	126	166	127
2 person	1,611	425	160	162	141	170	113
3 person	729	193	100	101	44	70	47
4 person	523	121	48	52	57	98	60
5+person	622	111	47	64	73	81	41
Total	5,952	2,268	487	505	441	585	388
Number of Income-Qualified Renter Households		2,268	487	505	441	585	388
X	Percentage of Rent-Overburdened (29.6%)	671	144	149	130	173	115
X	Percentage of Substandard Housing (2%)	45	10	10	9	12	8
X	Percentage of Overcrowded Housing (22.5%)	510	110	114	99	132	87
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		1,227	263	273	239	316	210
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>56</i>	<i>0</i>	<i>0</i>	<i>86</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		1,171	263	273	153	316	210

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,038	1,172	109	104	104	137	105
2 person	1,355	358	135	136	118	143	95
3 person	595	157	82	82	36	57	39
4 person	401	93	37	40	43	75	46
5+person	486	87	37	50	57	63	32
Total	4,875	1,867	399	411	359	475	317
Number of Income-Qualified Renter Households		1,867	399	411	359	475	317
X	Percentage of Rent-Overburdened (29.6%)	552	118	122	106	141	94
X	Percentage of Substandard Housing (2%)	37	8	8	7	10	6
X	Percentage of Overcrowded Housing (22.5%)	420	90	93	81	107	71
X	Percentage of Estimated Turnover (6.5%)	121	26	27	23	31	21
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,131	242	249	217	288	192
<i>Less Existing and Planned Unstablized Competing Units</i>		56	0	0	86	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,075	242	249	131	288	192

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,466	1,418	132	126	126	166	127
2 person	1,611	425	160	162	141	170	113
3 person	729	193	100	101	44	70	47
4 person	523	121	48	52	57	98	60
5+person	622	111	47	64	73	81	41
Total	5,952	2,268	487	505	441	585	388
Number of Income-Qualified Renter Households		2,268	487	505	441	585	388
X	Percentage of Rent-Overburdened (29.6%)	671	144	149	130	173	115
X	Percentage of Substandard Housing (2%)	45	10	10	9	12	8
X	Percentage of Overcrowded Housing (22.5%)	510	110	114	99	132	87
X	Percentage of Estimated Turnover (6.5%)	147	32	33	29	38	25
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		1,374	295	306	267	354	235
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>56</i>	<i>0</i>	<i>0</i>	<i>86</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		1,318	295	306	181	354	235

Demand Analysis Conclusions

All Households

As with the other Submarkets in the McAllen-Edinburg-Mission, TX MSA, the analysis of income-qualified renter households in the South Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less; however, occupancy rates at the surveyed family LIHTC and subsidized properties in the Submarket are very low, indicating that there is a sufficient number of income-qualified renter households to support existing affordable housing units. Even with an estimated 486 new family units and 142 new senior units targeting households at 30 to 60 percent of AMI in planning stages or under construction, the number of income-qualified households projected through 2012 shows a strong increase. Although the planned and under construction units will meet some of the affordable housing needs of the Submarket, a growing number of income-qualified households indicates that the need for additional affordable housing units will persist in the Submarket.

Senior Households

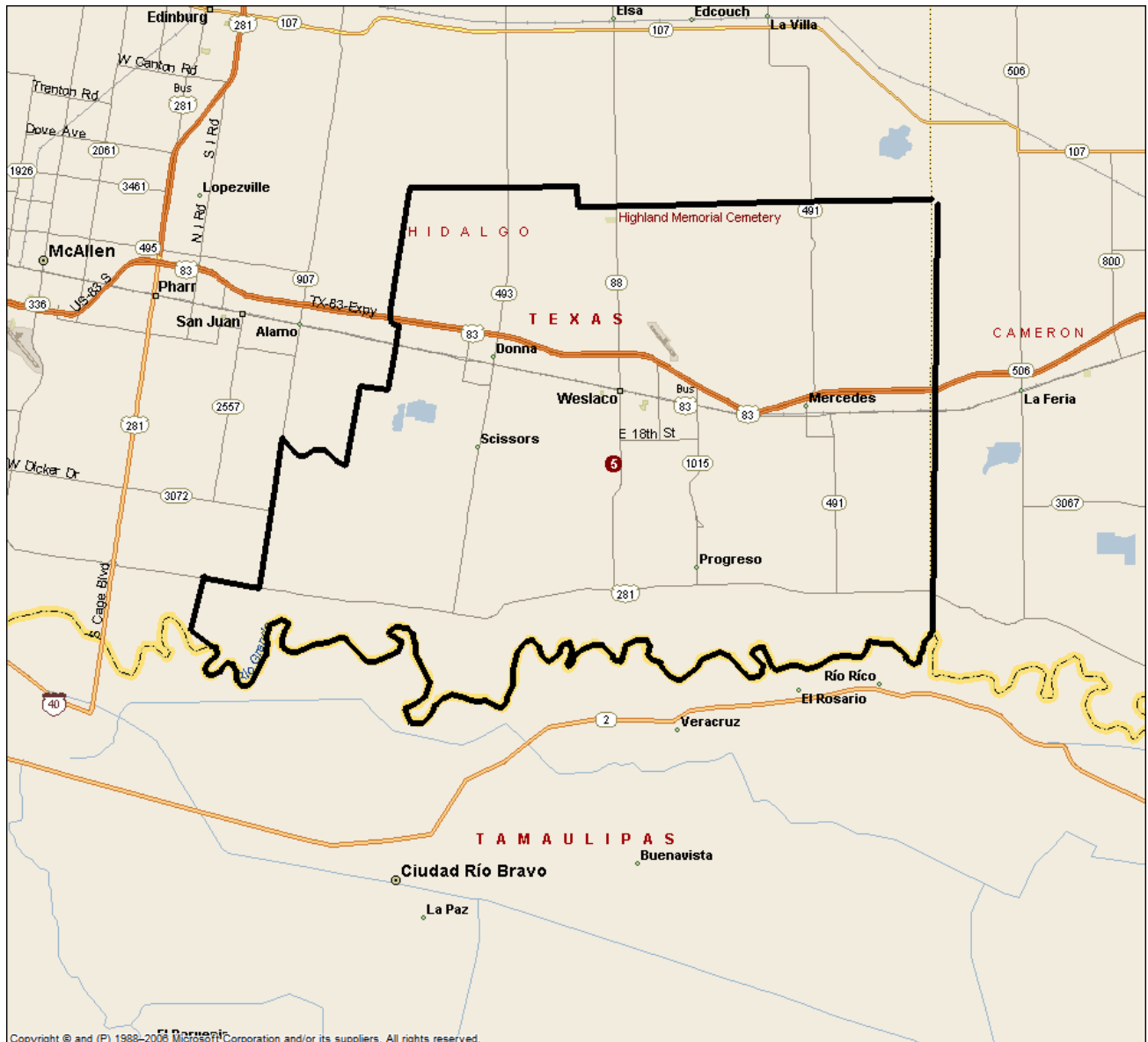
Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are approximately 56 subsidized units serving low-income senior households in the South Central Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. The Submarket currently has 142 new subsidized and LIHTC units for seniors in the planning stages. While this will help to address the need for affordable housing targeting seniors in the Submarket, additional housing will likely still be needed for senior households at the very lowest income levels.

5. SOUTHEAST HIDALGO COUNTY SUBMARKET ANALYSIS

SOUTHEAST HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the Southeast County Submarket, which is bounded to the north by Roosevelt Road, Mile 12 ½ Road North, Mile 6 Road West, and Mile 12 Road North; to the east by Mile 3 East; to the south by the U.S. Mexico Border; and to the west by Stewart Road, Military Highway 281, South Alamo Road/FM-907, Main Floodway Road, Border Road, Lakes Avenue, and Valverde Road. The following map illustrates the boundaries of the Submarket as defined above.

Southeast Hidalgo County Submarket Map



The Southeast Hidalgo County Submarket includes the communities/cities of Donna, Weslaco, and Mercedes. Approximately 40 to 50 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 50 to 60 percent of the area in this Submarket contains very little development and offers limited access to locational amenities and essential services. Development is located along U.S. Highway 83, which is the area's primary thoroughfare, and dissipates slowly in each direction with limited development occurring along the U.S. Mexico border region. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Local Government

As previously mentioned, the Southeast Hidalgo County Submarket includes the communities/cities of Donna, Weslaco, and Mercedes.

Weslaco, Texas is a city in Hidalgo County operating under a Commission-manager form of government. Weslaco was incorporated in 1919 and the city charter was adopted in 1927. According to the City of Weslaco website, Weslaco is comprised of a land area of 13.1 square miles and has an estimated population of 30,416.

Donna, Texas is a city in Hidalgo County operating under a Council-manager form of government. According to the U.S. Census, Donna is comprised of a land area of 5.1 square miles and had a 2000 population of 14,768.

Mercedes, Texas is a city in Hidalgo County. According to the U.S. Census, Mercedes is comprised of a land area of 8.6 square miles and had a 2000 population of 17,649.

Employment by Industry

The following table illustrates employment by industry for the Southeast Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number Employed	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	1,578	4.09%	5,955	2.54%
Mining	167	0.43%	2,143	0.91%
Construction	3,830	9.94%	25,549	10.90%
Manufacturing	2,606	6.76%	13,071	5.58%
Wholesale Trade	1,541	4.00%	9,652	4.12%
Retail Trade	4,730	12.27%	30,163	12.87%
Transportation/Warehousing	1,530	3.97%	9,335	3.98%
Utilities	307	0.80%	1,438	0.61%
Information	472	1.22%	2,704	1.15%
Finance/Insurance	843	2.19%	5,917	2.53%
Real Estate/Rental/Leasing	572	1.48%	3,399	1.45%
Prof/Scientific/Tech Services	851	2.21%	6,868	2.93%
Mgmt of Companies/Enterprises	24	0.06%	82	0.03%
Admin/Support/Waste Mgmt Svcs	1,001	2.60%	8,174	3.49%
Educational Services	6,299	16.34%	36,869	15.73%
Health Care/Social Assistance	5,445	14.13%	29,322	12.51%
Arts/Entertainment/Recreation	174	0.45%	2,302	0.98%
Accommodation/Food Services	2,814	7.30%	16,906	7.21%
Other Services (excl Publ Adm)	2,121	5.50%	13,767	5.88%
Public Administration	1,634	4.24%	10,715	4.57%
Total Employment	38,539	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the Southeast Hidalgo County Submarket are the educational services, health care/social assistance, retail trade, and construction sectors. Approximately 52.7 percent of people in the Submarket work in these four industries. The Submarket has a larger number of persons employed in the educational services and healthcare/social assistance sectors and a smaller number of people employed in the retail trade and construction sectors, relative to the MSA. Although educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Submarket due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing.

Commute Patterns in the Southeast Hidalgo County Submarket

The table below summarizes commute times for the Southeast Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	750
5-9 min	3,567
10-14 min	5,712
15-19 min	5,766
20-24 min	3,924
25-29 min	1,314
30-34 min	4,921
35-39 min	409
40-44 min	236
45-59 min	930
60-89 min	652
90+ min	466
Average Travel Time	21.1 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The largest share of workers in the Southeast Hidalgo County Submarket has a travel time to work of 15 to 19 minutes. The employment centers of Weslaco, Donna and Mercedes are accessible by most workers in less than 35 minutes.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the Southeast Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied to determine if the McAllen-Edinburg-Mission MSA and the Southeast Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the Southeast Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Year	Total Population			
	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	78,368	-	383,545	-
2000	102,051	3.02%	569,463	4.85%
2007	131,745	4.01%	732,166	3.94%
2012	156,484	3.76%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Both the Submarket and the MSA show strong growth from 2007 through 2012, although the Submarket will grow at a faster rate than the MSA from 2007 through 2012. Overall, the rate of population growth in the Submarket and MSA will decrease slightly from 2007 through 2012. However, growth rates in the Submarket and MSA from 2007 to 2012 are considered very strong and are a positive indicator of the need for all forms of housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
Southeast Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	7,518	10,558	14,568	17,347
5-9	8,175	10,473	13,014	15,250
10-14	8,398	9,928	11,840	14,418
15-19	8,295	9,437	11,223	12,996
20-24	5,981	7,695	10,017	11,890
25-29	5,462	7,102	10,064	10,718
30-34	5,353	6,619	8,801	10,394
35-39	5,243	6,251	8,360	9,150
40-44	4,271	5,792	7,195	8,865
45-49	3,180	5,300	6,888	8,084
50-54	2,631	4,445	6,466	7,501
55-59	2,584	3,358	5,282	7,495
60-64	2,643	3,244	3,890	5,913
65-69	2,804	3,386	3,764	4,371
70-74	2,233	3,147	3,382	3,730
75-79	1,675	2,525	3,066	3,288
80-84	1,085	1,552	2,148	2,686
85+	837	1,239	1,777	2,388
Total	78,368	102,051	131,745	156,484
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	20,711	-	103,479	-
2000	27,955	3.50%	156,824	4.76%
2007	36,802	4.37%	205,804	4.31%
2012	43,954	3.89%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to population growth, the household growth in the submarket and MSA show positive gains from 2007 through 2012, although the Submarket will grow at a faster rate than the MSA from 2007 through 2012. Household growth in the Submarket increased from 2000 to 2007 but is expected to decrease slightly from 2007 through 2012; however, the growth rate in the Submarket from 2007 through 2012 is still very strong. Similarly, household growth in the MSA is expected to slow from 2007 through 2012.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.64	-	3.60	-
2007	3.57	-0.27%	3.53	-0.27%
2012	3.55	-0.11%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly larger than the MSA, and both are significantly larger than the national average size of 2.59 (not shown). The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	\$22,735	-	\$24,843	-
2007	\$27,466	2.87%	\$30,519	3.15%
2012	\$31,173	2.70%	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 10 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket and in the MSA is projected to grow at a slower rate from 2007 through 2012 than the previous seven years. It should be noted that the median household income in the Submarket and MSA were approximately 51.7 and 57.4 percent of the national average in 2007. The lower median income levels in the Submarket and MSA indicate an increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - Southeast Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	7,175	19.5%	7,103	16.2%
\$10,000-\$14,999	3,128	8.5%	3,796	8.6%
\$15,000-\$19,999	3,464	9.4%	3,467	7.9%
\$20,000-\$24,999	3,107	8.4%	3,328	7.6%
\$25,000-\$29,999	2,853	7.8%	3,558	8.1%
\$30,000-\$34,999	2,742	7.5%	2,777	6.3%
\$35,000-\$39,999	2,327	6.3%	3,129	7.1%
\$40,000-\$44,999	2,216	6.0%	2,323	5.3%
\$45,000-\$49,999	1,767	4.8%	2,310	5.3%
\$50,000-\$59,999	2,392	6.5%	3,590	8.2%
\$60,000-\$74,999	2,353	6.4%	3,209	7.3%
\$75,000-\$99,999	1,532	4.2%	2,650	6.0%
\$100,000-\$124,999	862	2.3%	1,191	2.7%
\$125,000-\$149,999	358	1.0%	651	1.5%
\$150,000-\$199,999	213	0.6%	391	0.9%
\$200,000-\$249,999	138	0.4%	195	0.4%
\$250,000-\$499,999	147	0.4%	223	0.5%
\$500,000+	28	0.1%	63	0.1%
Total	36,802	100%	43,954	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-\$124,999	7,409	3.6%	10,073	4.1%
\$125,000-\$149,999	3,767	1.8%	6,223	2.5%
\$150,000-\$199,999	2,290	1.1%	4,504	1.8%
\$200,000-\$249,999	1,246	0.6%	2,018	0.8%
\$250,000-\$499,999	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 37.4 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007 with the lowest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 32.7 percent and 29.4 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents is 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	13,861	-	63,856	-
2000	18,451	3.3%	90,763	4.2%
2007	23,309	3.6%	116,831	4.0%
2012	29,871	5.6%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

In contrast to general population trends in the MSA from 2007 through 2012, the senior population in the MSA is expected to increase dramatically from 2007 through 2012. Similarly, senior population growth in the Submarket is also expected to increase dramatically from 2007 through 2012, relative to the general population in the Submarket from 2007 through 2012. Senior population growth in both the Submarket and the MSA is expected to grow at an exceptional rate from 2007 through 2012, with growth in the Submarket similar to that of the MSA.

The exceptional projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	Southeast Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	10,807	-	52,073	-
2007	13,809	3.8%	67,113	4.0%
2012	17,753	5.7%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth in the Submarket and MSA is expected to be exceptionally strong through 2012. Similar to senior population estimates, the household growth rate is expected to increase through 2012. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		Southeast Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
			<i>All Ages</i>			
2007	\$30,519	-	\$27,466	-	\$53,154	-
2012	\$35,078	2.59%	\$31,173	2.38%	\$62,503	3.52%
			<i>Age 55+</i>			
2007	\$27,687	-	\$26,093	-	\$32,710	-
2012	\$32,712	3.07	\$30,744	3.01%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all areas of analysis are below those of all households. Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The senior median household income in the Submarket and MSA were approximately 79.8 and 84.6 percent, respectively, of the national average in 2007.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - Southeast Hidalgo County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	4,434	32.1%	4,982	28.1%
\$15,000-\$24,999	2,307	16.7%	2,527	14.2%
\$25,000-\$34,999	1,562	11.3%	1,833	10.3%
\$35,000-\$49,999	2,409	17.4%	3,187	18.0%
\$50,000-\$74,999	1,815	13.1%	2,907	16.4%
\$75,000-\$99,999	484	3.5%	980	5.5%
100,000-\$149,999	573	4.1%	943	5.3%
150,000-\$199,999	76	0.6%	152	0.9%
200,000-\$249,999	80	0.6%	118	0.7%
250,000-\$499,999	62	0.4%	105	0.6%
\$500,000+	7	0.1%	19	0.1%
Total	13,809	100%	17,753	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-\$24,999	10,918	16.3%	11,816	13.8%
\$25,000-\$34,999	8,645	12.9%	10,306	12.0%
\$35,000-\$49,999	9,485	14.1%	12,964	15.1%
\$50,000-\$74,999	9,921	14.8%	13,604	15.9%
\$75,000-\$99,999	3,485	5.2%	6,161	7.2%
100,000-\$149,999	3,783	5.6%	6,157	7.2%
150,000-\$199,999	728	1.1%	1,622	1.9%
200,000-\$249,999	543	0.8%	933	1.1%
250,000-\$499,999	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Compared to the MSA, the Submarket had the largest percentage of seniors earning less than \$35,000 annually in 2007. Approximately 60.1 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The MSA features slightly fewer senior households in these income brackets when compared to the Submarket. By 2012, both areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 52.6 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. These factors indicate that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Southeast Hidalgo County Submarket					McAllen-Edinburg-Mission, TX MSA			
Year	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	9,050	83.7%	1,757	16.3%	43,784	84.1%	8,289	15.9%
2007	11,564	83.7%	2,245	16.3%	56,430	84.1%	10,683	15.9%
2012	14,867	83.7%	2,886	16.3%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units in all areas of analysis. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in developing submarkets, where owner-occupied housing is predominant.

Senior Demographic Conclusion

Although the median senior household income for the Submarket is projected to increase from 2007 to 2012, growth in the national and MSA’s median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket feature significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Approximately 60.1 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The Submarket features slightly more senior households in these income brackets when compared to the MSA and national averages.

LOCAL MARKET INFORMATION

Southeast County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There is one primary health care provider serving the Southeast Hidalgo County Submarket, the South Texas Branch Knapp Medical Center, located in Weslaco. The Knapp Medical Center is a non-profit 233-bed medical center which provides general hospital care to a rural and city population of approximately 175,000 people. The Knapp Medical Center has 220 physicians and has a medical staff of over 1,000. Additionally, there are 11 home health care agencies, 206 doctors, nine dentists, four nursing homes, and nine pharmacies located in Weslaco. Mercedes, Texas has seven physicians, three medical clinics, and one dentist.

Transportation

The Southeast Hidalgo County Submarket is served by the McAllen Miller International Airport, which is located approximately 18 miles east of Weslaco, Texas. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Highway access to the Southeast Hidalgo County Submarket can be accomplished via U.S. Highway 83. U.S. Highway-83 runs east/west from Harlingen, Texas to Manitoba, Canada.

Education

The Southeast Hidalgo County Submarket is served by the Weslaco Independent School District, the Mercedes Independent School District, Donna Independent School District, the Progreso Independent School District, and the South Texas Independent School District. The Weslaco Independent School District has ten elementary schools, four middle schools, one secondary school, three high schools, and two alternative schools with a total enrollment of 15,703 and 1,024 teachers. The Mercedes Independent School District has five elementary schools, one middle school, and three high schools with a total enrollment of 5,072. The Progreso Independent School District has one high school, two middle schools and one elementary school. The South Texas Independent School District serves junior high and high school students in the Rio Grande Valley. The district stretches over three counties, Cameron, Hidalgo and Willacy, and overlaps 28 other school districts in an area 3,643 miles in size. The district is comprised of five magnet schools, two of which are located in Mercedes, Texas, South Texas High school for Health Professions and The Science Academy of South Texas.

The nearest community college is the Weslaco branch of the South Texas Community College System. The nearest universities are located outside of the Submarket in Edinburg and McAllen, approximately 5 to 15 miles east of Mission along U.S. Highway 83. The University of Texas Pan American in Edinburg, Texas has 17,337 students, including 2,261 graduate students and is the tenth largest university in the state and the fifth largest in the UT system. McAllen offers five major colleges/universities including the San Antonio College of Medical and Dental Assistants, South

Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

Valley Transit Company serves the city of Weslaco and the Southeast Hidalgo County Submarket. Valley Transit is a full-service bus company that serves South Central Texas and Northern Mexico with more than 50 daily schedules, as well as connections to nationwide travel on Greyhound Lines. The nearest Valley Transit Travel Center and Bus Stop is located at 113 East 3rd Street in Weslaco and is open 24 hours a day.

Employment Centers

There are a moderate to extensive number of employment centers in the Southeast Hidalgo County Submarket. The majority of employment centers are located in Weslaco. The largest employers in the city of Weslaco are:

Rank	Company	Industry	Employees
1	Weslaco ISD	Education	2,276
2	Knapp Medical Center	Healthcare	1,000+
3	Wal-Mart	Retail	500
4	Woodcrafters	Manufacturing	376
5	City of Weslaco	Government	367
6	H-E-B #1	Retail	255
7	Payne Auto Group	Retail	246
8	South Texas College	Education	240
9	H-E-B #2	Retail	186
10	Texas A&M Research Center	Education	180

Source: City of Weslaco website: August 2008

The largest employers in the city of Mercedes are:

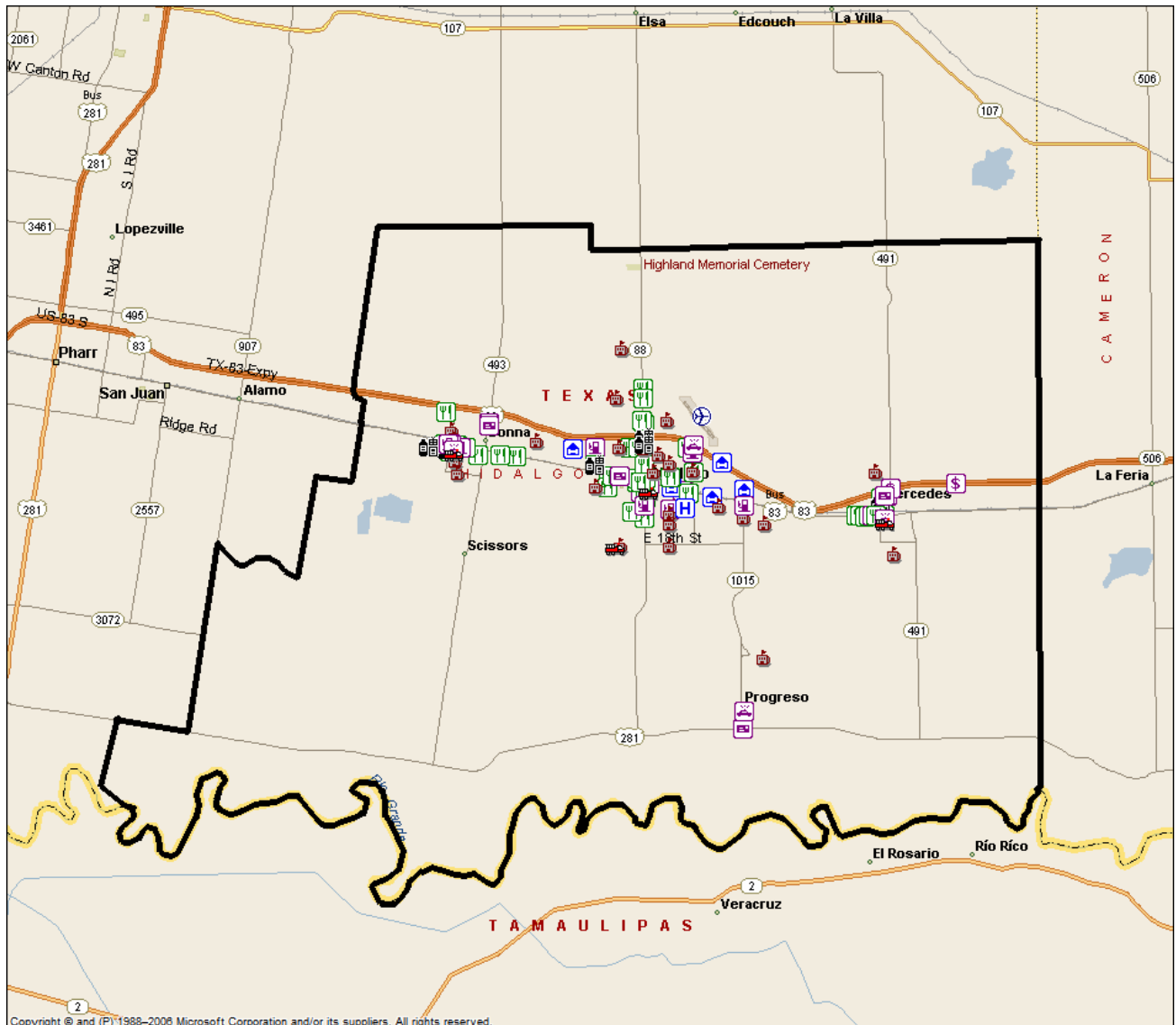
Rank	Company	Industry	Employees
1	Mercedes ISD	Education	850
2	South Texas ISD	Education	430
3	H&H Meats	Manufacturing	370
4	L&G Concrete	Construction	300
5	Magic Valley Electric Co-Op	Utilities	160
6	H-E-B	Retail	145
7	C&C Bakery, Inc.	Retail	100
8	Rios of Mercedes	Retail	65
9	Borden's Inc.	Manufacturing	55
10	Queen City Apparel Master	Manufacturing	43

Based on the largest employers above, employment in the Submarket is dominated by the education, healthcare, retail, and manufacturing sectors. According to 2007 employment by industry demographics, the top four employment sectors in the Southeast Hidalgo County Submarket are the educational services, health care/social assistance, retail trade, and construction sectors. Approximately 52.7 percent of people in the Submarket work in these four industries. The demographic data and anecdotal data suggest that the Submarket is dominated by the education, healthcare and retail industries. Though there is a discrepancy regarding the dominance of the construction industry versus the manufacturing industry, when comparing both sets of data, it is

important to note that the top two employers overall are education and healthcare, which are historically stable industries. Retail trade and construction/manufacturing are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare. Therefore, despite the prevalence of the retail trade and construction/manufacturing industries in the Submarket, the high concentration of people employed in education and healthcare industries should promote economic stability throughout the current economic downturn.

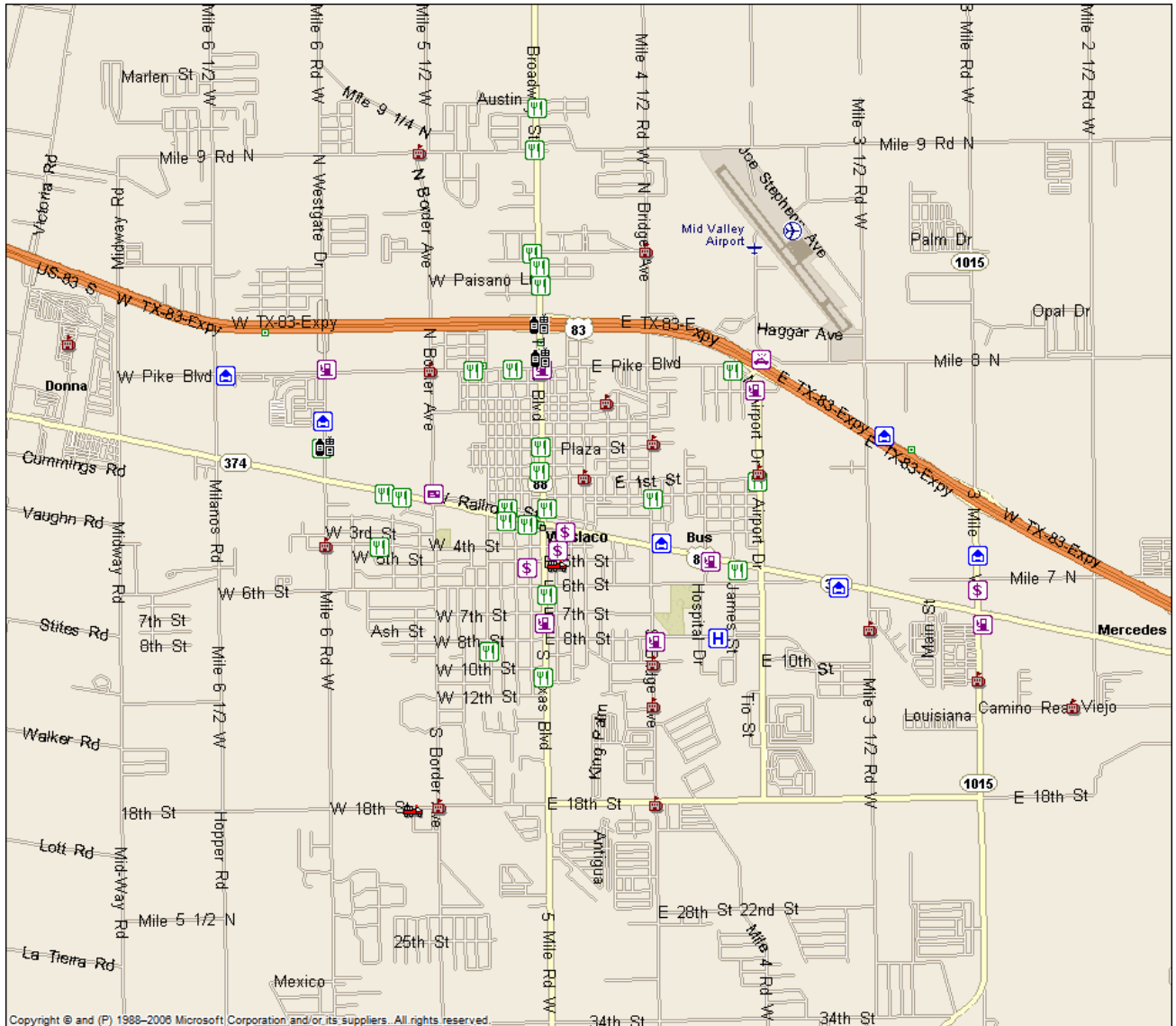
Proximity to Local Services

There are a moderate to extensive number of locational amenities in the Southeast Hidalgo County Submarket. The majority of locational amenities are located in and surrounding the cities of Weslaco and Mercedes, Texas.



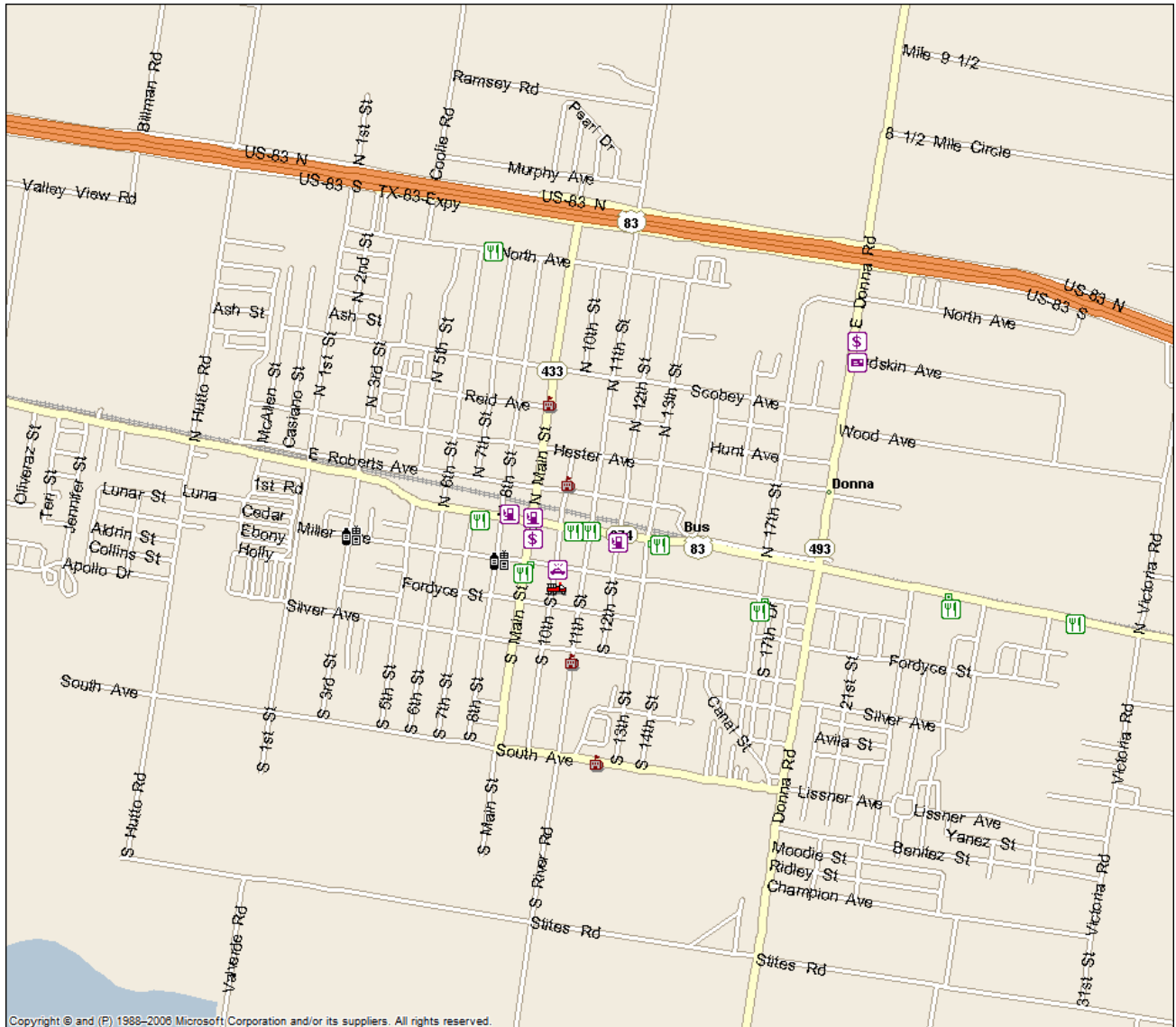
Source: Novogradac and Company LLP, July 2008.

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX



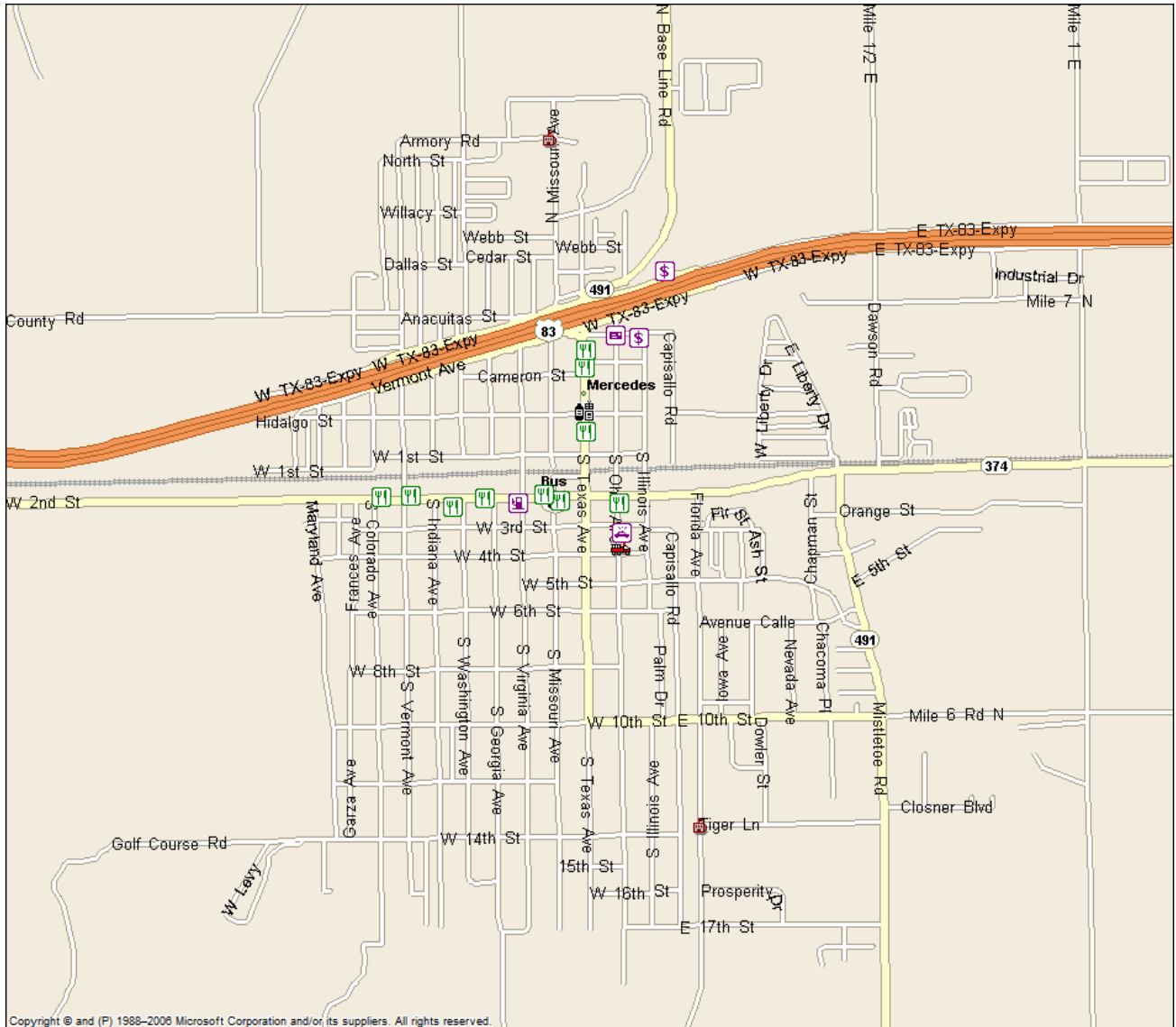
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Source: Novogradac and Company LLP, July 2008

	Ranch		School		Bank
	United States Post Office		Hospital		
	Fire Station		Airport		
	Restaurant		Police Station		
	Hotel/Motel		College/University		
	Grocery/Supermarket		Gas Station		

HOUSING SUPPLY ANALYSIS

SOUTHEAST HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the Southeast Hidalgo County Submarket.

AGE OF HOUSING STOCK IN PMA

Years	Number of Units	Percent of Housing Stock
1999-3/2000	1,345	3.74%
1995-1998	5,205	14.48%
1990-1994	4,831	13.44%
1980-1989	8,793	24.46%
1970-1979	6,616	18.40%
1960-1969	4,361	12.13%
1950-1959	2,390	6.65%
1940-1949	1,242	3.45%
1939 and Before	1,171	3.26%
Total	35,954	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (70.78 percent) in the West Central Hidalgo County Submarket was constructed from 1970 through 1998. The Submarket consists of moderate residential development including primarily of single-family homes with some multifamily housing. Based upon observations in the field, the predominant form of housing in this Submarket is owner-occupied single-family homes to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008.

Interviews

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Housing Choice Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding those administered by the McAllen Housing Authority. Two of these developments are located in the Southeast Hidalgo County Submarket, Northside Apartments and Villa Sandoval-Longoria. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County, and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Housing Authority of the City of Weslaco

According to Jaime Villa, Section 8 Director in the Housing Authority of the City of Weslaco, there are currently 484 Housing Choice Vouchers designated for the City of Weslaco. Approximately 480 of the vouchers are currently in use. According to Mr. Villa, the payment standards being used in Weslaco match those published by the Housing Authority of the County of Hidalgo. The waiting list for housing choice vouchers is currently open and the waiting list has approximately 500 applicants. According to Mr. Villa, three-bedroom units are in high demand and approximately five percent of the applicants on the waiting list are senior/disabled households. There are two family public housing developments currently being administered by the Weslaco Housing Authority, Sevilla Apartments and Centerpointe Homes. There is one senior-targeted public housing development, Alta Vista Senior Towers, currently undergoing renovations and scheduled to be completed in September of 2009.

Housing Authority of the City of Donna

According to Norma Guytan, Section 8 Director in the Housing Authority of the City of Donna, there are currently 296 Housing Choice Vouchers designated for the City of Donna. Approximately 280 of the vouchers are currently in use. According to Ms. Guytan, the payment standards being used in Donna are as follows:

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$567
Two-bedroom	\$669
Three-bedroom	\$803
Four-bedroom	\$923

The payment standards being used by the Donna Housing Authority are notably higher than those published by the Housing Authority of the County of Hidalgo. The waiting list for housing choice vouchers is currently closed and the waiting list has approximately 250 to 300 applicants. According to Ms. Guytan, two- and three-bedroom units are in high demand and approximately 10 percent of the applicants on the waiting list are senior/disabled households. There is one family public housing development currently being administered by the Donna Housing Authority, Mesa Vista.

Housing Authority of the City of Mercedes

According to Irma Perez, Section 8 Director in the Housing Authority of the City of Mercedes, there are currently 290 Housing Choice Vouchers designated for the City of Donna. Approximately 247 of the vouchers are currently in use. According to Ms. Perez, the payment standards being used in Mercedes are as follows:

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$464
Two-bedroom	\$548
Three-bedroom	\$657
Four-bedroom	\$755

The payment standards being used by the Mercedes Housing Authority are notably lower than those published by the Housing Authority of the County of Hidalgo. The waiting list for housing choice vouchers is currently closed and the waiting list has approximately 200 applicants. Ms. Perez was unaware of the number of senior/disabled applicants on the waiting list. Ms. Perez did not have information regarding Public Housing in Mercedes and our phone calls to the public housing contact have not been returned as of the date of this study.

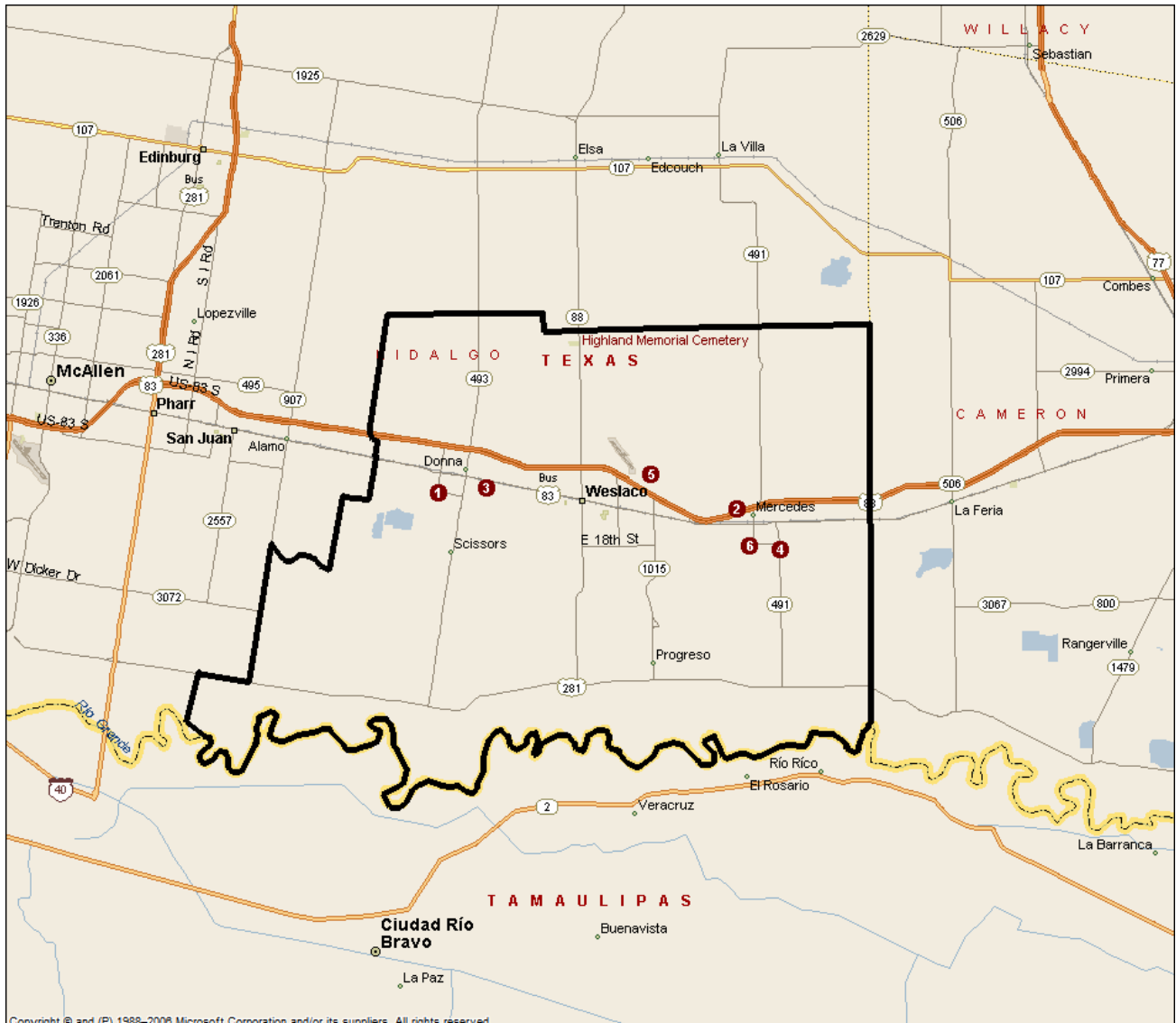
City of Weslaco Planning and Code Enforcement

We attempted to contact Adrian Torres and David Sifuentes with the Planning and Code enforcement divisions of the City of Weslaco, Texas. However, our inquiries regarding proposed or under construction multifamily development have not been addressed as of the date of this study.

LIHTC Family Supply

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified 10 family LIHTC developments in the Southeast Hidalgo County Submarket. Of the 10 LIHTC developments, Oak Haven, Mesa Vista, Sevilla, and Centerpointe Homes have either an underlying USDA or Section 8 subsidy and are comprised entirely or in part of public housing units. Therefore, these properties have been excluded from the family LIHTC analysis and will be addressed in the family subsidized analysis section. The six of the remaining family LIHTC developments were able to provide current property and market data. The excluded properties list on the following pages lists the four family LIHTC properties in the PMA that were excluded from this analysis and the basis for their exclusion. A map of the surveyed properties can be found below:



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SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Amistad Apartments	Donna	LIHTC/Market – Family
2	Anacuitas Manor Apartments	Mercedes	LIHTC – Family
3	Arbor Cove	Donna	LIHTC/Market – Family
4	Casa Saldana	Mercedes	LIHTC/Market – Family
5	La Estancia Apartments	Weslaco	LIHTC/Market – Family
6	La Herencia Apartments	Mercedes	LIHTC – Family

The following pictures identify the surveyed LIHTC family properties in the Submarket:



Amistad Apartments



Anacuitas Manor Apartments



Arbor Cove



Casa Saldana



La Estancia Apartments



La Herencia Apartments

Excluded Properties

The excluded properties list below lists the four family LIHTC properties in the PMA that were excluded from this analysis and the basis for their exclusion.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Oak Haven Apartments	513 W Frontage Road	LIHTC/USDA	24	Superceding subsidy
Mesa Vista	1301 South Salinas Street	LIHTC/Public Housing	76	Superceding subsidy
Sevilla Apartments	600 North Airport	LIHTC/Public Housing	80	Superceding subsidy/ scheduled for demolition
Centerpointe Homes	3401 Diamond Boulevard	LIHTC/Section 8/Public Housing	30	Superceding subsidy

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are five family properties in the Southeast Hidalgo Submarket, which have received an allocation in the last three years.

RECENT LIHTC ALLOCATIONS					
Name	Address	Type	No. of Units	Status	Date of Allocation
Sevilla Apartments	600 North Airport Road	LIHTC/Public Housing-Family	80	Currently scheduled for demolition and reconstruction	2005/2008
Centerpointe Homes	3401 Diamond Boulevard	LIHTC/Section 8/Public Housing-Family	36	Complete and 100 percent occupied; being used in family subsidized supply analysis	2006
Casa Saldana	1225 N FM 491	LIHTC/Market-Family	196	Complete and 98.5 percent occupied; being used in family LIHTC analysis	2004/2007
Mesa Vista	1301 South Salinas	LIHTC/Public Housing-Family	76	Complete and 100 percent occupied; being used in family subsidized supply analysis	2005/2008
Arbor Cove	2805 Fordyce	LIHTC-Family	120	Complete and 99.2 percent occupied; being used in family LIHTC analysis	2004/2007

The only property scheduled for construction or renovation is Sevilla Apartments in Weslaco. Sevilla Apartments received a large LIHTC allocation in 2005 and then a smaller allocation again in 2008. The project is a proposed rehabilitation of a family oriented, multifamily public housing complex consisting of 80-units in 22 residential buildings and constructed in 1976. According to the property manager, the existing public housing development will be demolished and reconstruction will take place using tax credit funding. However, according to the 2005 LIHTC application, the existing public housing is scheduled for renovation as opposed to reconstruction. In either case, observations in the field confirm that renovation/demolition or reconstruction have not yet commenced. Upon rehabilitation/reconstruction, there will be 80 one-, two-, and three-bedroom units restricted to households earning less than 30 and 60 percent of the AMI. As previously mentioned, the units currently operate as public housing with a subsidy based on the Housing Authority’s HUD-approved Annual Contributions Contract. However, once the units have been rehabilitated/reconstructed, the development will no longer receive the HUD subsidy.

All of the remaining recently allocated properties are fully constructed and stabilized. We are not aware of any other proposed or under construction family-oriented LIHTC developments in the Submarket.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market. Management at Casa Saldana was unable to provide a breakdown by unit type and therefore was excluded from this analysis.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	64	11.5%
2 BR	194	34.9%
3 BR	241	43.3%
4 BR	57	10.3%
Total	556	100%

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market. Only one property is offering four-bedroom units and therefore an analysis of the four-bedroom unit size has not been conducted.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	570	750	640
2 BR	800	990	920
3 BR	1,015	1,240	1,127

The one, two, and three-bedroom unit sizes for the surveyed LIHTC properties in the market are 19.2 percent smaller, 1.8 percent larger, and 10.8 percent larger than the surveyed market rate one-, two-, and three-bedroom units in the Submarket.

Common and In-Unit Amenities

	Amistad Apartments	Anacuitas Manor Apartments	Arbor Cove	Casa Saldana	La Estancia Apartments	La Herencia Apartments
Comp #	Subject	1	2	3	4	5
Property Information						
Property Type	Garden	Garden	Single Family	One-story	Garden	Garden
Year Built / Renovated	2001	1998	2004	2006	2002	1999
Market (Conv.)/Subsidy Type	@50%, @60%, Market	@50%, @60%	@30%, @40%, @50%, @60%, Market	@40%, @50%, @60%, Market	@50%, @60%, Market	@50%, @60%
In-Unit Amenities						
Balcony/Patio	yes	no	yes	yes	yes	yes
Blinds	yes	yes	yes	yes	yes	yes
Cable/Satellite/Internet	yes	no	no	no	yes	no
Carpeting	yes	yes	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes
Coat Closet	yes	no	yes	yes	no	no
Dishwasher	yes	yes	yes	yes	yes	yes
Exterior Storage	no	no	no	yes	no	yes
Ceiling Fan	yes	yes	yes	yes	yes	no
Garbage Disposal	no	yes	yes	yes	yes	yes
Oven	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes
Walk-In Closet	yes	yes	yes	yes	yes	no
Washer/Dryer hookup	no	yes	yes	no	no	no
Property Amenities						
Business Center/Computer Lab	no	no	yes	yes	yes	no
Carport	yes	no	no	no	yes	no
Clubhouse/Meeting Room/Community Room	yes	yes	yes	yes	yes	yes
Exercise Facility	no	no	yes	no	no	no
Garage	no	no	yes	no	no	no
Central Laundry	yes	no	yes	yes	yes	yes
Off-Street Parking	yes	yes	no	yes	yes	no
On-Site Management	yes	yes	no	yes	yes	yes
Picnic Area	yes	no	yes	yes	no	no
Playground	yes	yes	yes	yes	yes	yes
Swimming Pool	yes	yes	yes	yes	yes	yes
Volleyball Court	no	no	yes	yes	no	no
Carport Fee	\$5.00	--	--	--	\$10.00	--
Services						
Afterschool Program	yes	no	no	no	no	no
Computer Tutoring	no	no	no	no	yes	no
Daycare	no	no	no	no	yes	no
Security						
Limited Access	yes	no	no	no	yes	yes
Perimeter Fencing	yes	no	no	yes	yes	yes
Premium Amenities						
Other Amenities						
Other	n/a	n/a	n/a	n/a	n/a	n/a

The existing LIHTC multifamily properties in the Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include balconies/patios, window covers, carpeting, central air, dishwashers, ceiling fans, garbage disposals, ovens, refrigerators, and walk-in-closets. Washers/dryers and washer/dryer connections are not prevalent in the family LIHTC market. Most of the surveyed LIHTC properties offer community amenities including a clubhouse/community room, a central laundry, off-street parking, on-site management, a playground, and a swimming pool. Approximately half of the properties offer a business center/computer room and picnic areas. Security features such as perimeter fencing and limited access are prevalent in the Submarket. Only two of the surveyed properties offered non-shelter services such as an afterschool program, daycare and tutoring; it is not considered a LIHTC market standard in the Submarket. Additionally, premium amenities are offered by the surveyed LIHTC properties in the Submarket.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type for the surveyed properties. Management at Casa Saldana was unable to provide a breakdown by unit type and therefore was excluded from this analysis.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	64	7	10.93%
2 BR	194	10	5.15%
3 BR	241	7	2.90%
4 BR	57	0	0.00%
Total	556	25	4.50%

The highest weighted vacancy rates in the Submarket are found in the smaller bedroom types. It should be noted that the surveyed market rate properties in the Submarket have an average weighted vacancy rate of 3.40 percent. Affordable properties typically exhibit vacancy rates lower than that of market rate properties. The vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. The higher than average weighted vacancy rate for the LIHTC unit in the Submarket could be indicative of a lack of income qualified tenants for the 60 percent of AMI units.

Absorption

Only one property, Casa Saldana, constructed in 2006, was able to provide an absorption rate of 12.4 units per month.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Households
Amistad Apartments	76	None
Anacuitas Manor	72	10HH
Arbor Cove	120	LIHTC units only; 12 HH
Casa Saldana	196	LIHTC units only; 15HH
La Estancia	128	None
La Herencia	160	None

Three of the six surveyed family LIHTC properties currently maintain small waiting lists with an average length of 12 households per month.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Amistad Apartments	76	6.60%
Anacuitas Manor	72	1.40%
Arbor Cove	120	0.80%
Casa Saldana	196	1.50%
La Estancia	128	5.50%
La Herencia	160	6.90%
AVERAGE	752	3.78%

Overall vacancy at the surveyed family LIHTC properties is slightly higher than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 2.28 percent. All of the surveyed LIHTC properties were constructed between 1998 and 2006 and all of the surveyed LIHTC properties offer some units at lower set-asides. The overall average vacancy rate appears slightly higher than is typical considering the age, condition, and unit mix of the surveyed LIHTC properties.

Concessions

Only one of the LIHTC properties in the market is offering a concession. Concessions are not prevalent in the market

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
Amistad Apartments	76	47%
Anacuitas Manor	72	33%
Arbor Cove	120	27%
Casa Saldana	196	50%
La Estancia	128	47%
La Herencia	160	15%
AVERAGE		36.5%

The average turnover rate for the LIHTC family properties in the market (36.5 percent) is higher than the turnover rates for the subsidized and market rate properties in the Submarket, with 21.2 percent and 26.5 percent, respectively.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
Amistad Apts. 202 South Avenue West Donna, TX 78537 Hidalgo County	Garden 2001	@50%, @60%, Market	1BR / 1BA	9	11.80%	@60%	\$490	600	yes	No	2	22.20%
			1BR / 1BA	3	3.90%	Market	\$499	600	n/a	No	0	0.00%
			2BR / 2BA	10	13.20%	@50%	\$490	900	yes	No	0	0.00%
			2BR / 2BA	14	18.40%	@60%	\$588	900	yes	No	1	7.10%
			2BR / 2BA	8	10.50%	Market	\$599	900	n/a	No	1	12.50%
			3BR / 2BA	8	10.50%	@50%	\$566	1,100	yes	No	0	0.00%
			3BR / 2BA	16	21.10%	@60%	\$680	1,100	yes	No	1	6.20%
			3BR / 2BA	8	10.50%	Market	\$699	1,100	n/a	No	0	0.00%
				76	100%						5	6.60%
Anacuitas Manor Apts. 500 Tangerine Avenue Mercedes, TX 78570 Hidalgo County	Garden 1998	@50%, @60%	2BR / 2BA	8	11.10%	@50%	\$417	990	yes	Yes	0	0.00%
			2BR / 2BA	28	38.90%	@60%	\$517	990	yes	Yes	0	0.00%
			3BR / 2BA	36	50.00%	@60%	\$593	1,189	yes	Yes	1	2.80%
				72	100%						1	1.40%
Arbor Cove 2805 Fordyce Donna, TX 78537 Hidalgo County	Single Family 2004	@30%, @40%, @50%, @60%, Market	2BR / 2BA	4	3.30%	@30%	\$210	980	yes	12HH Total	0	0.00%
			2BR / 2BA	2	1.70%	@40%	\$308	980	yes	12HH Total	0	0.00%
			3BR / 2BA	5	4.20%	@40%	\$350	1,240	yes	12HH Total	0	0.00%
			3BR / 2BA	14	11.70%	@50%	\$463	1,240	yes	12HH Total	0	0.00%
			3BR / 2BA	32	26.70%	@60%	\$577	1,240	yes	12HH Total	0	0.00%
			3BR / 2BA	6	5.00%	Market	\$569	1,240	n/a	No	1	16.70%
			4BR / 2BA	5	4.20%	@40%	\$374	1,360	yes	12HH Total	0	0.00%
			4BR / 2BA	14	11.70%	@50%	\$500	1,360	yes	12HH Total	0	0.00%
			4BR / 2BA	32	26.70%	@60%	\$627	1,360	yes	12HH Total	0	0.00%
			4BR / 2BA	6	5.00%	Market	\$618	1,360	n/a	No	0	0.00%
				120	100%						1	0.80%
Casa Saldana 1225 N FM 491 Mercedes, TX 78570 Hidalgo County	One-story 2006	@40%, @50%, @60%, Market	1BR / 1BA	N/A	N/A	@40%	\$265	750	no	Yes	0	N/A
			1BR / 1BA	N/A	N/A	@50%	\$346	750	no	Yes	0	N/A
			1BR / 1BA	N/A	N/A	@60%	\$428	750	no	Yes	0	N/A
			1BR / 1BA	N/A	N/A	Market	\$475	750	n/a	No	2	N/A
			2BR / 2BA	N/A	N/A	@40%	\$319	947	no	Yes	0	N/A
			2BR / 2BA	N/A	N/A	@50%	\$417	947	n/a	Yes	0	N/A
			2BR / 2BA	N/A	N/A	@60%	\$515	947	no	Yes	0	N/A
			2BR / 2BA	N/A	N/A	Market	\$575	947	n/a	No	1	N/A
			3BR / 2BA	N/A	N/A	@40%	\$363	1,068	no	Yes	0	N/A
			3BR / 2BA	N/A	N/A	@50%	\$476	1,068	no	Yes	0	N/A
			3BR / 2BA	N/A	N/A	@60%	\$590	1,068	no	Yes	0	N/A
			3BR / 2BA	N/A	N/A	Market	\$675	1,068	n/a	No	0	N/A
				196	100%						3	1.50%
La Estancia Apts. 3601 East Mile 8 North Weslaco, TX 78596 Hidalgo County	Garden 2002	@50%, @60%, Market	2BR / 2BA	33	25.80%	@50%	\$426	900	yes	No	0	0.00%
			2BR / 2BA	33	25.80%	@60%	\$524	900	yes	No	4	12.10%
			2BR / 2BA	22	17.20%	Market	\$600	900	n/a	No	0	0.00%
			3BR / 2BA	30	23.40%	@60%	\$603	1,150	yes	No	3	10.00%
			3BR / 2BA	10	7.80%	Market	\$700	1,150	no	No	0	0.00%
				128	100%						7	5.50%
La Herencia Apts. 100 La Herencia Mercedes, TX 78570 Hidalgo County	Garden 1999	@50%, @60%	1BR / 1BA	33	20.60%	@50%	\$406	570	yes	No	0	0.00%
			1BR / 1BA	19	11.90%	@60%	\$428	570	yes	No	5	26.30%
			2BR / 1.5BA	25	15.60%	@50%	\$417	800	yes	No	0	0.00%
			2BR / 1.5BA	7	4.40%	@60%	\$515	800	yes	No	4	57.10%
			3BR / 2BA	56	35.00%	@50%	\$475	1,015	yes	No	0	0.00%
			3BR / 2BA	20	12.50%	@60%	\$589	1,015	yes	No	2	10.00%
				160	100%						11	6.90%

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The surveyed rents at all of the surveyed LIHTC properties, including those of the market rate units, are below the current payment standards for Hidalgo County. Five of the six surveyed properties have rents set at the maximum allowable levels.

LIHTC Family Supply Conclusion

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

The existing LIHTC multifamily properties in the Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC properties offer unit amenities that include balconies/patios, window covers, carpeting, central air, dishwashers, ceiling fans, garbage disposals, ovens, refrigerators, and walk-in-closets. Washers/dryers and washer/dryer connections are not prevalent in the family LIHTC market. Most of the surveyed LIHTC properties offer community amenities including a clubhouse/community room, a central laundry, off-street parking, on-site management, a playground, and a swimming pool. Approximately half of the properties offer a business center/computer room and picnic areas. Security features such as perimeter fencing and limited access are prevalent in the Submarket. Only two of the surveyed properties offered non-shelter services such as an afterschool program, daycare or tutoring; it is not considered a LIHTC market standard in the Submarket. Additionally, premium amenities are offered by the surveyed LIHTC properties in the Submarket

Concessions are not prevalent in the market and three of the six properties currently maintain small waiting lists with an average length of approximately 12 households. Only Casa Saldana was able to provide an absorption rate of 12.4 units per month. Overall vacancy at the surveyed family LIHTC properties (3.78 percent) is slightly higher than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 2.28 percent. The average turnover rate for the LIHTC family properties in the market (36.5 percent) is higher than the turnover rates for the subsidized and market rate properties in the Submarket, with 21.2 percent and 26.5 percent respectively.

The surveyed rents at all of the surveyed LIHTC properties, including those of the market rate units, are below the current payment standards for Hidalgo County. Five of the six surveyed properties have rents set at the maximum allowable levels.

LIHTC SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers.

Novogradac identified one senior LIHTC development, La Sombra Apartments with 50 units. La Sombra is a combination LIHTC/USDA development with 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. Therefore, this property has been excluded from the senior LIHTC analysis and will be addressed in the senior subsidized analysis section.

Proposed/Under Construction

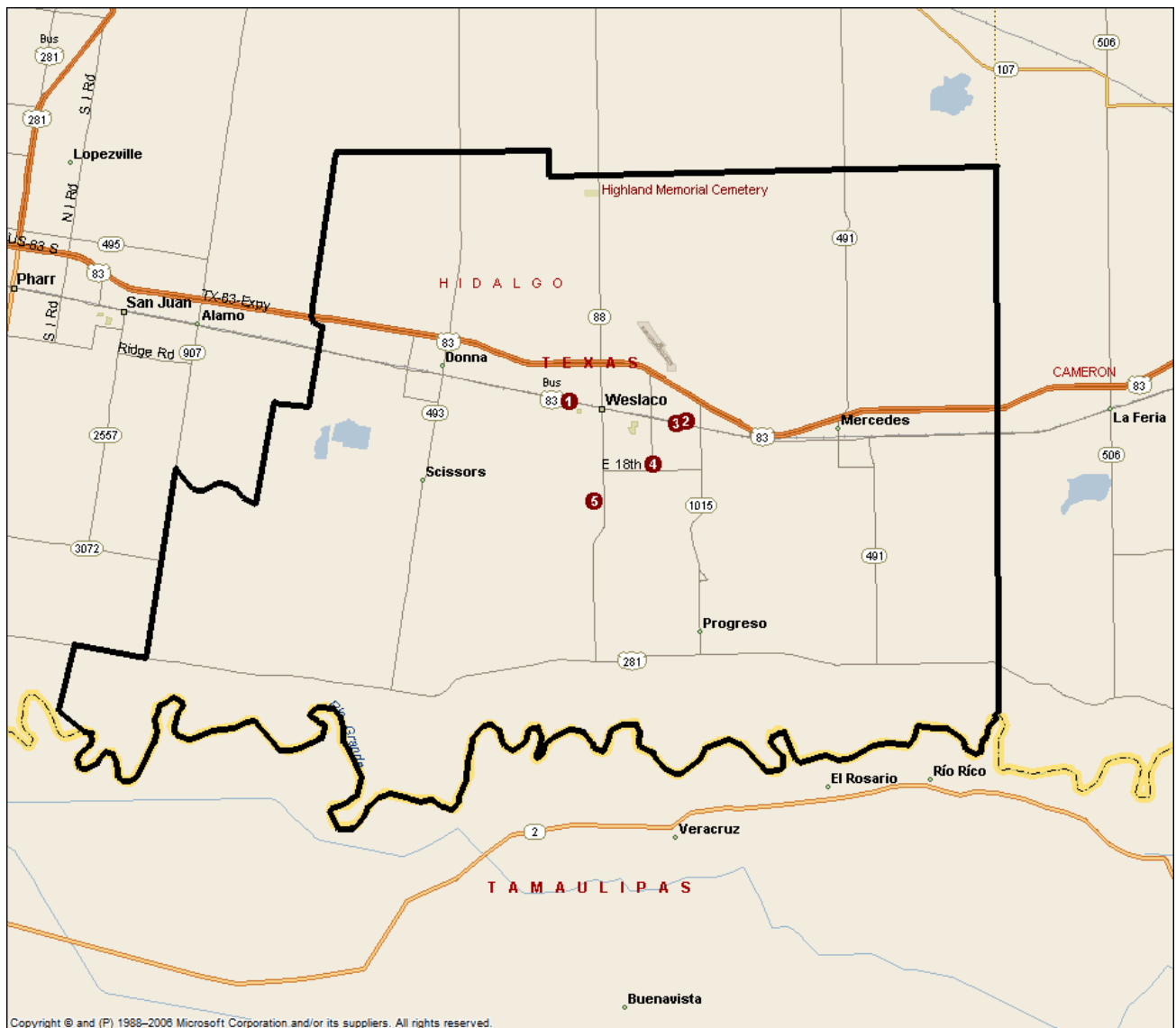
According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one proposed or under construction senior LIHTC property in the Southeast Hidalgo County Submarket, Alta Vista Senior Towers. Alta Vista Senior Towers is a midrise age-restricted public housing development comprised of 100 studio and one-bedroom units. This property was constructed in 1973 and is currently undergoing renovations. The existing tenants have been relocated and the project is expected to be complete by the end of Spring 2009. Upon renovation, the units at the 30 percent of AMI level will be public housing units and the units at the 60 percent of AMI level will be Project Based Section 8 units.

MARKET RATE FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac identified seven family market rate properties in the Submarket. Of the seven properties, four were able to provide market data. We attempted to contact each of the remaining developments multiple times with no success. A table of the excluded properties and the reasons for exclusion can be found on the following pages.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Keystone Apartments	Weslaco	Market – Family
2	Los Encinos Apartments	Weslaco	Market – Family
3	Mi Ka Sa Apartments	Weslaco	Market – Family
4	Sangria Sunset	Weslaco	Market - Family

Market Rate Multifamily Market

The following pictures identify the surveyed market rate family properties in the Submarket.



Keystone Apartments



Los Encinos Apartments



Mi Ka Sa Apartments



Sangria Sunset

Excluded Properties

The following table illustrates all of the excluded market rate properties in the Submarket. We attempted to contact the excluded properties multiple times with no success. Therefore, we were unable to confirm the target population for each development; we assume all of the following properties are family-oriented.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Hal-Zee Apartments	222 S Westgate Drive	Market-Family	N/A	Could not Contact
Bridge Hollow Apartments	1522 S Bridge Avenue	Market-Family	N/A	Could not Contact
Dream World Apartments	2604 S Bridge Avenue	Market-Family	N/A	Could not Contact

Proposed Construction

We attempted to contact Adrian Torres and David Sifuentes with the Planning and Code enforcement divisions of the City of Weslaco, Texas. However, our inquiries regarding proposed or under construction market rate multifamily development have not been addressed as of the date of this study.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
1 BR	102	38.5%
2 BR	118	44.5%
3 BR	45	17.0%
Total	265	100%

Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections evidence indicates a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Size – Market Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	550	1,017	792
2 BR	796	1,017	903
3 BR	995	1,014	1,005

The one, two, and three-bedroom unit sizes for the surveyed market rate properties in the market are 19.2 percent larger, 1.8 percent smaller, and 10.8 percent smaller than the surveyed LIHTC one-, two-, and three-bedroom units in the Submarket.

Common and In-Unit Amenities

	Keystone Apts.	Los Encinos Apts.	Mi Ka Sa Apts.	Sangria Sunset Apts.
Comp #	1	2	3	4
Property Information				
Property Type	Garden	One-story	One-story	One-story
Year Built / Reno.	1998	2006	2000	1999
Market/Subsidy Type	Market	Market	Market	Market
In-Unit Amenities				
Balcony/Patio	no	yes	yes	no
Blinds	yes	yes	yes	yes
Cable/Satellite/ Internet	yes	yes	yes	yes
Carpeting	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes
Coat Closet	yes	no	yes	no
Dishwasher	yes	no	no	no
Ceiling Fan	yes	no	no	yes
Garbage Disposal	no	yes	yes	no
Microwave	yes	no	no	no
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Walk-In Closet	no	no	yes	no
Washer/Dryer hookup	yes	yes	yes	yes
Property Amenities				
Carport	yes	no	no	yes
Clubhouse/Meeting Room/Community Room	no	no	no	yes
Exercise Facility	yes	no	no	no
Jacuzzi	yes	no	no	no
Off-Street Parking	yes	yes	yes	yes
On-Site Management	yes	no	no	yes
Playground	yes	no	no	no
Swimming Pool	yes	no	no	yes
Carport Fee	\$20.00	--	--	\$25.00
Services				
Security				
Limited Access	yes	no	no	yes
Perimeter Fencing	yes	no	no	yes
Premium Amenities				
Other Amenities				
Other	n/a	n/a	n/a	n/a

The surveyed market rate properties in the Southeast Hidalgo County Submarket offer a limited amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including window covers, carpeting, central air, ovens, and refrigerators. Half of the properties offer balconies/patios, garbage disposals, ceiling fans, and balconies/patios. The majority of the market rate surveyed properties offer off-street parking. Half of the surveyed properties offer carports at an additional cost, on-site management, and a swimming pool.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit types for the surveyed properties.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	102	3	2.94%
2 BR	118	6	5.10%
3 BR	45	0	0.00%
Total	265	9	3.40%

The average weighted vacancy rate for the surveyed market rate properties is slightly lower than the average weighted vacancy rate of the surveyed LIHTC properties, of 4.50 percent.

Absorption

One of the market rate properties was able to provide an absorption rate of five units per month, which is significantly slower than the absorption rate of the surveyed LIHTC property of 12.4 units per month.

Waiting List

None of the market rate properties maintain a waiting list. Waiting lists are not prevalent in the Submarket.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – Market Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Keystone Apartments	136	2	1.50%
Los Encinos Apartments	19	0	0.00%
Mi Ka Sa Apartments	18	0	0.00%
Sangria Sunset	92	7	7.60%
AVERAGE	265	9	3.4%

The average vacancy rate for the market rate properties is slightly lower than that of the surveyed average vacancy of LIHTC properties of 3.78 percent.

Concessions

None of the surveyed market rate properties is offering concessions. Concessions are not prevalent in the Submarket, with respect to market rate properties.

Turnover

All of the surveyed market rate properties were able to provide turnover information. The following table illustrates turnover information in the market.

Turnover – Market Family		
Property Name	Number of Units	Turnover
Keystone Apartments	136	48%
Los Encinos Apartments	19	21%
Mi Ka Sa Apartments	18	5%
Sangria Sunset	92	32%
AVERAGE		26.5%

Annual turnover rates reported range from 5 percent to 48 percent, with an average of 26.5 percent. Average turnover for the LIHTC properties in the market is slightly higher at 36.5 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Keystone Apts. 1409 W. Business 83 Weslaco, TX 78596 Hidalgo County	Garden 1998	Market	1BR / 1BA	45	33.10%	Market	\$570	550	n/a	No	0	0.00%
				2BR / 1BA	46	33.80%	Market	\$685	796	n/a	No	2	4.30%
				3BR / 2BA	25	18.40%	Market	\$765	995	n/a	No	0	0.00%
				3BR / 2BA	20	14.70%	Market	\$799	1,014	n/a	No	0	0.00%
					136	100%					2	1.50%	
2	Los Encinos Apts. 3801 Mooreland Weslaco, TX 78596 Hidalgo County	One-story 2006	Market	1BR / 1BA	4	21.10%	Market	\$545	800	n/a	No	0	0.00%
				2BR / 1BA	15	78.90%	Market	\$595	1,000	n/a	No	0	0.00%
					19	100%						0	0.00%
3	Mi Ka Sa Apts. 624 S. Pleasanton Drive Weslaco, TX 78596 Hidalgo County	One-story 2000	Market	1BR / 1BA	4	22.20%	Market	\$495	800	n/a	No	0	0.00%
				2BR / 1BA	14	77.80%	Market	\$495	800	n/a	No	0	0.00%
					18	100%						0	0.00%
4	Sangria Sunset Apts. 1602 S. Airport Drive Weslaco, TX 78596 Hidalgo County	One-story 1999	Market	1BR / 1BA	49	53.30%	Market	\$600	1,017	n/a	No	3	6.10%
				2BR / 1.5BA	43	46.70%	Market	\$600	1,017	n/a	No	4	9.30%
					92	100%						7	7.60%

Rents and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The average market rents for the one-, two-, and three-bedroom units at the surveyed market rate properties are \$553, \$594, and \$782. The average one-, two-, and three-bedroom market rents are \$37 higher, \$15 lower, and \$52 higher, respectively, than the current payment standards for the one-, two-, and three-bedroom units in Hidalgo County. The average one-, two-, and three-bedroom market rents are \$63, \$6, and \$102 higher, respectively, than the 2008 maximum allowable rents at 60 percent of AMI for the one-, two-, and three-bedroom units in Hidalgo County.

Market Supply Conclusion

Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections evidence indicates a possible unmet demand for larger bedroom types.

The surveyed market rate properties in the Southeast Hidalgo County Submarket offer a limited amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including window covers, carpeting, central air, ovens, and refrigerators. Half of the properties offer balconies/patios, garbage disposals, ceiling fans, and balconies/patios. The majority of the market rate surveyed properties offer off-street parking. Half of the surveyed properties offer carports at an additional cost, on-site management, and a swimming pool.

The one-, two-, and three-bedroom unit sizes for the surveyed market rate properties in the market are 19.2 percent larger, 1.8 percent smaller, and 10.8 percent smaller than the surveyed market rate one-, two-, and three-bedroom units in the Submarket. The average weighted vacancy rate for the surveyed market rate properties is slightly lower than the average weighted vacancy rate of the surveyed LIHTC properties, of 4.50 percent. Annual turnover rates reported range from 5 percent to 48 percent, with an average of 26.5 percent. Average turnover for the LIHTC properties in the market is slightly higher at 36.5 percent.

One of the market rate properties was able to provide an absorption rate of five units per month, which is significantly slower than the absorption rate of the surveyed LIHTC property of 12.4 units per month. None of the market rate properties maintains a waiting list. Waiting lists are not prevalent in the Submarket. None of the surveyed market rate properties is offering concessions. Concessions are not prevalent in the Submarket, with respect to market rate properties. The average vacancy rate for the market rate properties is slightly lower than that of the surveyed average vacancy of LIHTC properties of 3.78 percent.

The average market rents for the one-, two-, and three-bedroom units at the surveyed market rate properties are \$553, \$594, and \$782. The average one-, two-, and three-bedroom market rents are \$37 higher, \$15 lower, and \$52 higher, respectively, than the current payment standards for the one-, two, and three-bedroom units in Hidalgo County. The average one-, two-, and three-bedroom market rents are \$63, \$6, and \$102 higher, respectively, than the 2008 maximum allowable rents at 60 percent of AMI for the one-, two, and three-bedroom units in Hidalgo County.

Market Rate Senior Supply

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable existing senior market rate properties in the Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis.

Proposed Construction

We were unable to identify any proposed or under construction market rate senior developments in the Submarket.

Subsidized Family Supply

We attempted to identify all existing, proposed, and under construction family oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are thirteen existing family-targeted subsidized developments located in the Southeast Hidalgo Submarket. We were able to acquire information on seven of the thirteen existing family-oriented subsidized developments. Two of the six remaining subsidized developments, Sevilla Apartments and Mercedes Palms are undergoing renovations/reconstruction and have therefore been excluded from this analysis. We attempted to contact each of the four remaining developments multiple times with no success. A table of the excluded properties and the reasons for exclusion can be found on the following pages.

The following map illustrates the location of the surveyed family-oriented subsidized properties in the Submarket.



SURVEYED FAMILY PROPERTIES			
Number	Name	Location	Type
1	Centerpointe Homes	Weslaco	LIHTC/Section8/Public Housing
2	Mesa Vista Apartments	Donna	LIHTC/Public Housing – Family
3	Donna Village	Donna	Section 8 – Family
4	Northside Apartments	Weslaco	USDA/Public Housing
5	Sunrise Village Apartments	Donna	Section 8
6	Villa Sandoval-Longoria	Weslaco	Public Housing – Family
7	Weslaco Village Apartments	Weslaco	Section 8– Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



Centerpointe Homes



Mesa Vista Apartments



Donna Village



Northside Apartments



Sunrise Village Apartments



Villa Sandoval-Longoria



Weslaco Village

Excluded Properties

The table below lists the six family subsidized properties in the Submarket that were excluded from this analysis and the basis for their exclusion.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Oak Haven Apartments	513 W Frontage Road	LIHTC/USDA	24	Could not Contact
Armory Housing Project	101 Armory Road	Section 8	N/A	Could not Contact
Queens Village	108 E 8th Street	Section 8	N/A	Could not Contact
La Merced Homes	4135 S Virginia Avenue	Section 8	N/A	Could not Contact
Sevilla Apartments	600 North Airport Road	LIHTC/Public Housing	80	Undergoing renovations/reconstruction
Mercedes Palms	685 Chapman Street	Section 8	N/A	Undergoing renovations

Proposed Construction

Sevilla Apartments, a public housing development located in Weslaco, Texas, received a large LIHTC allocation in 2005 and then a smaller allocation again in 2008. The project is a proposed rehabilitation of a family oriented, multifamily public housing complex consisting of 80-units in 22 residential buildings, constructed in 1976. According to the property manager, the existing public housing development will be demolished and reconstruction will take place using tax credit funding. However, according to the 2005 LIHTC application, the existing public housing is scheduled for renovation as opposed to reconstruction. In either case, observations in the field confirm that renovation/demolition or reconstruction have not yet commenced. Upon rehabilitation/reconstruction, there will be 80 one-, two-, and three-bedroom units restricted to households earning less than 30 and 60 percent of the AMI. As previously mentioned, the units currently operate as public housing with a subsidy based on the Housing Authority’s HUD-approved Annual Contributions Contract. However, once the units have been rehabilitated/reconstructed the development will no longer receive the HUD subsidy.

According to Irma Perez, Section 8 Director in the Housing Authority of the City of Mercedes, there is one Project Based Section 8 development in Mercedes, currently undergoing renovations. The tenants have been relocated for the duration of the renovations, but Ms. Perez was unable to provide further details.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market. Properties unable to provide a breakdown by unit type have been excluded from this analysis.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	55	11.0%
2 BR	215	43.0%
3 BR	190	38.0%
4 BR	40	8.0%
Total	500	100%

Large unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012.

Unit Size

The following table illustrates the existing unit sizes in the subsidized rental property market. Properties unable to provide information regarding unit sizes are prevalent in the Submarket.

Unit Size - Subsidized Family			
Unit Type	Minimum Surveyed	Maximum Surveyed	Surveyed Average
1 BR	571	710	641
2 BR	834	963	887
3 BR	1,009	1,438	1,175
4 BR	1,210	1,215	1,213

The surveyed one-, two-, three-, and four-bedroom subsidized units have average sizes of 641, 887, 1,175 and 1,213 square feet, respectively. The subsidized one-, two-, and three-bedroom average unit sizes are similar, 3.6 percent smaller, and 4.1 percent larger, respectively, than the one-, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four-bedroom units among the surveyed market rate and LIHTC developments.

Common and In-Unit Amenities

	Centerpoint Homes	Mesa Vista Apartments	Donna Village	Northside Apartments	Sunrise Village Apts	Villa Sandoval-langoria	Weslaco Village Apartments
Comp #	1	2	3	4	5	6	7
Property Information							
Property Type	Single Family	Garden	Various	Various	Single-story	Single-story	Garden
Year Built / Renovated	2008	2007	1976	1979	N/A	1997	N/A
Market (Conv./)Subsidy Type	@30% (Public Housing), @60%, @60% (Project Based Rental Assistance - PBRA)	@30% (Public Housing), @60%	Section 8	Rural Development	Section 8	Market (Public Housing)	Non-Rental, Section 8
In-Unit Amenities							
Balcony/Patio	yes	yes	yes	yes	no	no	no
Blinds	yes	no	yes	yes	yes	yes	yes
Carpeting	yes	yes	no	no	no	no	yes
Central A/C	yes	no	yes	no	yes	yes	yes
Coat Closet	yes	no	yes	no	no	no	no
Dishwasher	yes	yes	no	no	no	no	no
Exterior Storage	no	no	yes	yes	yes	no	no
Ceiling Fan	yes	no	yes	no	no	no	no
Garbage Disposal	yes	yes	no	no	no	no	no
Microwave	yes	yes	no	no	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	yes	no	no	no	no	no	no
Window A/C	no	no	no	no	yes	no	no
Washer/Dryer	no	no	yes	no	no	no	no
Washer/Dryer hookup	yes	yes	no	yes	yes	yes	yes
Property Amenities							
Basketball Court	yes	no	yes	no	no	no	yes
Business Center/Computer Lab	yes	yes	no	no	no	no	no
Carport	no	no	no	no	no	yes	no
Clubhouse/Meeting Room/Community Room	yes	yes	no	no	no	no	yes
Exercise Facility	yes	yes	no	no	no	no	no
Garage	yes	no	no	no	no	no	no
Central Laundry	no	no	yes	no	no	no	no
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes	yes	no	yes
Playground	yes	yes	yes	no	no	no	yes
Recreation Areas	yes	no	no	no	no	no	no
Swimming Pool	yes	yes	no	no	no	no	no
Services							
Security							
Limited Access	no	yes	no	no	no	no	no
Patrol	no	no	no	yes	no	no	no
Perimeter Fencing	no	yes	yes	no	yes	no	no
Video Surveillance	yes	no	no	no	no	no	no
Premium Amenities							
Other Amenities							
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The existing subsidized multifamily properties in the Southeast Hidalgo County Submarket offer limited in-unit and community amenities. The majority of the properties in the market offer in-unit amenities including balconies/patios, window covers, ovens, and refrigerators. The majority of the properties offer community amenities including off-street parking and on-site management. The majority of the surveyed subsidized properties offer no non-shelter services, no security features, and no premium amenities. Tile flooring versus carpet flooring is common among the subsidized properties. A basic appliance package is provided with washer connections only in most units.

Weighted Vacancy

The following table illustrates the weighted vacancy rates in the subsidized rental property market. Properties unable to provide a breakdown by unit type were excluded from the weighted vacancy analysis.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	55	0	0.00%
2 BR	215	10	4.70%
3 BR	190	5	2.63%
4 BR	40	0	0.00%
Total	500	15	3.00%

The average weighted vacancy of the surveyed subsidized properties (3.0 percent) is lower than the average weighted vacancy of the surveyed LIHTC properties (4.5 percent).

Absorption

Two properties were able to provide absorption rates of 12 units per month and 8 units per month, resulting in an average absorption rate of 10 units per month, as compared to the surveyed family LIHTC properties (12.4 percent).

Waiting List

The following table illustrates the waiting lists in the subsidized rental property market.

Waiting Lists – Subsidized Family		
Property Name	Number of Units	Households
Centerpointe Homes	36	5HH
Mesa Vista Apartments	76	10HH
Donna Village	57	8HH
Northside Apartments	289	27HH
Sunrise Village Apartments	39	<15HH
Villa Sandoval-Longoria	35	55HH
Weslaco Village Apartments	44	45HH

The average length of the waiting lists at the surveyed subsidized properties is approximately 24 households, which is significantly higher than the average length of the waiting lists of the surveyed LIHTC properties (12 households). All of the surveyed developments maintain short to extensive waiting lists. Based on this information, we anticipate significant future demand for affordable housing.

Vacancy Levels

The following table illustrates the vacancy rates in the subsidized rental property market.

Vacancy – Subsidized Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Centerpointe Homes	36	0	0.00%
Mesa Vista Apartments	76	0	0.00%
Donna Village	57	1	1.80%
Northside Apartments	289	14	4.80%
Sunrise Village Apartments	39	0	0.00%
Villa Sandoval-Longoria	35	0	0.00%
Weslaco Village Apartments	44	0	0.00%
AVERAGE	500	15	3.00%

The average vacancy rate of the surveyed subsidized properties (3.0 percent) is slightly lower than the average vacancy rate of the surveyed LIHTC properties (3.78 percent).

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

Turnover – Subsidized Family		
Property Name	Number of Units	Households
Centerpointe Homes	36	20%
Mesa Vista Apartments	76	N/A
Donna Village	57	21%
Northside Apartments	289	50%
Sunrise Village Apartments	39	5%
Villa Sandoval-Longoria	35	10%
Weslaco Village Apartments	44	N/a
AVERAGE	500	21.2

Five of the seven surveyed subsidized properties were able to provide turnover rates ranging from 5 to 50 percent, resulting in an average turnover rate of 21.2 percent, as compared to the surveyed LIHTC properties which have an average turnover rate of 36.5 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Centerpointe Subdivision 3401 Diamond Boulevard Weslaco, TX 78596 Hidalgo County	Single Family 2008	@30% (Public Housing), @60%, @60% (Project Based Rental Assistance - PBRA)	3BR / 2BA	4	11.10%	@30%	\$300	1,438	n/a	Yes	0	0.00%
				3BR / 2BA	3	8.30%	@60%	\$542	1,438	yes	No	0	0.00%
				3BR / 2BA	29	80.60%	@60%	\$665	1,438	n/a	Yes	0	0.00%
					36	100%							0
2	Mesa Vista Apartments 1301 South Salinas Street Donna, TX 78537 Hidalgo County	Garden 2007	@30% (Public Housing), @60%	1BR / 1BA	N/A	N/A	@30%	\$181	710	n/a	Yes	0	N/A
				1BR / 1BA	N/A	N/A	@60%	\$436	710	n/a	Yes	0	N/A
				2BR / 2BA	N/A	N/A	@30%	\$229	963	n/a	Yes	0	N/A
				2BR / 2BA	N/A	N/A	@60%	\$522	963	n/a	Yes	0	N/A
				3BR / 2BA	N/A	N/A	@30%	\$261	1,147	n/a	Yes	0	N/A
				3BR / 2BA	N/A	N/A	@60%	\$601	1,147	n/a	Yes	0	N/A
	76	100%								0	0.00%		
3	Donna Village 301 Silver Avenue Donna, TX 78537 Hidalgo County	Single-story 1976	Section 8	2BR / 1BA	28	49.10%	Section 8	\$566	863	n/a	4HH	1	3.60%
				3BR / 1BA	19	33.30%	Section 8	\$671	1,009	n/a	3HH	0	0.00%
				4BR / 1.5BA	10	17.50%	Section 8	\$810	1,210	n/a	1 HH	0	0.00%
					57	100%							1
4	Northside Apartments 1800 N Texas Weslaco, TX 78596 Hidalgo County	Various 1979	Rural Development	1BR / 1BA	38	13.10%	Rural Dev.	\$250	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	156	54.00%	Rural Dev.	\$303	N/A	n/a	Yes	9	5.80%
				3BR / 1BA	79	27.30%	Rural Dev.	\$368	N/A	n/a	Yes	5	6.30%
				4BR / 1BA	16	5.50%	Rural Dev.	\$415	N/A	n/a	Yes	0	0.00%
					289	100%							14
5	Sunrise Village Apts. 2106 Silver Ave Donna, TX 78537 Hidalgo County	Single-story	Section 8	1BR / 1BA	9	23.10%	Rural Dev.	\$392	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	14	35.90%	Rural Dev.	\$420	N/A	n/a	Yes	0	0.00%
				3BR / 1BA	14	35.90%	Rural Dev.	\$566	N/A	n/a	Yes	0	0.00%
				4BR / 1BA	2	5.10%	Rural Dev.	\$767	N/A	n/a	Yes	0	0.00%
					39	100%							0
6	Villa Sandoval-langoria 1102 Lilia Drive Weslaco, TX 78596 Hidalgo County	Single-story 1997	@30% (Public Housing)	2BR / 1BA	1	2.90%	@30%	\$479	N/A	n/a	Yes	0	0.00%
				3BR / 2BA	24	68.60%	@30%	\$592	N/A	n/a	Yes	0	0.00%
				4BR / 2BA	10	28.60%	@30%	\$616	N/A	n/a	Yes	0	0.00%
					35	100%							0
7	Weslaco Village Apts. 1601 S Bridge Avenue Weslaco, TX 78596 Hidalgo County	Garden	Non-Rental, Section 8	1BR / 1BA	8	18.20%	Section 8	\$444	571	n/a	Yes	0	0.00%
				2BR / 1BA	1	2.30%	Non-Rental	N/A	834	n/a	No	0	0.00%
				2BR / 1BA	15	34.10%	Section 8	\$567	834	n/a	Yes	0	0.00%
				3BR / 1.5BA	18	40.90%	Section 8	\$667	1,106	n/a	Yes	0	0.00%
				4BR / 2BA	2	4.50%	Section 8	\$759	1,215	n/a	Yes	0	0.00%
					44	100%							0

Rent and Square Footage Ranking

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

All of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County.

Subsidized Family Supply Conclusion

Large unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.57 and is projected to decrease slightly by 2012 to 3.55. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012.

The surveyed one-, two-, three-, and four-bedroom subsidized units have average sizes of 641, 887, 1,175 and 1,213 square feet, respectively. The subsidized one-, two-, and three-bedroom average unit sizes are similar, 3.6 percent smaller, and 4.1 percent larger, respectively, than the one-, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four-bedroom units among the surveyed market rate and LIHTC developments.

The average weighted vacancy of the surveyed subsidized properties (3.0 percent) is lower than the average weighted vacancy of the surveyed LIHTC properties (4.5 percent). Two properties were able to provide absorption rates of 12 units per month and 8 units per month, resulting in an average absorption rate of 10 units per month, as compared to the surveyed family LIHTC properties (12.4 percent). The average length of the waiting lists at the surveyed subsidized properties is approximately 24 households, which is significantly higher than the average length of the waiting lists of the surveyed LIHTC properties (12 households).

The average vacancy rate of the surveyed subsidized properties (0.94) is notably lower than the average vacancy rate of the surveyed LIHTC properties (3.78 percent). None of the subsidized family properties in the market are offering concessions. Five of the seven surveyed subsidized properties were able to provide turnover rates ranging from 5 to 50 percent, resulting in an average turnover rate of 21.2 percent, as compared to the surveyed LIHTC properties which have an average turnover rate of 36.5 percent.

All of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County.

Subsidized Senior Supply

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are three existing senior subsidized developments located in the Southeast Hidalgo Submarket. We were able to acquire information on one of the three subsidized senior properties. We attempted to contact each of the two properties multiple times with no success. A table of the excluded properties can be found below:

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Villas Residencial aka Amigos Del Valle	334 E 5th Street	Section 8	N/A	Could not Contact
Casa De Amigos V	2100 W 6th Street	Section 8	N/A	Could not Contact

La Sombra is a combination LIHTC/USDA development with 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. La Sombra is an age-restricted/disabled development comprised of 50 one- and two-bedroom units. There are 42 one-bedroom units and 8 two-bedroom units. The property is currently 100 percent occupied with a year long waiting list for all units. Approximately 35 percent of the tenants are disabled tenants. Annual turnover is approximately two percent. A photo of La Sombra is shown below.



La Sombra Apartments

Based on the lack of available data, we were unable to complete a subsidized senior supply analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one proposed or under construction senior LIHTC property in the Southeast Hidalgo County Submarket, Alta Vista Senior Towers. Alta Vista Senior Towers is a midrise age-restricted public housing development comprised of 100 studio and one-bedroom units. This property was constructed in 1973 and is currently undergoing renovations. The existing tenants have been relocated and the project is expected to be complete by the end of Spring 2009. Upon renovation, the units at the 30 percent of AMI level will be public housing units and the units at 60 percent of AMI will be Project Based Section 8 units.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the Southeast Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the Southeast Hidalgo County Submarket in 2007 is 36,802 and the total number of households in 2012 is projected to be 43,954. The total number of households age 55 and older in the Submarket for 2007 is 13,809, with a 2012 projection of 17,753 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 26.9 percent of the occupied housing unit households in the Southeast Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 16.3 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a

one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the Southeast Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the Southeast Hidalgo County Submarket, approximately 27.4 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 3.4 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the Southeast Hidalgo County Submarket, it is estimated that 25.8 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 36.5 percent.

We were unable to identify any senior LIHTC properties in this Submarket. Therefore, for the purpose of this analysis, we have used Submarket's average senior subsidized turnover rate of 2.0 percent.

Unstabilized Rental Units - Existing and Proposed

Sevilla Apartments, located in Weslaco, Texas, received a large initial LIHTC allocation in 2005 and then a smaller allocation again in 2008. Upon rehabilitation/reconstruction, there will be eight units restricted to households earning less than 30 percent of the AMI and 72 units restricted to households earning less than 60 percent of the AMI. The units currently operate as public housing with a subsidy based on the Housing Authority's HUD-approved Annual Contributions Contract. However, once the units have been rehabilitated/reconstructed the development will no longer receive the HUD subsidy. As such, these units have been deducted from the following demand analysis.

There is one proposed senior LIHTC property in the Southeast Hidalgo County Submarket. Alta Vista Senior Towers is currently a midrise, age-restricted public housing development comprised of 100 studio and one-bedroom units. Tax credits were awarded in 2006 and upon renovation, units at the 30 percent of AMI level will be public housing units and the units at 60 percent of AMI will be Project-Based Section 8 units. These units are deducted from the analysis of all households and senior households, as demand from all households includes households age 55 and older.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the Southeast Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,998	895	83	132	132	173	134
2 person	1,728	479	131	132	121	183	209
3 person	1,762	638	151	152	143	258	133
4 person	1,643	670	167	145	112	191	146
5+person	2,761	1,110	351	233	206	325	263
Total	9,892	3,792	883	794	714	1,130	886
Number of Income-Qualified Renter Households		3,792	883	794	714	1,130	886
X	Percentage of Rent-Overburdened (27.4%)	1040	242	218	196	310	243
X	Percentage of Substandard Housing (3.4%)	129	30	27	24	38	30
X	Percentage of Overcrowded Housing (25.8%)	978	228	205	184	292	228
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		2,147	500	450	404	640	501
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>108</i>	<i>0</i>	<i>0</i>	<i>72</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		2,039	500	450	332	640	501

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,544	1,140	106	169	169	221	170
2 person	2,084	578	157	159	146	220	253
3 person	2,106	762	180	182	171	309	159
4 person	2,012	821	205	177	137	234	179
5+person	3,323	1,337	422	281	248	391	317
Total	12,070	4,638	1,070	968	871	1,375	1,078
Number of Income-Qualified Renter Households		4,638	1,070	968	871	1,375	1,078
X	Percentage of Rent-Overburdened (27.4%)	1272	293	265	239	377	296
X	Percentage of Substandard Housing (3.4%)	158	36	33	30	47	37
X	Percentage of Overcrowded Housing (25.8%)	1197	276	250	225	355	278
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		2,626	606	548	493	779	610
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>108</i>	<i>0</i>	<i>0</i>	<i>72</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		2,518	606	548	421	779	610

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,998	895	83	132	132	173	134
2 person	1,728	479	131	132	121	183	209
3 person	1,762	638	151	152	143	258	133
4 person	1,643	670	167	145	112	191	146
5+person	2,761	1,110	351	233	206	325	263
Total	9,892	3,792	883	794	714	1,130	886
Number of Income-Qualified Renter Households		3,792	883	794	714	1,130	886
X	Percentage of Rent-Overburdened (27.4%)	1040	242	218	196	310	243
X	Percentage of Substandard Housing (3.4%)	129	30	27	24	38	30
X	Percentage of Overcrowded Housing (25.8%)	978	228	205	184	292	228
X	Percentage of Estimated Turnover (36.5%)	1384	322	290	261	412	323
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		3,531	822	740	665	1,052	825
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>108</i>	<i>0</i>	<i>0</i>	<i>72</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		3,423	822	740	593	1,052	825

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,544	1,140	106	169	169	221	170
2 person	2,084	578	157	159	146	220	253
3 person	2,106	762	180	182	171	309	159
4 person	2,012	821	205	177	137	234	179
5+person	3,323	1,337	422	281	248	391	317
Total	12,070	4,638	1,070	968	871	1,375	1,078
Number of Income-Qualified Renter Households		4,638	1,070	968	871	1,375	1,078
X	Percentage of Rent-Overburdened (27.4%)	1272	293	265	239	377	296
X	Percentage of Substandard Housing (3.4%)	158	36	33	30	47	37
X	Percentage of Overcrowded Housing (25.8%)	1197	276	250	225	355	278
X	Percentage of Estimated Turnover (36.5%)	1693	391	353	318	502	393
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		4,319	996	901	811	1,280	1,004
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>108</i>	<i>0</i>	<i>0</i>	<i>72</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		4,211	996	901	739	1,280	1,004

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,249	716	66	92	92	94	55
2 person	707	166	55	56	51	74	69
3 person	176	41	21	21	17	31	25
4 person	146	42	17	12	4	13	23
5+person	202	72	20	14	12	20	35
Total	2,480	1,036	179	194	176	233	207
Number of Income-Qualified Renter Households		1,036	179	194	176	233	207
X	Percentage of Rent-Overburdened (27.4%)	284	49	53	48	64	57
X	Percentage of Substandard Housing (3.4%)	35	6	7	6	8	7
X	Percentage of Overcrowded Housing (25.8%)	267	46	50	45	60	53
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		587	101	110	100	132	117
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		487	101	110	100	132	117

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,549	887	82	114	114	117	68
2 person	882	207	69	70	63	93	87
3 person	217	51	26	26	21	39	31
4 person	202	58	24	17	6	18	32
5+person	240	85	23	16	15	24	41
Total	3,090	1,288	224	243	219	291	259
Number of Income-Qualified Renter Households		1,288	224	243	219	291	259
X	Percentage of Rent-Overburdened (27.4%)	353	61	67	60	80	71
X	Percentage of Substandard Housing (3.4%)	44	8	8	7	10	9
X	Percentage of Overcrowded Housing (25.8%)	332	58	63	57	75	67
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		729	127	138	124	165	147
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		629	127	138	124	165	147

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,249	716	66	92	92	94	55
2 person	707	166	55	56	51	74	69
3 person	176	41	21	21	17	31	25
4 person	146	42	17	12	4	13	23
5+person	202	72	20	14	12	20	35
Total	2,480	1,036	179	194	176	233	207
Number of Income-Qualified Renter Households		1,036	179	194	176	233	207
X	Percentage of Rent-Overburdened (27.4%)	284	49	53	48	64	57
X	Percentage of Substandard Housing (3.4%)	35	6	7	6	8	7
X	Percentage of Overcrowded Housing (25.8%)	267	46	50	45	60	53
X	Percentage of Estimated Turnover (2%)	21	4	4	4	5	4
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		607	105	114	103	137	121
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		507	105	114	103	137	121

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,549	887	82	114	114	117	68
2 person	882	207	69	70	63	93	87
3 person	217	51	26	26	21	39	31
4 person	202	58	24	17	6	18	32
5+person	240	85	23	16	15	24	41
Total	3,090	1,288	224	243	219	291	259
Number of Income-Qualified Renter Households		1,288	224	243	219	291	259
X	Percentage of Rent-Overburdened (27.4%)	353	61	67	60	80	71
X	Percentage of Substandard Housing (3.4%)	44	8	8	7	10	9
X	Percentage of Overcrowded Housing (25.8%)	332	58	63	57	75	67
X	Percentage of Estimated Turnover (2%)	26	4	5	4	6	5
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		755	131	142	128	171	152
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		655	131	142	128	171	152

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the Southeast Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that 28 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less, with the smallest number of income-qualified households falling in the 51 to 60 percent of AMI income group. This may explain the 3.8 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 2.3 percent. Additionally, it is of note that all of the vacant LIHTC units in the Submarket are at the 60 percent of AMI level. The income-qualified renter households at the 61 to 80 percent AMI level comprise the second largest income group in the Submarket. This suggests that the vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, a 100-unit senior public housing development in the Submarket is undergoing renovations with tax credit funds allocated in 2006. Although the goal of the development is to replace existing housing, tenants have been displaced and some lease-up of the property may be needed. It is for this reason that we have deducted the units from the demand analysis. The only LIHTC/USDA senior property we were able to interview has a waiting list of one year and a very low 2.0 percent turnover rate. Despite the possibility of serving some additional households with the renovated units, the analysis above indicates that there is likely still an unmet need for additional affordable senior housing units in this Submarket.

6. EAST HIDALGO COUNTY SUBMARKET ANALYSIS

EAST HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The East Hidalgo County Submarket encompasses 174.6 square miles and is defined as the area bounded to the north by the Hidalgo County line and State Route 186; to the east by the Hidalgo County line; to the south by Roosevelt Road and 12 Mile Road North; and to the west by Brush Line Road and La Blanca Road. The following map illustrates the boundaries of the Submarket as defined above.

East Hidalgo County Submarket Map



The East Hidalgo County Submarket includes the communities/cities of Elsa, Edcouch, La Villa, Monte Alto, and La Blanca. Approximately 10 to 20 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 80 to 90 percent of the area in this Submarket contains very little development and offers limited access to locational amenities and essential services. Development is located along State Route 107, which serves the Submarket's two largest cities – Elsa and Edcouch. With the exception of a few small communities, the areas of the Submarket surrounding Elsa and Edcouch are sparsely developed. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to good condition and 15 to 45 years in age. There is a limited amount of multifamily development in average to good condition and 10 to 20 years in age.

Local Government

As previously mentioned, the East Hidalgo County Submarket includes the communities/cities of Elsa, Edcouch, La Villa, Monte Alto, and La Blanca.

Elsa, Texas is a city in Hidalgo County operating under a Mayor-city Commission form of government with four elected city Commissioners. According to the U.S. Census, Elsa is comprised of a land area of 1.4 square miles and had a 2000 population of 5,549.

Edcouch, Texas is a city in Hidalgo County operating under a Mayor-city Commission form of government. According to the U.S. Census, Edcouch is comprised of a land area of 0.9 square miles and had a 2000 population of 3,342.

La Villa, Texas is a city in Hidalgo County operating under a Mayor-Council form of government. According to the U.S. Census, La Villa is comprised of a land area of 0.3 square miles and had a 2000 population of 1,305.

Monte Alto, Texas is a census-designated place in Hidalgo County. According to the U.S. Census, Monte Alto is comprised of a land area of 2.2 square miles and had a 2000 population of 1,611.

La Blanca, Texas is a census-designated place in Hidalgo County. According to the U.S. Census, La Blanca is comprised of a land area of 4.2 square miles and had a 2000 population of 2,351.

Employment by Industry

The following table illustrates employment by industry for the East Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	460	4.70%	5,955	2.54%
Mining	28	0.29%	2,143	0.91%
Construction	738	7.55%	25,549	10.90%
Manufacturing	703	7.19%	13,071	5.58%
Wholesale Trade	467	4.78%	9,652	4.12%
Retail Trade	945	9.66%	30,163	12.87%
Transportation/Warehousing	417	4.26%	9,335	3.98%
Utilities	55	0.56%	1,438	0.61%
Information	40	0.41%	2,704	1.15%
Finance/Insurance	157	1.61%	5,917	2.53%
Real Estate/Rental/Leasing	88	0.90%	3,399	1.45%
Prof/Scientific/Tech Services	168	1.72%	6,868	2.93%
Mgmt of Companies/Enterprises	0	0.00%	82	0.03%
Admin/Support/Waste Mgmt Svcs	301	3.08%	8,174	3.49%
Educational Services	1,986	20.31%	36,869	15.73%
Health Care/Social Assistance	1,456	14.89%	29,322	12.51%
Arts/Entertainment/Recreation	16	0.16%	2,302	0.98%
Accommodation/Food Services	496	5.07%	16,906	7.21%
Other Services (excl Publ Adm)	587	6.00%	13,767	5.88%
Public Administration	671	6.86%	10,715	4.57%
Total Employment	9,779	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the East Hidalgo County Submarket are the educational services, health care/social assistance, retail trade and construction sectors. Approximately 52.4 percent of people in East Hidalgo County work in these four industries. The East Hidalgo County Submarket has a larger number of persons employed in the healthcare/social assistance and educational services sectors and a smaller number of people employed in the construction and retail trade sectors, relative to the MSA. Although educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Submarket due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should promote economic stability.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing.

Commute Patterns in the East Hidalgo County Submarket

The table below summarizes commute times for the East Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	201
5-9 min	926
10-14 min	903
15-19 min	1,266
20-24 min	990
25-29 min	379
30-34 min	1,541
35-39 min	190
40-44 min	188
45-59 min	308
60-89 min	175
90+ min	100
Average Travel Time	22.8 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The East Hidalgo County Submarket is primarily rural, which results in longer commute time for area workers. The largest share of workers reports a daily travel time of 30 to 34 minutes. There are two small employment centers in the Submarket, Elsa and Edcouch. It is likely that the longer commute times are attributable to employees traveling to jobs in Edinburg or Weslaco.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the East Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the East Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the East Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Total Population				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
1990	20,796	-	383,545	-
2000	28,200	3.56%	569,463	4.85%
2007	35,578	3.61%	732,166	3.94%
2012	41,678	3.43%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Population growth rates in the Submarket have been slightly lower than growth rates in the MSA in all years of analysis. Both the Submarket and the MSA show strong growth from 2007 through 2012, although the MSA will grow at a faster rate than the Submarket from 2007 through 2012. Overall, the rate of population growth in the Submarket and MSA will decrease slightly from 2007 through 2012. However, growth rates in the Submarket and MSA from 2007 to 2012 are considered very strong and are a positive indicator of the need for all forms of housing and likely explain why many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
East Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	2,163	3,015	4,100	4,797
5-9	2,368	3,162	3,560	4,278
10-14	2,522	3,052	3,529	3,970
15-19	2,310	2,815	3,338	3,852
20-24	1,675	2,194	2,796	3,350
25-29	1,460	1,990	2,817	2,900
30-34	1,444	1,958	2,395	2,859
35-39	1,295	1,846	2,457	2,493
40-44	1,168	1,684	2,036	2,573
45-49	886	1,453	1,984	2,231
50-54	695	1,274	1,643	2,068
55-59	619	921	1,414	1,854
60-64	645	751	991	1,472
65-69	602	650	783	967
70-74	388	569	612	694
75-79	287	457	531	538
80-84	168	208	358	409
85+	101	201	234	373
Total	20,796	28,200	35,578	41,678
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
1990	5,051	-	103,479	-
2000	7,053	3.96%	156,824	5.16%
2007	9,117	4.04%	205,804	4.31%
2012	10,752	3.59%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, household growth rates in the Submarket and MSA have both been strong through 2007. Household growth in the Submarket increased from 2000 to 2007, but is expected to slow from 2007 through 2012; however, the growth rate in the Submarket from 2007 through 2012 is still very strong. Similarly, household growth in the MSA is expected to slow from 2007 through 2012.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
2000	4.00	-	3.60	-
2007	3.90	-0.34%	3.53	-0.27%
2012	3.88	-0.10%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is larger than the MSA, and both are significantly larger than the national average size of 2.59 (not shown). The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket and the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
2000	\$19,621	-	\$24,843	-
2007	\$23,151	2.48%	\$30,519	3.15%
2012	\$26,381	2.79%	\$35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 31.8 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket and in the MSA is projected to grow at a slower rate from 2007 through 2012 than the previous seven years. It should be noted that the median household income in the Submarket and MSA are approximately 43.6 and 57.4 percent of the national average in 2007. The lower median income levels in the MSA and particularly the Submarket indicate an increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - East Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	2,110	23.1%	2,070	19.3%
\$10,000-\$14,999	889	9.8%	1,074	10.0%
\$15,000-\$19,999	953	10.5%	986	9.2%
\$20,000-\$24,999	896	9.8%	927	8.6%
\$25,000-\$29,999	813	8.9%	1,011	9.4%
\$30,000-\$34,999	712	7.8%	779	7.2%
\$35,000-\$39,999	536	5.9%	781	7.3%
\$40,000-\$44,999	502	5.5%	575	5.3%
\$45,000-\$49,999	207	2.3%	490	4.6%
\$50,000-\$59,999	523	5.7%	551	5.1%
\$60,000-\$74,999	509	5.6%	691	6.4%
\$75,000-\$99,999	260	2.9%	486	4.5%
\$100,000-	92	1.0%	155	1.4%
\$125,000-	61	0.7%	77	0.7%
\$150,000-	22	0.2%	52	0.5%
\$200,000-	16	0.2%	21	0.2%
\$250,000-	15	0.2%	21	0.2%
\$500,000+	1	0.0%	5	0.0%
Total	9,117	100%	10,752	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-	7,409	3.6%	10,073	4.1%
\$125,000-	3,767	1.8%	6,223	2.5%
\$150,000-	2,290	1.1%	4,504	1.8%
\$200,000-	1,246	0.6%	2,018	0.8%
\$250,000-	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 43.3 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007, with the highest percentage earning between zero dollars and \$10,000. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 38.4 percent and 29.4 percent, respectively. However, in both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing of all kinds in the Submarket and MSA.

Senior Demographic Trends

Among the demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents is 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
1990	2,810	-	63,856	-
2000	3,757	3.4%	90,763	4.2%
2007	4,923	4.3%	116,831	4.0%
2012	6,307	5.6%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Senior population trends in the MSA mirrored general population trends in the MSA from 2000 through 2007. Senior population growth in both the East Hidalgo County Submarket and the MSA is expected to grow at a faster rate from 2007 through 2012, with growth in the Submarket equal to that of the MSA.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	East Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
2000	2,275	-	52,073	-
2007	2,959	4.1%	67,113	4.0%
2012	3,797	5.7%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth in the Submarket and MSA is expected to be exceptionally strong through 2012. Although the rate of senior population growth is expected to slow through 2012, the rate of senior household growth is expected to increase. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		East Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
			<i>All Ages</i>			
2007	\$30,519	-	\$23,151	-	\$53,154	-
2012	\$35,078	2.59%	\$26,381	2.79%	\$62,503	3.52%
			<i>Age 55+</i>			
2007	\$27,687	-	\$21,067	-	\$32,710	-
2012	\$32,712	3.07%	\$23,373	2.19%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all areas of analysis are below the median incomes reported for all households. Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The median household income for seniors in the Submarket and MSA are approximately 64.4 and 84.6 percent of the national average in 2007.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - East Hidalgo County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	1,095	37.0%	1,260	33.2%
\$15,000-	611	20.6%	671	17.7%
\$25,000-	486	16.4%	620	16.3%
\$35,000-	371	12.5%	614	16.2%
\$50,000-	242	8.2%	322	8.5%
\$75,000-	90	3.0%	177	4.7%
100,000-	46	1.6%	88	2.3%
150,000-	11	0.4%	31	0.8%
200,000-	1	0.0%	4	0.1%
250,000-	6	0.2%	10	0.3%
\$500,000+	0	0.0%	0	0.0%
Total	2,959	100%	3,797	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,972	24.5%
\$15,000-	10,918	16.3%	11,816	13.8%
\$25,000-	8,645	12.9%	10,306	12.0%
\$35,000-	9,485	14.1%	12,964	15.1%
\$50,000-	9,921	14.8%	13,604	15.9%
\$75,000-	3,485	5.2%	6,161	7.2%
100,000-	3,783	5.6%	6,157	7.2%
150,000-	728	1.1%	1,622	1.9%
200,000-	543	0.8%	933	1.1%
250,000-	556	0.8%	884	1.0%
\$500,000+	97	0.1%	239	0.3%
Total	67,113	100%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Compared to the MSA, the Submarket has a significantly larger percentage of seniors earning less than \$35,000 annually. Approximately 74.1 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007. This is attributable primarily to the Submarket's high percentage of senior households earning below \$15,000 annually. By 2012, both areas of analysis will see decreases in the number of seniors earning less than \$35,000 annually. However, it is estimated that 67.2 percent of seniors in the Submarket and 50.3 percent of seniors in the MSA will still be earning less than \$35,000 annually by 2012. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. These factors indicate that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Year	East Hidalgo County Submarket				McAllen-Edinburg-Mission, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	2,010	88.4%	265	11.6%	43,784	84.1%	8,289	15.9%
2007	2,614	88.4%	345	11.6%	56,430	84.1%	10,683	15.9%
2012	3,355	88.4%	442	11.6%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units in all areas of analysis. The Submarket and MSA have a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above). The small percentage of renter-occupied senior households is not unusual in developing submarkets, where owner-occupied housing is predominant.

Senior Demographic Conclusion

Although the median senior household income for the East Hidalgo County Submarket is projected to increase from 2007 to 2012, growth in the national and MSA median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket feature considerable portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Significantly, 74.1 percent of those 55 and older in the Submarket were earning under \$35,000 per year in 2007, with nearly 37 percent earning less than \$15,000 per year. The Submarket features more senior households in these income brackets when compared to the MSA and national averages. Overall, these trends indicate that there is demographic support in the Submarket for affordable housing targeting senior households.

LOCAL MARKET INFORMATION

East Hidalgo County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There are several general practitioners, pediatricians, dentists and clinics located in the East Hidalgo County Submarket. Most are concentrated in Elsa and Edcouch, with limited medical services in the surrounding rural areas of the submarket, particularly in the northern portion of the Submarket. The South Texas Health System, with seven facilities including Cornerstone Regional Hospital, Edinburg Children's Hospital, Edinburg Regional Medical Center, Edinburg Regional Rehabilitation Center, McAllen Heart Hospital, McAllen Medical Center, and South Texas Behavioral Health Center serves much of the regions healthcare needs. The Knapp Medical Center in Weslaco, approximately 15 miles south of Elsa and Edcouch, is the closest major facility to the Submarket, with 233 private rooms and an emergency department.

Transportation

The South Texas International Airport at Edinburg and McAllen Miller International Airport are located approximately 30 and 40 miles south of the East Hidalgo County Submarket, respectively. The South Texas International Airport at Edinburg is a public-use airport located approximately nine miles north of the Central Business District of Edinburg. The airport is owned and operated by the City of Edinburg and averaged 13 general aviation aircraft operations per day in 2005. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

The East Hidalgo County Submarket is accessible via State Route 107, which connects Elsa, Edcouch and La Villa to Edinburg and U.S. Highway 281 to the west and U.S. Highway 77 to the east. U.S. Highway 281 runs north/south from McAllen, Texas to Wichita Falls, Texas. U.S. Highway 77 is also a north/south route which extends from Harlingen and Brownsville in south Texas to Waco in central Texas.

Education

There are at least three Independent School Districts providing education services in the East Hidalgo County Submarket. The Edcouch-Elsa ISD serves 5,400 students from the cities of Edcouch and Elsa and high school students from Monte Alto. The district operates one early childhood center, four elementary schools, one middle school, one junior high school and one high school. The Monte Alto ISD has one elementary school and one middle school. The La Villa ISD, which serves the unincorporated community of Laguna Seca in addition to the city of La Villa, operates an elementary school, middle school and high school with a total of 800 students.

The nearest universities are located in Edinburg and McAllen, approximately 15 to 20 miles south of the East Hidalgo County Submarket. The University of Texas Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the tenth largest university in the state and the fifth largest in the UT system and offers 54 bachelor’s degree programs, 50 master’s, and two doctoral programs. McAllen offers five major colleges/universities including the San Antonio College of Medical and Dental Assistants, South Texas Community College, South Texas Vocational Technical Institute, and the University of Cosmetology Arts and Sciences.

Public Transportation

Currently, there is no public transportation available to residents in the East Hidalgo County Submarket. The Valley Transit Company is a full-service bus company based in Mission that serves South Central Texas and Northern Mexico with more than 50 daily schedules, as well as connections to nationwide travel on Greyhound Lines. The Valley Transit Travel Center and Bus Stop is located at 2107 Highway 83 West in Mission and is open 24 hours a day.

Employment Centers

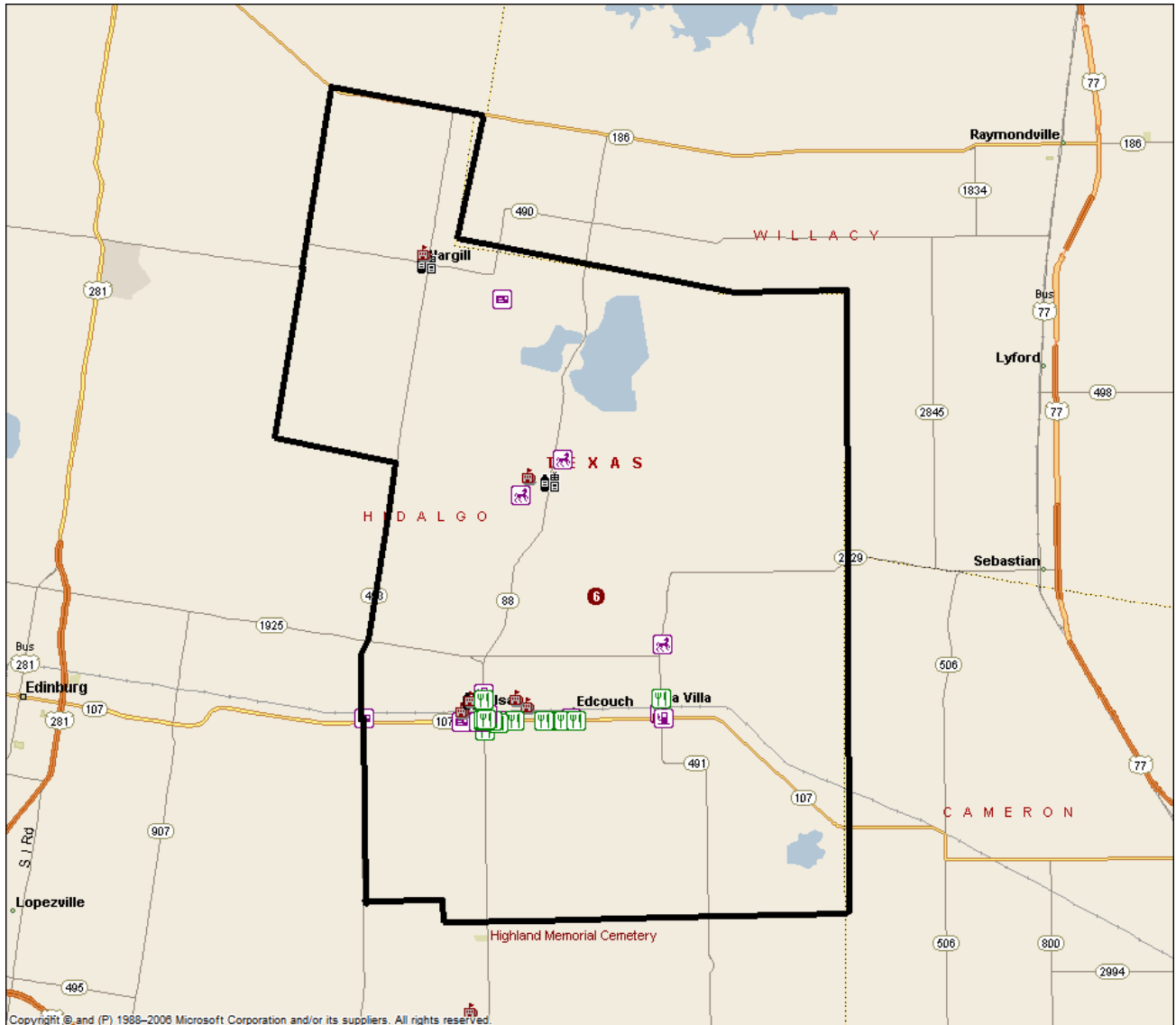
There are a limited number of employment centers in the East Hidalgo County Submarket. The majority of employment centers are located in Edinburg and McAllen, approximately 15 to 20 miles west and southwest of the Submarket’s two largest cities – Elsa and Edcouch. The largest employers in the McAllen-Mission-Edinburg MSA include the following:

Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	McAllen I.S.D.	Education	3,595
3	Edinburg Regional Medical Center	Healthcare	3,000
4	University of Texas Pan American	Education	2,850
5	McAllen Medical Center	Healthcare	2,800
6	Hidalgo County	Government	2,211
7	Mission Consolidated I.S.D.	Education	2,140
8	City of McAllen	Government	1,801
9	Columbia Rio Grande Regional Hospital	Healthcare	975
10	South Texas Community College	Education	811

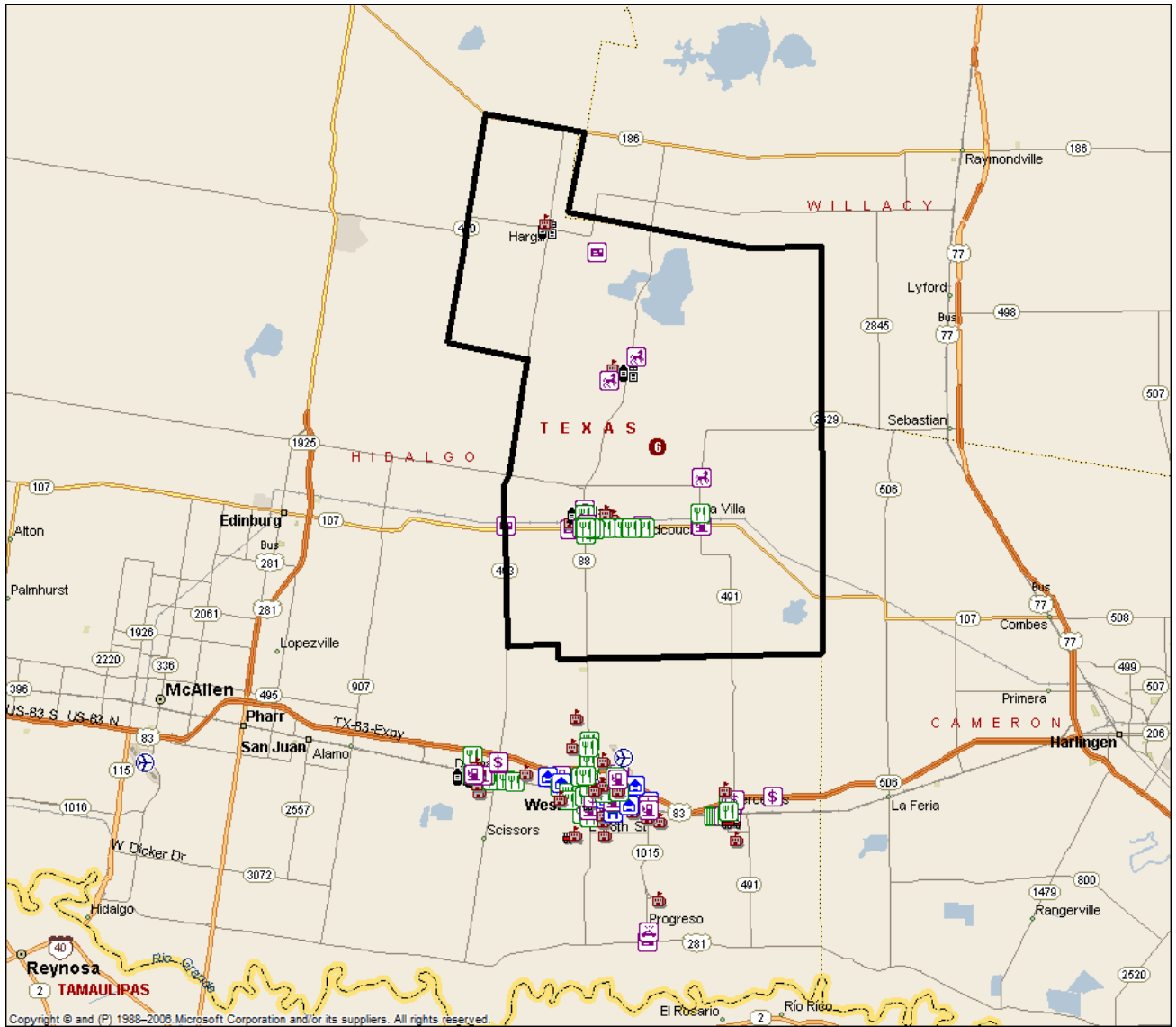
Employment in the McAllen-Edinburg-Mission MSA is dominated by relatively stable industries, and all ten of the major employers are in the education, healthcare, and government sectors. According to 2007 employment by industry demographics, educational services, health care/social assistance, retail trade and construction comprise approximately 52.4 percent of overall employment and are three of the top four industry sectors in the Submarket. Retail trade, construction, and manufacturing are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare, which make up approximately 35.2 percent of employment in the Submarket. The high concentration of education and healthcare employment in the Submarket may serve to anchor and stabilize the Submarket’s economy, even as sectors such as construction and retail trade show a slowing growth trend.

Proximity to Local Services

There are a moderate number of locational amenities in the East Hidalgo County Submarket. The majority of locational amenities are located in Elsa and Edcouch.

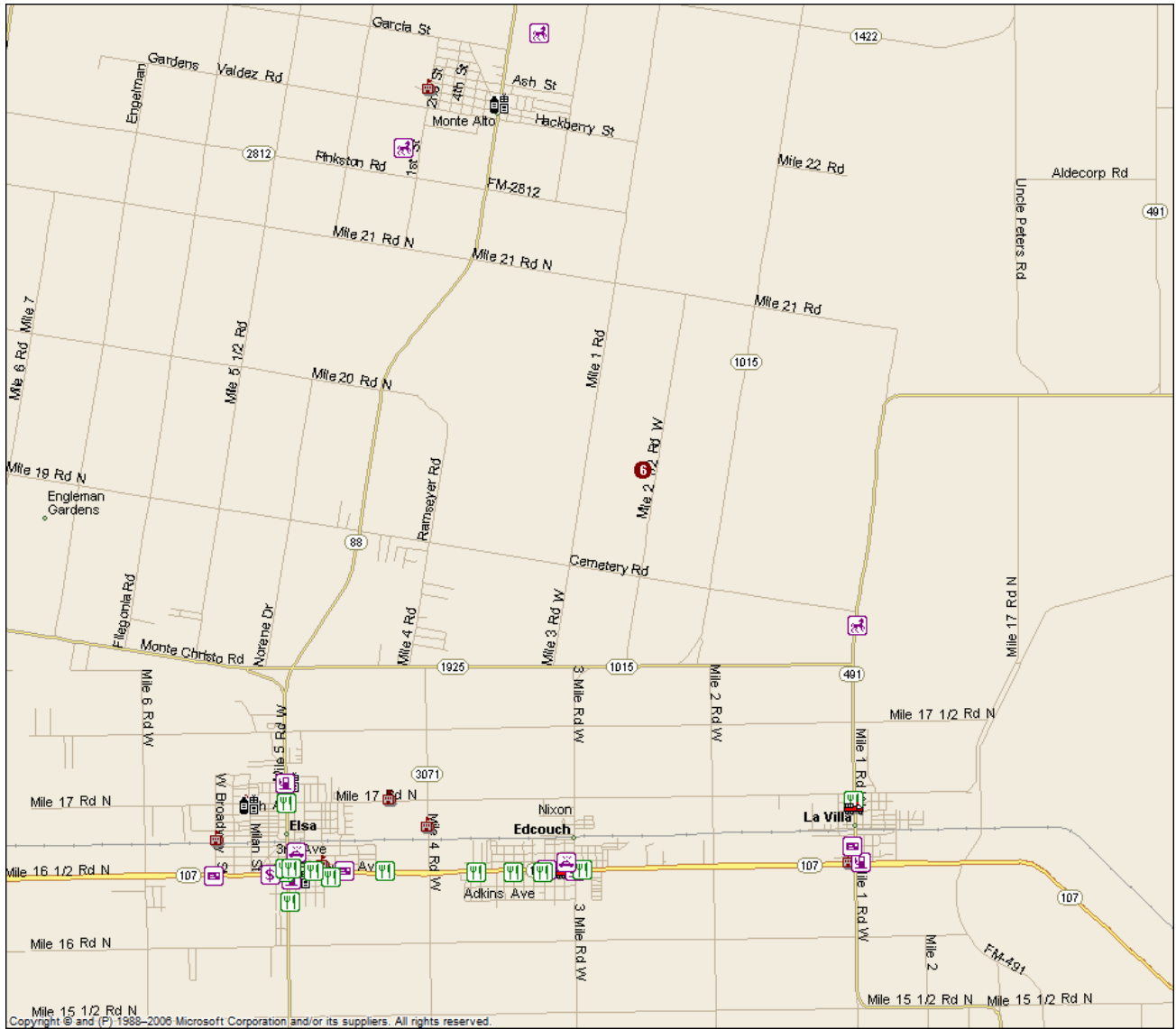


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	Ranch		School		Bank
	United States Post Office		Hospital		
	Fire Station		Airport		
	Restaurant		Police Station		
	Hotel/Motel		College/University		
	Grocery/Supermarket		Gas Station		

HOUSING SUPPLY ANALYSIS

EAST HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS**Age of the Housing Stock**

The following table presents the age of the housing stock in the East Hidalgo County Submarket.

**AGE OF HOUSING STOCK
EAST HIDALGO COUNTY SUBMARKET**

Years	Number of Units	Percent of Housing Stock
1999-3/2000	392	4.96%
1995-1998	1,021	12.92%
1990-1994	1,061	13.42%
1980-1989	2,003	25.34%
1970-1979	1,233	15.60%
1960-1969	956	12.10%
1950-1959	527	6.67%
1940-1949	383	4.85%
1939 and Before	328	4.15%
Total	7,904	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (79.38 percent) in the East Hidalgo County Submarket was constructed from 1960 through 1998, with over a quarter of the Submarket's units built between 1980 and 1989. The East Hidalgo County Submarket consists of moderate residential development including primarily of single-family homes with some multifamily housing. Based upon observations in the field the predominant form of housing in this Submarket is owner-occupied single-family homes in poor to good condition and 15 to 45 years in age. There is a limited amount of multifamily development in average to good condition and 10 to 20 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008.

Although building permit activity was not available by Submarket, limited data was available for the cities of Elsa and Edcouch, which represent the Submarket’s two largest municipalities. Building permit activity data obtained from U.S. Census Bureau estimates indicate that there were 156 multifamily units permitted in Edcouch between 1997 and June 2008. According to the same source, Elsa has recorded no multifamily building permits since 1997.

Interviews

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Housing Choice Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding the City of McAllen. None of these developments is located in the East Hidalgo County Submarket. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County, and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

City of Elsa Housing Authority

According to Margaret Moreno of the Elsa Housing Authority, there are 132 Housing Choice Vouchers allocated to Elsa. There are 124 Housing Choice Vouchers currently in use, with less than 10 percent returned due to an inability to find appropriate housing. The waiting list for Housing Choice Vouchers is comprised of 115 households, with an average wait time of eight months. The waiting list is open. Attempts to obtain data regarding public housing in Elsa were unsuccessful as of the date of this report.

The current payment standards for one-, two-, three- and four-bedroom units in Elsa and Hidalgo County are listed below. The payment standards are 100 percent of the Fair Market Rents for the area.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

City of Edcouch Housing Authority

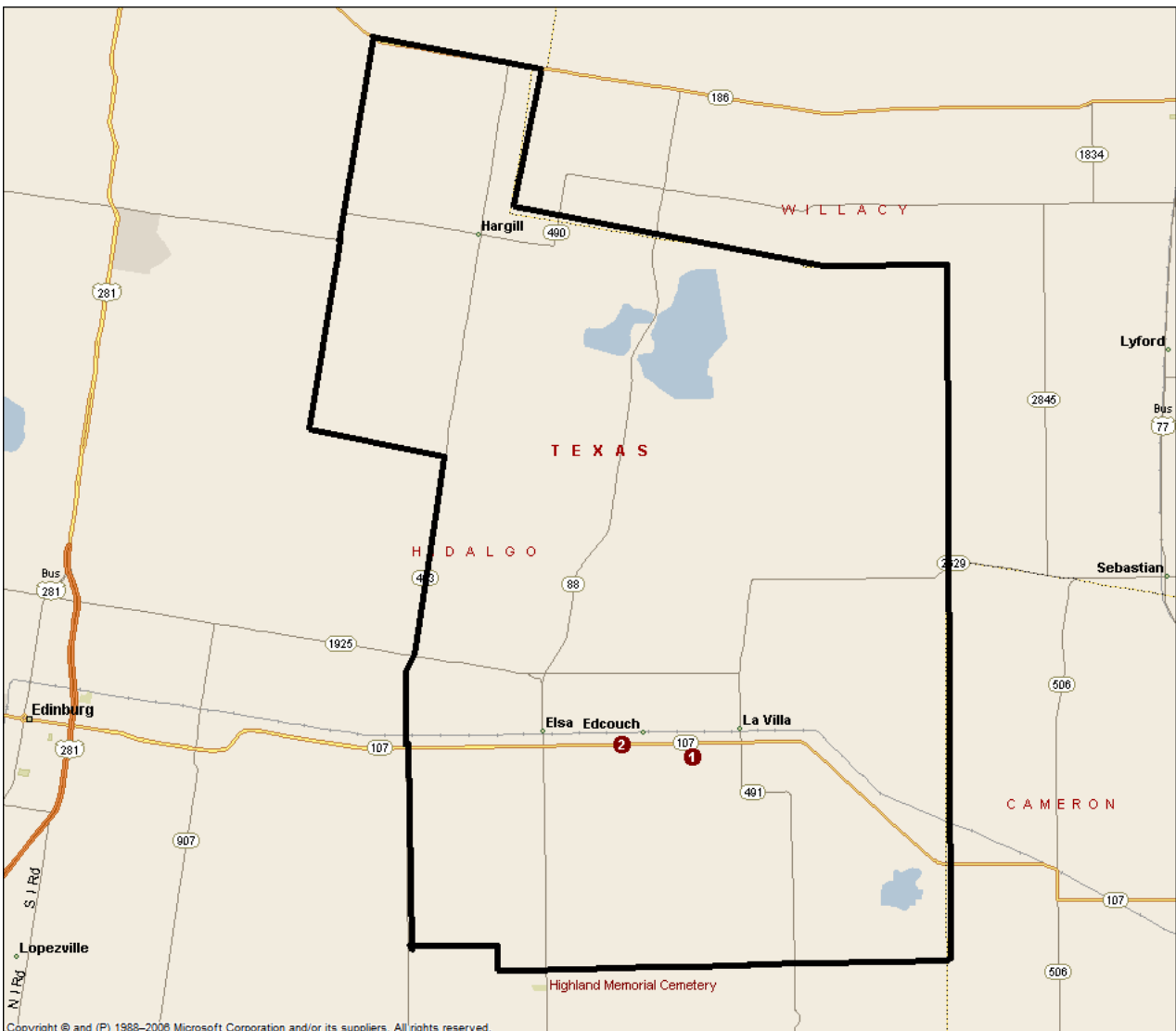
We made multiple attempts to contact the housing authority of Edcouch both over the phone and in person. As of the date of this report, no response has been received.

LIHTC FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified two family LIHTC developments totaling 87 units located in the East Hidalgo County Submarket. Delta Estates Apartments, a 64-unit development in Edcouch, was constructed in 2000. Los Laureles, a 23-unit family property also located in Edcouch, received an allocation of tax credits in 1994. Although the management at Los Laureles indicated that the property operates under Section 8 and Rural Development guidelines, there are no additional subsidized developments for families in the Submarket. Therefore, we have included Los Laureles in the following family LIHTC analysis.

A map of the surveyed properties can be found below:



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Delta Estates Apartments	Edcouch	LIHTC – Family
2	Los Laureles Apartments	Edcouch	LIHTC/USDA/Section 8 - Family

The following pictures identify the surveyed family LIHTC properties located in the Submarket:



Delta Estates Apartments



Los Laureles Apartments

Excluded Properties

None of the identified family LIHTC properties in the Submarket are excluded from this analysis.

Proposed/Under Construction

According to the Texas Department of Housing and Community Affairs, there are two family properties in the East Hidalgo County Submarket that have received an allocation in the last three years, Casa Edcouch and Maeghan Pointe. Casa Edcouch is an under construction LIHTC development located near the intersection of Mile 16 and Mile 4 in Edcouch. This development was allocated tax credit funding 2006 and will offer 73 units for families. Calls made to the developer have not been returned as of the date of this study and, therefore, no additional detail regarding unit mix, amenities and proposed rents was available.

Maeghan Pointe, located at the intersection of State Route 107 and Mile 6, was awarded an allocation in 2008. It will offer 80 two-, three- and four-bedroom units for families earning at or below 30, 50 and 60 percent of AMI. According to the application submitted by the developer, there will be five units at 30 percent of AMI, 28 units at 50 percent of AMI and 47 units at 60 percent of AMI. Proposed community amenities include a swimming pool, playground, fitness center and computer lab. A current construction timeline was not available, but it is anticipated that this property will have units available sometime in 2009.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	12	13.79%
2 BR	44	50.57%
3 BR	31	35.64%
Total	87	100%

The majority of the LIHTC units in the Submarket are two-bedroom units, followed by three-bedroom units. We were unable to identify any properties with four-bedroom LIHTC units. Demographic projections show that the average household size in the Submarket in 2007 was 3.90, which is projected to decrease slightly by 2012 to 3.88. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and larger than that of the MSA. Demographic estimates show that approximately 41 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market. Los Laureles was unable to provide square footage data and is not included in the table below.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	623	623	623
2 BR	867	867	867
3 BR	1,076	1,076	1,076

The surveyed one-, two, and three-bedroom LIHTC units are 623, 867, and 1,076 square feet, respectively. Delta Estates Apartments, which was constructed in 2000, is representative of the newly constructed properties in the East Hidalgo Submarket.

Common and In-Unit Amenities

	Delta Estates Apartments	Los Laureles Apts
Comp #	1	2
Property Information		
Property Type	Various	Various
Year Built / Renovated	2000	1990's
Market (Conv.)/Subsidy Type	LIHTC	LIHTC/USDA/ Section 8
In-Unit Amenities		
Balcony/Patio	yes	no
Blinds	yes	yes
Carpeting	yes	yes
Central A/C	yes	yes
Ceiling Fan	yes	no
Oven	yes	yes
Refrigerator	yes	yes
Walk-In Closet	yes	no
Washer/Dryer hookup	no	yes
Property Amenities		
Basketball Court	yes	no
Clubhouse/Meeting Room/Community Room	yes	no
Central Laundry	yes	yes
Off-Street Parking	yes	yes
On-Site Management	yes	yes
Picnic Area	yes	no
Playground	yes	yes
Swimming Pool	yes	no
Services		
Security		
Limited Access	yes	no
Patrol	no	yes
Perimeter Fencing	yes	no
Premium Amenities		
Other Amenities		
Other	n/a	n/a

The existing LIHTC multifamily properties in the East Hidalgo County Submarket offer a moderate amount of in-unit and community amenities, with Delta Estates Apartments offering a more comprehensive amenity package than Los Laureles. Both of the surveyed LIHTC comparables offer unit amenities that include central air conditioning, ovens, garbage disposals, and refrigerators. Washer/dryer connections are available at Los Laureles. The extended amenities at Delta Estates Apartments include a patio/balcony, ceiling fan, walk-in closets, basketball court, community room, picnic area, swimming pool and perimeter fencing with limited access gates. There are no non-shelter services offered by the surveyed LIHTC properties in the Submarket.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type for the surveyed family LIHTC properties.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	12	0	0.0%
2 BR	44	2	4.5%
3 BR	31	0	0.0%
Total	87	2	2.3%

Los Laureles is reporting two vacant two-bedroom units at 60 percent of AMI. However, it should be noted that both of the units are pre-leased, resulting in an effective vacancy rate of zero percent. The very low vacancy rate among the surveyed family LIHTC units indicates that there may be a continuing need for affordable one-, two- and three-bedroom units in the East Hidalgo County Submarket.

Absorption

None of the surveyed properties were able to provide absorption information. Both properties were constructed in 2000 or earlier.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Waiting List
Delta Estates Apartments	64	2BR units only
Los Laureles Apartments	23	3 Households

Both of the surveyed family LIHTC properties currently maintain small waiting lists. Delta Estates only maintains a waiting list for its two-bedroom units at 50 and 60 percent of AMI. Los Laureles reports a list of three households waiting for all unit types.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Delta Estates Apartments	64	3.1%
Los Laureles Apartments	23	0.0%
AVERAGE	87	2.3%

Overall vacancy at the surveyed family LIHTC properties is very low at 2.3 percent. As noted earlier, both of the vacant units at Delta Estates are pre-leased, resulting in an effective vacancy rate of zero percent for family LIHTC units in the Submarket. Vacancy rates may temporarily increase as approximately 150 new family LIHTC units become available over the next six to 18 months.

Concessions

Delta Estates Apartments is currently offering one-month free rent for all unit types. This may indicate that the property is having difficulty attracting income qualified households at the 50 and 60 percent AMI levels. Los Laureles, which also operates as a Rural Development and Section 8 property, is not offering any concessions at this time.

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
Delta Estates	64	19%
Los Laureles	23	9%
AVERAGE	87	14%

The range of turnover rates at the surveyed family LIHTC properties in the Submarket appears to be well within range of typical turnover rates for multifamily properties in a developing area.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions. Adjustments to utilities have not been made.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Delta Estates Apartments 300 Mile 2 W Edcouch, TX 78538 Hidalgo County	Various 2000	@50%, @60%	1BR / 1BA	4	6.20%	@50%	\$254	623	No	No	0	0.00%
				1BR / 1BA	4	6.20%	@60%	\$329	623	No	No	0	0.00%
				2BR / 1BA	18	28.10%	@50%	\$290	867	No	Yes	0	0.00%
				2BR / 1BA	18	28.10%	@60%	\$379	867	No	Yes	2	11.10%
				3BR / 2BA	10	15.60%	@50%	\$319	1,076	No	No	0	0.00%
				3BR / 2BA	10	15.60%	@60%	\$423	1,076	No	No	0	0.00%
					64	100%							
2	Los Laureles Apts 1100 E Santa Rosa St Edcouch, TX 78538 Hidalgo County	Various 1990's	LIHTC/ Section 8/USDA	1BR / 1BA	4	17.40%	Rural Development	\$435	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	8	34.80%	Rural Development	\$455	N/A	n/a	Yes	0	0.00%
				3BR / 1BA	11	47.80%	Rural Development	\$500	N/A	n/a	Yes	0	0.00%
					23	100%							0

Rents and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The rents at all of the surveyed LIHTC comparables, including those of the market rate units, are below the current payment standards for Hidalgo County. None of the surveyed LIHTC properties have rents set at the maximum allowable levels.

LIHTC Family Supply Conclusion

Novogradac identified two family LIHTC developments totaling 87 units located in the East Hidalgo County Submarket. Delta Estates Apartments and Los Laureles Apartments, with a total of 87 units, target households earning 30 percent, 50 percent and 60 percent of the AMI. Although the management at Los Laureles indicated that the property operates under Section 8 and Rural Development guidelines, there are no additional subsidized developments for families in the Submarket. Therefore, we have included Los Laureles in the family LIHTC analysis. No identified family LIHTC properties were excluded from the analysis.

According to the Texas Department of Housing and Community Affairs, there are two family properties in the East Hidalgo County Submarket that have received an allocation in the last three years, Casa Edcouch and Maeghan Pointe. When completed over the next six to 18 months, these two properties will offer over 150 newly constructed family LIHTC units in the Submarket. While the average effective vacancy rate among family LIHTC units is zero percent, the addition of new units to the market may cause some increase in the vacancy rate, particularly for units at the 50 and 60 percent set-aside. Delta Estates is currently offering one-month of free rent to attract tenants to units at the 50 and 60 percent set-aside, indicating there may be a lack of renters at this income level in the Submarket.

LIHTC SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers.

Novogradac identified four senior LIHTC developments with a total of 138 units in the East Hidalgo County Submarket. All four properties carry an additional USDA rental subsidy. Therefore, these properties have been excluded from the senior LIHTC analysis and will be addressed in the senior subsidized analysis section. Therefore, due to the lack of senior LIHTC properties, we were unable to perform a senior LIHTC market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one senior LIHTC property under construction in the East Hidalgo County Submarket. El Paraiso, located at 200 South Mile 2W Road in Edcouch, is expected to open in late 2008 or early 2009. It will offer a total of 30 units to senior households earning 30, 40, 50 and 60 percent of AMI, with some units also carrying HOME fund restrictions. There will be 26 one-bedroom units measuring 651 square feet and four two-bedroom units with 800 square feet. Units will have washer/dryer connections and ceiling fans. Proposed property amenities include a clubhouse, on-site management and a central laundry facility.

MARKET RATE FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. We identified two potential market rate developments in the Submarket. Evergreen Apartments, located in Elsa, had a disconnected phone number. Messages left at a phone number for Northside Apartments in Edcouch were not returned. Based on the lack of available data, we did not complete a market rate analysis.

Proposed Construction

We attempted to contact Elsa City Hall and Edcouch City Hall in order to acquire information on proposed market rate development in the Submarket. However, our calls have not been returned as of the date of this study. Field observations indicate that there are no market-rate developments planned, proposed or under construction in the East Hidalgo County Submarket.

MARKET RATE SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable existing senior market rate properties in the East Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis.

Proposed Construction

We attempted to contact Elsa City Hall and Edcouch City Hall in order to acquire information on proposed market rate development in the Submarket. However, our calls have not been returned as of the date of this study. Field observations indicate that there are no market-rate developments planned, proposed or under construction in the East Hidalgo County Submarket.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

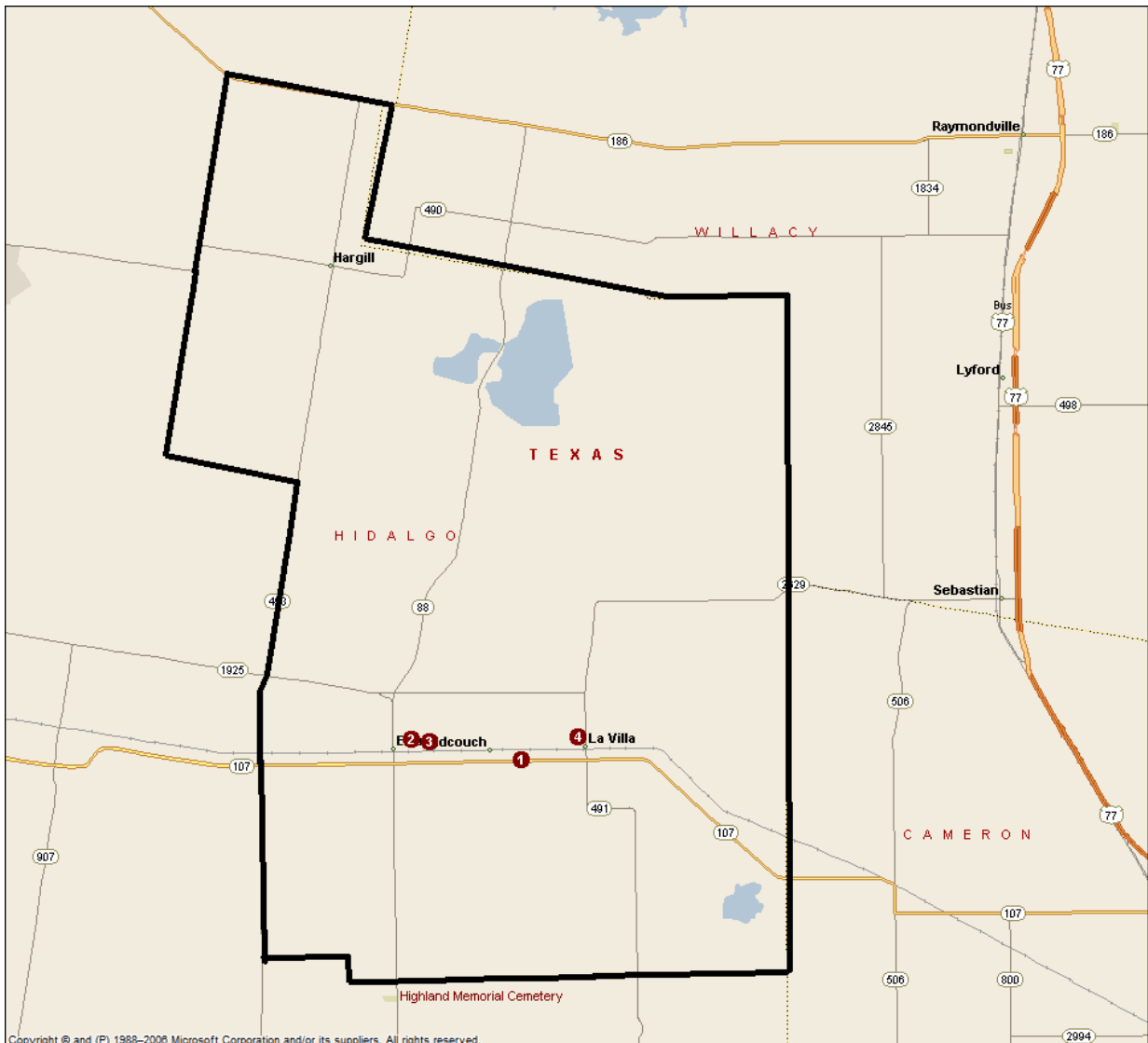
As stated earlier, there is one subsidized family development in the East Hidalgo County Submarket. Los Laureles, a 23-unit family property also located in Edcouch, operates under Section 8 and Rural Development guidelines, but also received an allocation of tax credits in 1994. There are no additional family-targeted subsidized developments in the Submarket. Therefore, we included Los Laureles in the previous family LIHTC analysis.

SUBSIDIZED SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

Novogradac identified four subsidized senior developments with a total of 138 units in the East Hidalgo County Submarket. All four properties have also received LIHTC allocations, but effectively operate as subsidized developments. Cielo Lindo Apartments in Edcouch have 30 one- and two-bedroom units restricted under the USDA’s Rural Development program. La Posada and La Posada II, both located in Elsa, have a total of 74 units carrying USDA restrictions. La Reina Apartments in La Villa is a 30 unit USDA development.

The following map illustrates the location of the surveyed senior subsidized comparables in the Submarket.



SURVEYED SUBSIDIZED SENIOR PROPERTIES			
Number	Name	Location	Type
1	Cielo Lindo	Edcouch	Senior – USDA/LIHTC
2	La Posada	Elsa	Senior – USDA/LIHTC
3	La Posada II	Elsa	Senior – USDA/LIHTC
4	La Reina	La Villa	Senior – USDA/LIHTC

The following pictures identify the surveyed subsidized senior properties located in the Submarket:



Cielo Lindo



La Posada



La Posada II



La Reina

Excluded Properties

None of the identified senior subsidized properties in the Submarket are excluded from this analysis.

Proposed/Under Construction

Information from the planning departments of Elsa and Edcouch indicate that there are no market-rate senior-oriented developments planned, proposed or under construction in the East Hidalgo County Submarket. As stated in the senior LIHTC discussion, there is one senior LIHTC property under construction in the East Hidalgo County Submarket. El Paraiso, located at 200 South Mile 2W Road in Edcouch, is expected to open in late 2008 or early 2009. Some of the units will be restricted at 30 percent of AMI, which targets households with incomes similar to those of tenants served by subsidized housing.

Unit Mix

The following table illustrates the unit mix in the subsidized senior rental property market.

Unit Mix – Subsidized Senior		
Unit Type	Total Units	Percent
1 BR	126	91.3%
2 BR	12	8.7%
Total	138	100%

As expected, most of the subsidized senior units in the Submarket are one-bedroom units, with very few two-bedroom units. Senior households are typically comprised of one or two persons. Most are seeking to downsize from single-family homes and tend to seek smaller unit types with less maintenance and upkeep requirements.

Unit Size

Unit sizes were not available for Cielo Lindo Apartments. La Posada, La Posada II and La Reina, which are all managed by the same company, report an estimated one-bedroom size of 650 square feet and an estimated two-bedroom size of 800 square feet.

Common and In-Unit Amenities

	Cielo Lindo Apartments	La Posada	La Posada II	La Reina Apartments
Comp #	1	2	3	4
Property Information				
Property Type	Single-story	Single-story	Single-story	Single-story
Year Built / Renovated	2002	1992	2000	2003
Market (Conv.)/Subsidy Type	Senior - USDA/LIHTC	Senior - USDA/LIHTC	Senior - USDA/LIHTC	Senior - USDA/LIHTC
In-Unit Amenities				
Balcony/Patio	yes	yes	yes	yes
Blinds	yes	yes	yes	yes
Carpeting	no	yes	yes	yes
Central A/C	yes	yes	yes	yes
Exterior Storage	yes	no	no	no
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Walk-In Closet	no	yes	yes	yes
Washer/Dryer hookup	yes	yes	yes	yes
Property Amenities				
Clubhouse/Meeting Room/Community Room	no	yes	yes	yes
Central Laundry	yes	yes	yes	no
Off-Street Parking	yes	yes	yes	yes
On-Site Management	yes	no	no	no
Picnic Area	no	yes	yes	yes
Services				
Security				
Patrol	yes	no	no	no
Perimeter Fencing	no	yes	yes	no
Premium Amenities				
Other Amenities				
Other	n/a	n/a	n/a	n/a

The existing subsidized senior properties in the East Hidalgo County Submarket offer similar in-unit amenities, including washer/dryer hookups and a patio/balcony. Cielo Lindo Apartments, one of the newest subsidized senior developments in the Submarket, also offers exterior storage. All of the surveyed properties offer a community room/clubhouse, with the exception of Cielo Lindo. There are no non-shelter services offered by the surveyed subsidized senior properties in the Submarket.

By-Unit Weighted Vacancy

There are no vacant subsidized senior units in the East Hidalgo County Submarket. This, along with the waiting lists detailed in a subsequent section, indicate that there is strong demand for units affordable to seniors at the very lowest income levels.

Absorption

None of the surveyed properties were able to provide absorption information. All properties were constructed in 2003 or earlier.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – Subsidized Senior		
Property Name	Number of Units	Waiting List
Cielo Lindo	34	3 Households
La Posada	40	Yes; number unavailable
La Posada II	34	Yes; number unavailable
La Reina	30	Yes; number unavailable

All of the surveyed senior subsidized properties currently maintain small waiting lists. The total number of households on the waiting lists at La Posada, La Posada II and La Reina was unavailable.

Vacancy Levels

Overall vacancy at the surveyed senior subsidized properties in the Submarket is zero percent. The addition of 30 senior LIHTC units to the Submarket in the next six months is expected to have little impact on the vacancy rate of the existing properties.

Concessions

None of the surveyed senior subsidized properties are offering concessions.

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – Subsidized Senior		
Property Name	Number of Units	Turnover
Cielo Lindo	34	N/A
La Posada	40	8%
La Posada II	34	6%
La Reina	30	7%
AVERAGE		7%

The range of turnover rates at the surveyed subsidized senior properties in the Submarket are very low and average approximately 7 percent. Senior properties typically report lower turnover rates than properties targeting families. The lower than average turnover rate in this Submarket is reflective of a lack of housing choices for seniors at lower income levels.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions. Adjustments to utilities have not been made.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Cielo Lindo Apartments 402 Hinojosa Drive Edcouch, TX 78538 Hidalgo County	One-story (age-restricted) 2002	USDA	1BR / 1BA	30	88.20%	Rural Development	\$435	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	4	11.80%	Rural Development	\$490	N/A	n/a	Yes	0	0.00%
					34	100%						0	0.00%
2	La Posada 901 Lamar Street Elsa, TX 78543 Hidalgo County	One-story (age-restricted) 1992	Rural Development	1BR / 1BA	36	90.00%	Rural Development	\$375	650	n/a	Yes	0	0.00%
				2BR / 1BA	4	10.00%	Rural Development	\$405	800	n/a	Yes	0	0.00%
					40	100%						0	0.00%
3	La Posada II 901 Lamar Street Elsa, TX 78543 Hidalgo County	One-story (age-restricted) 2000	LIHTC	1BR / 1BA	30	88.20%	Rural Development	\$425	650	n/a	Yes	0	0.00%
				2BR / 1BA	4	11.80%	Rural Development	\$480	800	n/a	Yes	0	0.00%
					34	100%						0	0.00%
4	La Reina Apartments La Villa, TX 78562 Hidalgo County	One-story (age-restricted) 2003	Rural Development	1BR / 1BA	26	86.70%	Rural Development	\$420	650	n/a	Yes	0	0.00%
				2BR / 1BA	4	13.30%	Rural Development	\$495	800	n/a	Yes	0	0.00%
					30	100%						0	0.00%

Rent and Square Footage Ranking

Subsidized Senior Supply Conclusion

Novogradac identified four subsidized senior developments with a total of 138 units in the East Hidalgo County Submarket. All four properties have also received LIHTC allocations, but effectively operate as subsidized developments. Cielo Lindo Apartments in Edcouch have 30 one- and two-bedroom units restricted under the USDA's Rural Development program. La Posada and La Posada II, both located in Elsa, have a total of 74 units carrying USDA restrictions. La Reina Apartments in La Villa is a 30 unit USDA development.

There are no vacant subsidized senior units in the East Hidalgo County Submarket. This, along with the waiting lists detailed in a subsequent section, indicate that there is strong demand for units affordable to seniors at the very lowest income levels. The average turnover rate for the surveyed subsidized senior properties in the Submarket is very low at approximately 7 percent. The lower than average turnover rate in this Submarket may also reflect a lack of housing choices for seniors at lower income levels.

El Paraiso, a 30-unit senior LIHTC property, is currently under construction in Edcouch. Some of the units will be restricted at 30 percent of AMI, which targets households with incomes similar to those of tenants served by subsidized housing. The addition of these units to the Submarket in the next six months is expected to have little impact on the vacancy rate of the existing subsidized senior properties.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the East Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the East Hidalgo County Submarket in 2007 is 9,117 and the total number of households in 2012 is projected to be 10,752. The total number of households age 55 and older in the Submarket for 2007 is 2,959, with a 2012 projection of 3,797 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 18.5 percent of the occupied housing unit households in the East Hidalgo County Submarket in 2007. For senior households age 55 and older, the percentage of renters is 11.6 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a

one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the East Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the East Hidalgo County Submarket, approximately 23.1 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 5.7 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the East Hidalgo County Submarket, it is estimated that 28.2 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the two stabilized family LIHTC properties surveyed in the Submarket is approximately 14 percent.

The four identified senior LIHTC properties in this Submarket also carry additional USDA subsidies. Therefore, for the purpose of this analysis, we have used the average senior subsidized property turnover rate of 7.0 percent.

Unstabilized Rental Units - Existing and Proposed

Maeghan Pointe was awarded an allocation in 2008. It will offer 80 two-, three- and four-bedroom units for families earning at or below 30, 50 and 60 percent of AMI. According to the application submitted by the developer, there will be five units at 30 percent of AMI, 28 units at 50 percent of AMI and 47 units at 60 percent of AMI. These units have been deducted from the following demand analysis.

Casa Edcouch is an under construction LIHTC development located near the intersection of Mile 16 and Mile 4 in Edcouch. This development was allocated tax credit funding 2006; it will offer 73 units for families. Calls made to the developer have not been returned as of the date of this study and, therefore, no additional detail regarding unit mix, amenities and proposed rents was available. For purposes of this analysis, we will assume that the distribution of units among income set-asides is similar to that of the proposed Maeghan Pointe. Therefore, we have deducted five units at 30 percent of AMI, 25 units at 50 percent AMI and 43 units at 60 percent of AMI from the following demand analysis.

There is one senior LIHTC property under construction in the East Hidalgo County Submarket. El Paraiso is expected to open in late 2008 or early 2009. It will offer a total of 30 units to senior households earning 30, 40, 50 and 60 percent of AMI, with some units also carrying HOME fund restrictions. The representative for El Paraiso was unable to give detail regarding the number of units at each income set-aside. For purposes of this analysis, we have assumed that the units are distributed evenly among all four set-asides. These units are deducted from the analysis of all households and senior households, as demand from all households includes households age 55 and older.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the East Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the subsequent tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	246	112	10	17	17	16	10
2 person	312	132	23	24	21	31	9
3 person	369	137	66	67	12	11	6
4 person	252	128	22	18	12	24	20
5+person	506	231	69	40	32	46	26
Total	1,684	740	190	165	95	129	71
Number of Income-Qualified Renter Households		740	190	165	95	129	71
X	Percentage of Rent-Overburdened (23.1%)	171	44	38	22	30	16
X	Percentage of Substandard Housing (5.7%)	42	11	9	5	7	4
X	Percentage of Overcrowded Housing (28.2%)	209	54	46	27	36	20
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		422	108	94	54	73	40
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	7	61	98	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		405	101	33	-44	73	40

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	314	143	13	22	22	21	13
2 person	352	149	26	27	24	35	10
3 person	444	165	79	80	15	13	7
4 person	307	157	26	22	15	30	25
5+person	605	276	82	48	39	55	31
Total	2,023	890	226	199	115	154	86
Number of Income-Qualified Renter Households		890	226	199	115	154	86
X	Percentage of Rent-Overburdened (23.1%)	205	52	46	27	36	20
X	Percentage of Substandard Housing (5.7%)	51	13	11	7	9	5
X	Percentage of Overcrowded Housing (28.2%)	251	64	56	32	43	24
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		507	129	113	66	88	49
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	7	61	98	0	0
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		490	122	52	-32	88	49

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	246	112	10	17	17	16	10
2 person	312	132	23	24	21	31	9
3 person	369	137	66	67	12	11	6
4 person	252	128	22	18	12	24	20
5+person	506	231	69	40	32	46	26
Total	1,684	740	190	165	95	129	71
Number of Income-Qualified Renter Households		740	190	165	95	129	71
X	Percentage of Rent-Overburdened (23.1%)	171	44	38	22	30	16
X	Percentage of Substandard Housing (5.7%)	42	11	9	5	7	4
X	Percentage of Overcrowded Housing (28.2%)	209	54	46	27	36	20
X	Percentage of Estimated Turnover (14%)	104	27	23	13	18	10
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		525	135	117	67	92	50
<i>Less Existing and Planned Unstablized Competing Units</i>		17	7	61	98	0	0
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		508	128	56	-31	92	50

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	314	143	13	22	22	21	13
2 person	352	149	26	27	24	35	10
3 person	444	165	79	80	15	13	7
4 person	307	157	26	22	15	30	25
5+person	605	276	82	48	39	55	31
Total	2,023	890	226	199	115	154	86
Number of Income-Qualified Renter Households		890	226	199	115	154	86
X	Percentage of Rent-Overburdened (23.1%)	205	52	46	27	36	20
X	Percentage of Substandard Housing (5.7%)	51	13	11	7	9	5
X	Percentage of Overcrowded Housing (28.2%)	251	64	56	32	43	24
X	Percentage of Estimated Turnover (14%)	125	32	28	16	22	12
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		632	160	141	82	109	61
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	7	61	98	0	0
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		615	153	80	-16	109	61

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	146	81	7	11	11	6	0
2 person	81	40	3	3	5	18	5
3 person	42	2	4	4	4	7	0
4 person	24	0	0	3	7	7	1
5+person	58	7	2	9	11	17	4
Total	351	130	18	30	38	55	10
Number of Income-Qualified Renter Households		130	18	30	38	55	10
X	Percentage of Rent-Overburdened (23.1%)	30	4	7	9	13	2
X	Percentage of Substandard Housing (5.7%)	7	1	2	2	3	1
X	Percentage of Overcrowded Housing (28.2%)	37	5	8	11	16	3
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		74	10	17	22	32	6
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>7</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		67	3	9	14	32	6

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	183	101	9	13	13	7	0
2 person	93	46	4	4	6	21	6
3 person	58	3	6	6	6	10	0
4 person	32	0	0	4	9	9	1
5+person	71	9	3	11	14	21	5
Total	438	159	22	38	48	68	12
Number of Income-Qualified Renter Households		159	22	38	48	68	12
X	Percentage of Rent-Overburdened (23.1%)	37	5	9	11	16	3
X	Percentage of Substandard Housing (5.7%)	9	1	2	3	4	1
X	Percentage of Overcrowded Housing (28.2%)	45	6	11	14	19	3
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		91	13	22	27	39	7
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>7</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		84	6	14	19	39	7

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	146	81	7	11	11	6	0
2 person	81	40	3	3	5	18	5
3 person	42	2	4	4	4	7	0
4 person	24	0	0	3	7	7	1
5+person	58	7	2	9	11	17	4
Total	351	130	18	30	38	55	10
Number of Income-Qualified Renter Households		130	18	30	38	55	10
X	Percentage of Rent-Overburdened (23.1%)	30	4	7	9	13	2
X	Percentage of Substandard Housing (5.7%)	7	1	2	2	3	1
X	Percentage of Overcrowded Housing (28.2%)	37	5	8	11	16	3
X	Percentage of Estimated Turnover (7%)	9	1	2	3	4	1
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		83	11	19	24	35	7
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>7</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		76	4	11	16	35	7

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	183	101	9	13	13	7	0
2 person	93	46	4	4	6	21	6
3 person	58	3	6	6	6	10	0
4 person	32	0	0	4	9	9	1
5+person	71	9	3	11	14	21	5
Total	438	159	22	38	48	68	12
Number of Income-Qualified Renter Households		159	22	38	48	68	12
X	Percentage of Rent-Overburdened (23.1%)	37	5	9	11	16	3
X	Percentage of Substandard Housing (5.7%)	9	1	2	3	4	1
X	Percentage of Overcrowded Housing (28.2%)	45	6	11	14	19	3
X	Percentage of Estimated Turnover (7%)	11	2	3	3	5	1
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		102	14	24	31	43	8
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>7</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		95	7	16	23	43	8

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the East Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that almost one-third of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Although the effective vacancy rate for family LIHTC units in the Submarket is zero percent, there are 183 new LIHTC units expected to enter the market in the next six to 18 months. With a limited number of income-qualified renter households at the 51 to 60 percent AMI level, new units at 60 percent of AMI may have difficulty attracting appropriately qualified tenants. Already, one of the family LIHTC properties in the Submarket is offering a concession of one month free rent. This indicates that the new units in the market may experience a somewhat slower than average absorption period, and concessions may be needed to attract and maintain tenants in units at the 60 percent set-aside. However, it should be noted that with a high incidence of overcrowding in the Submarket, additional demand may be generated from owner households looking to improve their current housing situation.

Senior Households

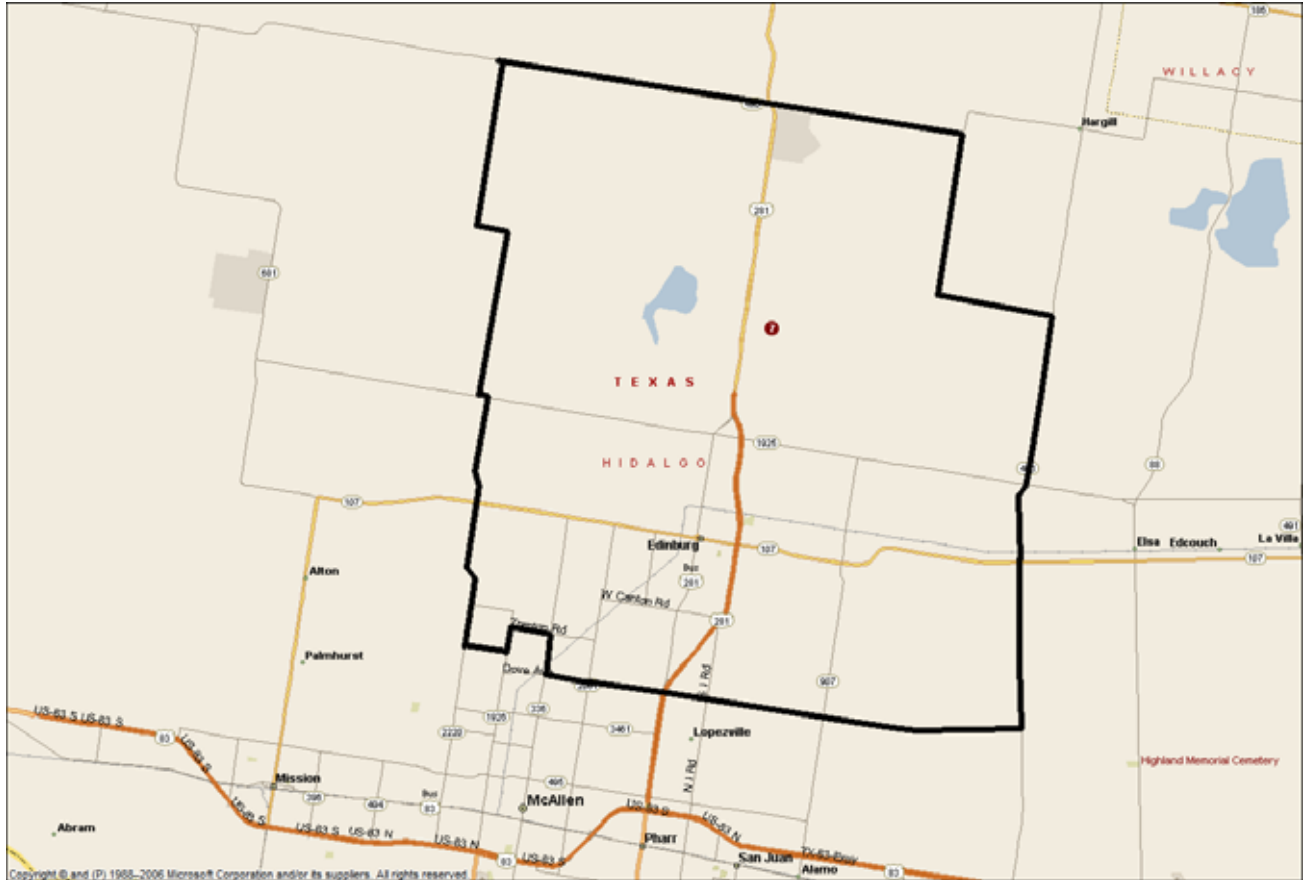
Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 138 subsidized units serving low-income senior households in the East Hidalgo County Submarket and an increase in income-qualified senior renter households projected through 2012. The 30 units under construction at El Paraiso will help to meet this continuing need, without significant impact to existing affordable housing developments for seniors in the Submarket.

7. CENTRAL HIDALGO COUNTY SUBMARKET ANALYSIS

CENTRAL HIDALGO COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the Central Hidalgo County Submarket, which is bounded to the east by La Blanca Road and Brush Line Road; to the south by Trenton Road, East Dove Avenue, Owassa Road and Roosevelt Road; to the north by FM 490, and to the west by Wallace Road and Ware Road. The following map illustrates the boundaries of the Submarket as defined above.

Central Hidalgo County Submarket Map



The Central Hidalgo County Submarket is comprised of the city of Edinburg. Approximately 40 to 50 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 50 to 60 percent of the area in this Submarket contains very little development and offers limited access to locational amenities and essential services. The majority of development occurs along U.S. Highway 281 and intensifies in a southerly direction towards McAllen; development dissipates slowly north of the Edinburg city limits. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Local Government

As previously mentioned, the Central Hidalgo County Submarket includes the City of Edinburg, which is the county seat of Hidalgo. Edinburg is a city in Hidalgo County operating under a City Council-City Manager form of government, with one Mayor and four Council members. Edinburg was incorporated in 1919 and the city charter was adopted in 1928. According to the City of Edinburg website, Edinburg is comprised of a land area of 36.67 square miles and has an estimated population of 55,297.

Employment by Industry

The table on the following table illustrates employment by industry for the Central Hidalgo County Submarket and McAllen-Edinburg-Mission MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	847	1.97%	5,955	2.54%
Mining	511	1.19%	2,143	0.91%
Construction	4,171	9.68%	25,549	10.90%
Manufacturing	2,064	4.79%	13,071	5.58%
Wholesale Trade	1,893	4.39%	9,652	4.12%
Retail Trade	4,624	10.73%	30,163	12.87%
Transportation/Warehousing	1,672	3.88%	9,335	3.98%
Utilities	331	0.77%	1,438	0.61%
Information	541	1.26%	2,704	1.15%
Finance/Insurance	981	2.28%	5,917	2.53%
Real Estate/Rental/Leasing	673	1.56%	3,399	1.45%
Prof/Scientific/Tech Services	1,661	3.86%	6,868	2.93%
Mgmt of Companies/Enterprises	3	0.01%	82	0.03%
Admin/Support/Waste Mgmt Svcs	1,456	3.38%	8,174	3.49%
Educational Services	8,127	18.87%	36,869	15.73%
Health Care/Social Assistance	5,569	12.93%	29,322	12.51%
Arts/Entertainment/Recreation	374	0.87%	2,302	0.98%
Accommodation/Food Services	2,695	6.26%	16,906	7.21%
Other Services (excl Publ Adm)	2,266	5.26%	13,767	5.88%
Public Administration	2,618	6.08%	10,715	4.57%
Total Employment	43,077	100.0%	234,331	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the Central Hidalgo County Submarket are the educational services, health care/social assistance, retail trade and construction sectors. Approximately 52.2 percent of people in Central Hidalgo County work in these four industries. The Submarket has a larger number of persons employed in the educational services and health care sectors and a smaller number of people employed in the construction and retail trade sectors, relative to the MSA. Although, educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the health of the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Central Hidalgo County Submarket, due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should promote economic stability.

It should be noted that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the Submarket.

Commute Patterns in the Central Hidalgo County Submarket

The table below summarizes commute times for the Central Hidalgo County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	982
5-9 min	3,817
10-14 min	5,480
15-19 min	7,093
20-24 min	6,025
25-29 min	1,437
30-34 min	4,949
35-39 min	411
40-44 min	296
45-59 min	1,008
60-89 min	552
90+ min	332
Average Travel Time	19.9 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The Submarket reports an average travel time to work of 19.9 minutes, which is shorter than the average for the MSA. The largest employment center in the Submarket is Edinburg, which is also where most of the Submarket’s population is clustered, resulting in shorter commute times.

Population, Household, and Income Trends – Submarket and MSA

The following section provides an analysis of the demographic characteristics within the Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA. Data such as population, households and growth patterns are studied, to determine if the McAllen-Edinburg-Mission MSA and the Central Hidalgo County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the Central Hidalgo County Submarket and McAllen-Edinburg-Mission, TX MSA from 1990 through 2012.

Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	56,233	-	383,545	-
2000	98,438	7.51%	569,463	4.85%
2007	123,070	3.45%	732,166	3.94%
2012	142,406	3.14%	865,301	3.64%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been slightly slower than growth in the MSA in all years of analysis, except from 1990 to 2000. The majority of population growth in the MSA is located near the U.S. – Mexico border. However, both the Submarket and the MSA are showing strong growth from 2007 through 2012, although the MSA will grow at a faster rate than from 2000 through 2007. The strong growth in the Submarket and the MSA is a positive indicator of the need for the affordable housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 2007. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
Central Hidalgo County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	5,466	10,110	13,242	15,030
5-9	5,793	10,064	11,723	13,531
10-14	5,758	9,130	10,890	12,544
15-19	5,762	9,211	10,513	12,458
20-24	4,890	8,439	10,438	11,835
25-29	4,659	8,248	10,423	10,935
30-34	4,509	7,775	9,728	10,805
35-39	3,986	7,470	8,848	9,722
40-44	3,361	6,683	8,256	9,240
45-49	2,385	5,428	7,595	8,740
50-54	1,897	4,261	6,186	7,694
55-59	1,764	2,942	4,626	6,495
60-64	1,704	2,365	3,139	4,594
65-69	1,568	2,022	2,355	2,891
70-74	1,044	1,776	1,883	2,119
75-79	826	1,287	1,547	1,602
80-84	510	669	938	1,159
85+	351	558	740	1,012
Total	56,233	98,438	123,070	142,406
McAllen-Edinburg-Mission, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	35,765	58,138	79,315	92,930
5-9	38,973	58,293	70,248	82,804
10-14	40,708	53,301	66,339	77,547
15-19	40,049	51,490	59,763	73,357
20-24	29,843	44,309	55,501	64,141
25-29	28,292	44,013	58,500	61,645
30-34	27,653	40,612	54,559	61,137
35-39	26,244	38,068	49,781	56,246
40-44	22,397	34,630	43,581	53,384
45-49	16,430	30,233	41,509	48,372
50-54	13,335	25,613	36,239	44,436
55-59	12,403	18,854	29,739	40,978
60-64	13,015	16,635	21,369	31,769
65-69	13,357	16,092	18,047	21,924
70-74	9,905	15,122	16,061	17,557
75-79	7,693	12,139	14,324	14,992
80-84	4,521	6,701	9,982	11,805
85+	2,962	5,220	7,309	10,277
Total	383,545	569,463	732,166	865,301

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	15,133	-	103,479	-
2000	26,450	7.48%	156,824	5.16%
2007	34,345	4.12%	205,804	4.31%
2012	40,356	3.50%	244,775	3.79%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007; however, household growth in the Submarket slowed significantly from 2000 to 2007. Household growth in the Submarket and MSA is expected to slow slightly from 2007 through 2012. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.57	-	3.60	-
2007	3.45	-0.46%	3.53	-0.27%
2012	3.42	-0.17%	3.51	-0.11%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly smaller than the MSA, and both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, but especially the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	28,260	-	24,843	-
2007	34,797	3.19%	30,519	3.15%
2012	39,876	2.92%	35,078	2.99%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 12.3 percent higher than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slightly slower rate from 2007 through 2012 than the previous seven years, as in the MSA. The lower median income level indicates increasing need for affordable housing.

Household Income

The following tables illustrate median household income in both the Submarket and MSA.

Household Income Distribution - Central Hidalgo County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	5,252	15.3%	5,070	12.6%
\$10,000-\$14,999	2,392	7.0%	2,733	6.8%
\$15,000-\$19,999	2,643	7.7%	2,644	6.6%
\$20,000-\$24,999	2,469	7.2%	2,468	6.1%
\$25,000-\$29,999	2,200	6.4%	2,683	6.6%
\$30,000-\$34,999	2,298	6.7%	2,170	5.4%
\$35,000-\$39,999	1,585	4.6%	2,464	6.1%
\$40,000-\$44,999	1,714	5.0%	1,582	3.9%
\$45,000-\$49,999	1,222	3.6%	1,675	4.2%
\$50,000-\$59,999	2,775	8.1%	2,889	7.2%
\$60,000-\$74,999	2,982	8.7%	3,762	9.3%
\$75,000-\$99,999	2,920	8.5%	4,068	10.1%
\$100,000-	1,786	5.2%	2,337	5.8%
\$125,000-	946	2.8%	1,584	3.9%
\$150,000-	544	1.6%	1,151	2.9%
\$200,000-	226	0.7%	442	1.1%
\$250,000-	319	0.9%	469	1.2%
\$500,000+	72	0.2%	165	0.4%
Total	34,345	100%	40,356	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	35,778	17.4%	35,096	14.3%
\$10,000-\$14,999	16,023	7.8%	18,980	7.8%
\$15,000-\$19,999	18,277	8.9%	17,960	7.3%
\$20,000-\$24,999	16,249	7.9%	17,138	7.0%
\$25,000-\$29,999	14,856	7.2%	18,258	7.5%
\$30,000-\$34,999	14,483	7.0%	14,667	6.0%
\$35,000-\$39,999	11,537	5.6%	16,180	6.6%
\$40,000-\$44,999	11,210	5.4%	11,607	4.7%
\$45,000-\$49,999	7,584	3.7%	11,317	4.6%
\$50,000-\$59,999	15,755	7.7%	17,690	7.2%
\$60,000-\$74,999	15,188	7.4%	21,074	8.6%
\$75,000-\$99,999	12,488	6.1%	19,177	7.8%
\$100,000-	7,409	3.6%	10,073	4.1%
\$125,000-	3,767	1.8%	6,223	2.5%
\$150,000-	2,290	1.1%	4,504	1.8%
\$200,000-	1,246	0.6%	2,018	0.8%
\$250,000-	1,370	0.7%	2,128	0.9%
\$500,000+	294	0.1%	685	0.3%
Total	205,804	100%	244,775	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 30 percent of the population in the Submarket and 34.1 percent of the population in the MSA earned below \$20,000 in 2007. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 26 percent and 29.4 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents is 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual	Number	Annual Change
1990	7,767	-	63,856	-
2000	11,619	5.0%	90,763	4.2%
2007	15,228	4.3%	116,831	4.0%
2012	19,872	6.1%	149,302	5.6%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

As the table illustrates, similar to the general population trends, the senior population in both the Submarket and the MSA increased between 2000 and 2007. Senior population growth in the Central Hidalgo County Submarket and the MSA increased significantly between 2000 and 2007. Senior population growth in both the Central Hidalgo County Submarket and the MSA is expected to grow at a faster rate from 2007 through 2012.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	Central Hidalgo County Submarket		McAllen-Edinburg-Mission, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	6,618	-	52,073	-
2007	8,683	4.3%	67,113	4.0%
2012	11,428	6.3%	85,658	5.5%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is projected to increase through 2012 with growth rates also increasing through 2012. Senior household growth rates are expected to increase from 2007 through 2012. The strong projected growth in the senior

households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		Central Hidalgo County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
			<i>All Ages</i>			
2007	\$30,519	-	\$34,797	-	\$53,154	-
2012	\$35,078	2.59%	\$39,876	2.55%	\$62,503	3.52%
			<i>Age 55+</i>			
2007	\$27,687	-	\$29,288	-	\$32,710	-
2012	\$32,712	3.07	\$35,795	3.63%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all areas of analysis are below those of all households. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The senior median household income in the Submarket and MSA were approximately 89.5 and 84.6 percent, respectively, of the national average in 2007.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - Central Hidalgo County Submarket (Age 55+)						
Income Cohort	2007		Projected Mkt Entry		2012	
	Number	Percentage	Number	Percentage	Number	Percentage
<\$15,000	2,395	27.6%	2,589	24.4%	2,672	23.4%
\$15,000-	1,223	14.1%	1,325	12.5%	1,368	12.0%
\$25,000-	1,073	12.4%	1,210	11.4%	1,268	11.1%
\$35,000-	935	10.8%	1,254	11.8%	1,390	12.2%
\$50,000-	1,297	14.9%	1,582	14.9%	1,704	14.9%
\$75,000-	587	6.8%	811	7.6%	907	7.9%
100,000-	796	9.2%	1,157	10.9%	1,312	11.5%
150,000-	180	2.1%	352	3.3%	426	3.7%
200,000-	78	0.9%	143	1.3%	171	1.5%
250,000-	97	1.1%	137	1.3%	154	1.3%
\$500,000+	22	0.3%	46	0.4%	56	0.5%
Total	8,683	100%	10,605	100%	11,428	100%

Household Income Distribution - McAllen-Edinburg-Mission, TX MSA (Age 55+)						
Income Cohort	2007		Projected Mkt Entry		2012	
	Number	Percentage	Number	Percentage	Number	Percentage
<\$15,000	18,952	28.2%	20,366	30.3%	20,972	24.5%
\$15,000-	10,918	16.3%	11,547	17.2%	11,816	13.8%
\$25,000-	8,645	12.9%	9,808	14.6%	10,306	12.0%
\$35,000-	9,485	14.1%	11,920	17.8%	12,964	15.1%
\$50,000-	9,921	14.8%	12,499	18.6%	13,604	15.9%
\$75,000-	3,485	5.2%	5,358	8.0%	6,161	7.2%
100,000-	3,783	5.6%	5,445	8.1%	6,157	7.2%
150,000-	728	1.1%	1,354	2.0%	1,622	1.9%
200,000-	543	0.8%	816	1.2%	933	1.1%
250,000-	556	0.8%	786	1.2%	884	1.0%
\$500,000+	97	0.1%	196	0.3%	239	0.3%
Total	67,113	100%	80,095	119%	85,658	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the submarket and MSA significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,600. Among these locations, the Submarket has the largest percentage of seniors earning less than \$35,000 annually. Approximately 54.1 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually and the rural nature of the submarket. The Submarket features similar numbers of senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 46.5 and 50.3 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the Submarket will be earning less than \$25,000, which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Central Hidalgo County Submarket					McAllen-Edinburg-Mission, TX MSA			
Year	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	5,529	83.5%	1,089	16.5%	43,784	84.1%	8,289	15.9%
2007	7,254	83.5%	1,429	16.5%	56,430	84.1%	10,683	15.9%
2012	9,548	83.5%	1,880	16.5%	72,023	84.1%	13,635	15.9%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket has a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above) and the MSA. The small percentage of renter-occupied senior households is not unusual in rural submarkets, where owner-occupied housing is predominant among a reduced population.

Senior Demographic Conclusion

Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Although the median senior household income for all areas of analysis is projected to increase from 2007 to 2012, growth in the Submarket and MSA’s median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$36,100. Approximately 54 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually and the rural nature of the Submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

Central Hidalgo County Submarket

The following sections will provide an analysis of the demographic characteristics within the Submarket.

Healthcare

The majority of the general practitioners, hospitals and urgent care clinics in the Central Hidalgo County Submarket are located in the city of Edinburg. The primary major medical provider within proximity to the Central Hidalgo County Submarket is the South Texas Health System, with seven facilities including Cornerstone Regional Hospital, Edinburg Children's Hospital, Edinburg Regional Medical Center, Edinburg Regional Rehabilitation Center, McAllen Heart Hospital, McAllen Medical Center, South Texas Behavioral Health Center. The Edinburg Regional Medical Center is the nearest hospital to the Submarket, located within the Submarket in Edinburg, Texas.

Transportation

The South Texas International Airport at Edinburg, located in the Central Hidalgo County Submarket and McAllen Miller International Airport, located approximately 6.0 miles south of the Central Hidalgo County Submarket, are the major airports for the Submarket. The South Texas International Airport at Edinburg is a public-use airport located approximately nine miles north of the central business district of Edinburg. The airport is owned and operated by the City of Edinburg and averaged 13 general aviation aircraft operations per day in 2005. The McAllen Miller International Airport (MFE) is the primary business airport of the Rio Grande Valley and provides non-stop flights to Dallas-Fort Worth, Houston, and Las Vegas via American Airlines, Continental Airlines, and Allegiant Air.

Access to the Central Hidalgo County Submarket can be accomplished via US Highway 281. US Highway 281 runs north/south from McAllen, Texas to Wichita Falls, Texas.

Education

The University of Texas Pan American in Edinburg, Texas, with 17,337 students, including 2,261 graduate students, is the 10th largest university in the state and the fifth largest in the UT system and offers 54 bachelor's degree programs, 50 master's, and two doctoral programs. The nearest Independent School District is the Edinburg Independent School District. The Edinburg Independent School District includes three high schools, four middle schools, and 27 elementary schools

Public Transportation

Valley Transit is a full-service bus company that serves the Central Hidalgo County Submarket and all of South Central Texas and Northern Mexico with more than 50 daily schedules, as well as connections to nationwide travel on Greyhound Lines. The main travel center for the Central Hidalgo County Submarket is located in Edinburg at the Stripes (Citgo) Gas Station and transportation is available from that stop 24 hours a day, seven days a week.

Employment Centers

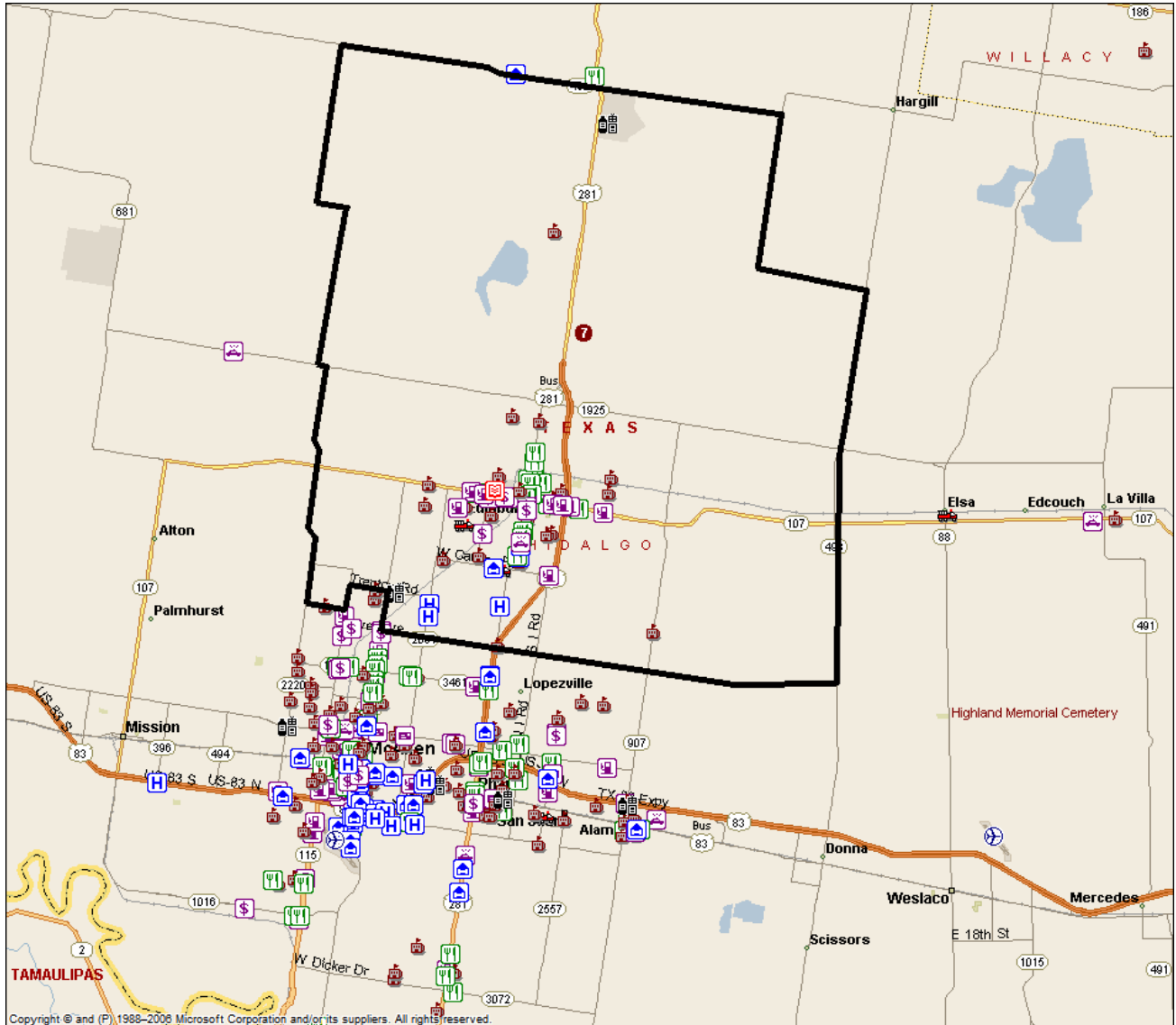
The majority of employment centers in the Central Hidalgo County Submarket are located in Edinburg. The largest employers in the City of Edinburg include the following:

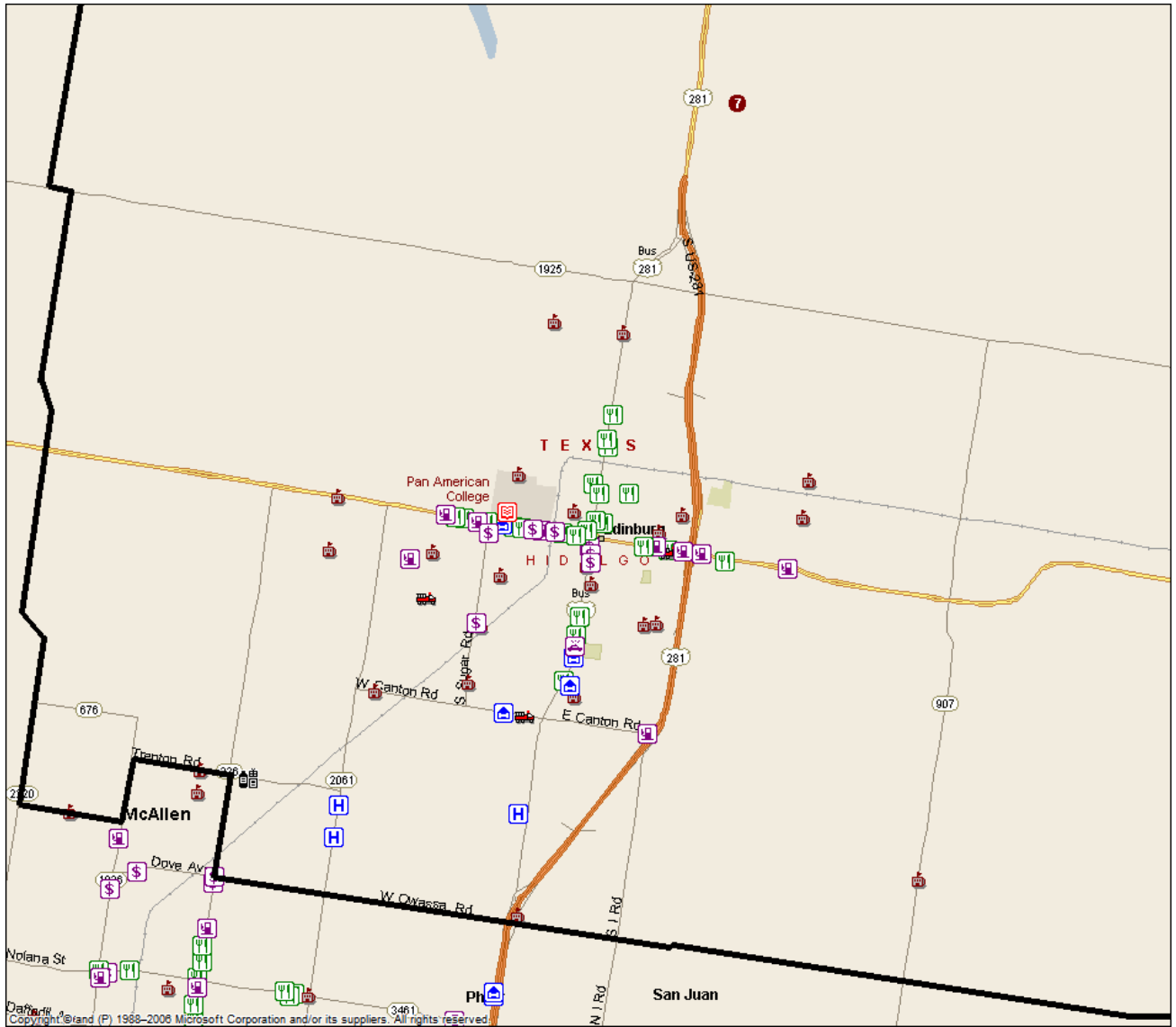
Rank	Company	Industry	Employees
1	Edinburg Consolidated I.S.D.	Education	3,600
2	Edinburg Regional Medical Center	Healthcare	3,000
3	University of Texas Pan American	Education	2,850
4	Hidalgo County	Government	2,211
5	U.S. Customs and Border Patrol	Government	1,609
6	Wal-Mart	Retail	885
7	City of Edinburg	Government	505
8	HEB Food Stores	Grocery	440
9	TelePerformance	Call Center	355
10	Lopez Unit	State Prison	350

Based on the largest employers above, employment in the Submarket is dominated by the education, healthcare, and government sectors. According to 2007 employment by industry demographics, the top four employment sectors in the Central Hidalgo County Submarket are the educational services, health care/social assistance, retail trade and construction sectors. Approximately 52.2 percent of people in Central Hidalgo County work in these four industries. The demographic data and anecdotal data suggest that the Submarket is dominated by the education and healthcare industries. Though there is a discrepancy regarding the dominance of the retail and construction industries, when comparing both sets of data, it is important to note that the top two employers overall are education and healthcare, which are historically stable industries. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education and healthcare. Therefore, despite the demographic projections indicating a prevalence of the retail trade and construction/manufacturing industries in the Submarket, the high concentration of people employed in education and healthcare industries should promote economic stability throughout the current economic downturn.

Proximity to Local Services

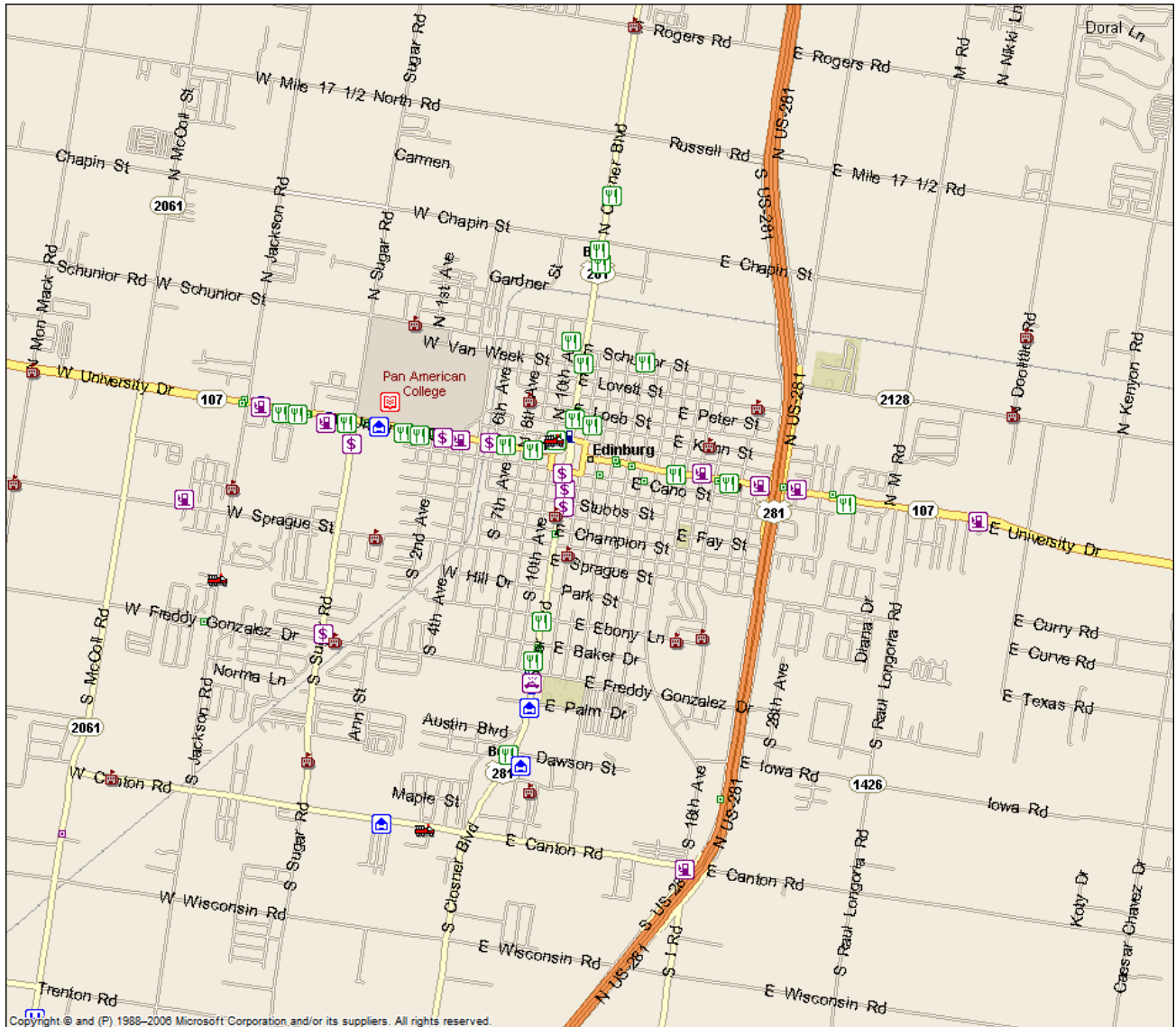
There are a moderate number of locational amenities in the Central Hidalgo County Submarket. The majority of locational amenities are located in and surrounding the cities of Edinburg and McAllen, Texas.





Source: Novogradac and Company LLP, July 2008

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX



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Source: Novogradac and Company LLP, July 2008

	Ranch		School		Bank
	United States Post Office		Hospital		
	Fire Station		Airport		
	Restaurant		Police Station		
	Hotel/Motel		College/University		
	Grocery/Supermarket		Gas Station		

HOUSING SUPPLY ANALYSIS

CENTRAL HIDALGO COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the Central Hidalgo County Submarket.

AGE OF HOUSING STOCK IN THE CENTRAL HIDALGO COUNTY SUBMARKET		
Years	Number of Units	Percent of Housing Stock
1999-3/2000	2,346	7.83%
1995-1998	6,618	22.10%
1990-1994	4,645	15.51%
1980-1989	7,277	24.30%
1970-1979	4,793	16.00%
1960-1969	2,040	6.81%
1950-1959	1,037	3.46%
1940-1949	697	2.33%
1939 and Before	499	1.67%
Total	29,952	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (77.91 percent) in the Central Hidalgo County Submarket was constructed from 1970 through 1998. The Central Hidalgo County Submarket is comprised of the city of Edinburg. Approximately 40 to 50 percent of the area in this Submarket can be characterized as developed and within close proximity to most locational amenities and essential services. The remaining 50 to 60 percent of the area in this Submarket contains very little development and offers limited access to locational amenities and essential services. The majority of development occurs along U.S. Highway 281 and intensifies in a southerly direction towards McAllen; development dissipates slowly north of the Edinburg city limits. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to excellent condition and less than five to 40 years in age. There is a moderate amount of multifamily development in poor to excellent condition and less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2008 for Hidalgo County, Texas. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Hidalgo County, TX - 1997 to May 2008

Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,373	140	41	1,554
1998	2,539	305	138	2,982
1999	4,397	152	109	4,658
2000	3,665	83	106	3,854
2001	3,500	130	764	4,394
2002	6,069	487	335	6,891
2003	6,691	419	950	8,060
2004	5,180	760	590	6,530
2005	7,125	662	953	8,740
2006	6,501	517	532	7,550
2007	5,125	364	707	6,196
2008*	1,340	124	105	1,569
Total	53,505	4,143	5,330	62,978
Average**	4,742	365	475	5,583

*Only includes through May 2008 ** Does not include 2008 permits

There were 5,330 “5+ units” building permits issued in Hidalgo County from 1997 to May 2008. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2008, at 85 percent, while “5+ units” building permits constitute approximately 8.5 percent of all permits issued from 1997 through May 2008.

Interviews

Housing Authority of County of Hidalgo

The Housing Authority of the County of Hidalgo was established in 1948 in order to serve the local farmworking families and migrant farmworkers in the region. The Housing Authority of the County of Hidalgo currently administers Farm Labor Housing units and Public Housing units in Hidalgo County, as well as Housing Choice Vouchers. According to Adela Montes, Deputy Director for the Housing Authority of the County of Hidalgo, there are currently 535 Farm Labor Housing units in two developments and 55 Public Housing units in two developments in Hidalgo County, excluding those administered by the McAllen Housing Authority. None of these developments are located in the Central Hidalgo County Submarket. There are approximately 8,592 Housing Choice Vouchers budgeted for Hidalgo County, and all are currently in use. Waiting Lists for Public Housing and Farm Labor Housing are currently open while the waiting list for Housing Choice Vouchers is closed. There are approximately 896 households on the waiting list for Housing Choice Vouchers. Of the 896 households, 162 are elderly households. There is no separate waiting list for special needs households in the Housing Choice Voucher Program. Currently, there are 104 elderly households participating in the Housing Choice Voucher Program in Hidalgo County. The number of households on the waiting list for Public Housing and Farm Labor Housing can be found below:

FARM LABOR HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Northside Apartments	14HH	11HH	2HH	0HH	27HH
Memorial Apartments	N/A	N/A	N/A	N/A	46HH

PUBLIC HOUSING WAITING LIST – HIDALGO COUNTY					
Name	1BR	2BR	3BR	4BR	Total
Villa Sandoval-Longoria	N/A	54HH	23HH	23HH	100HH
Villa San Juanita Rutledge	N/A	N/A	15HH	24HH	39HH

The current payment standards for one-, two-, three-, and four-bedroom units are listed below. According to Adela Montes, the payment standards are 100 percent of the Fair Market Rents.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

Housing Authority of the City of Edinburg

According to Janie Salinas, Section 8 Director in the Housing Authority of the City of Edinburg, there are currently 970 Housing Choice Vouchers designated for the City of Edinburg. All of the vouchers are currently in use.

The current payment standards for one-, two-, three-, and four-bedroom units in Edinburg are listed below. The payment standards being used by the Edinburg Housing Authority are slightly lower than the payment standards published by the Hidalgo County Housing Authority.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$511
Two-bedroom	\$573
Three-bedroom	\$711
Four-bedroom	N/A

The waiting list for housing choice vouchers is currently open and the waiting list has approximately 800 to 1,000 applicants. According to Ms. Salinas, two- and three-bedroom units are in high demand and approximately 25 percent of the applicants on the waiting list are senior/disabled households. Ms. Salinas was unable to provide information regarding public housing developments currently being administered by the Edinburg Housing Authority. We attempted to contact the Public Housing Director with the Edinburg Housing Authority; however, our phone calls have not been returned as of the date of this study.

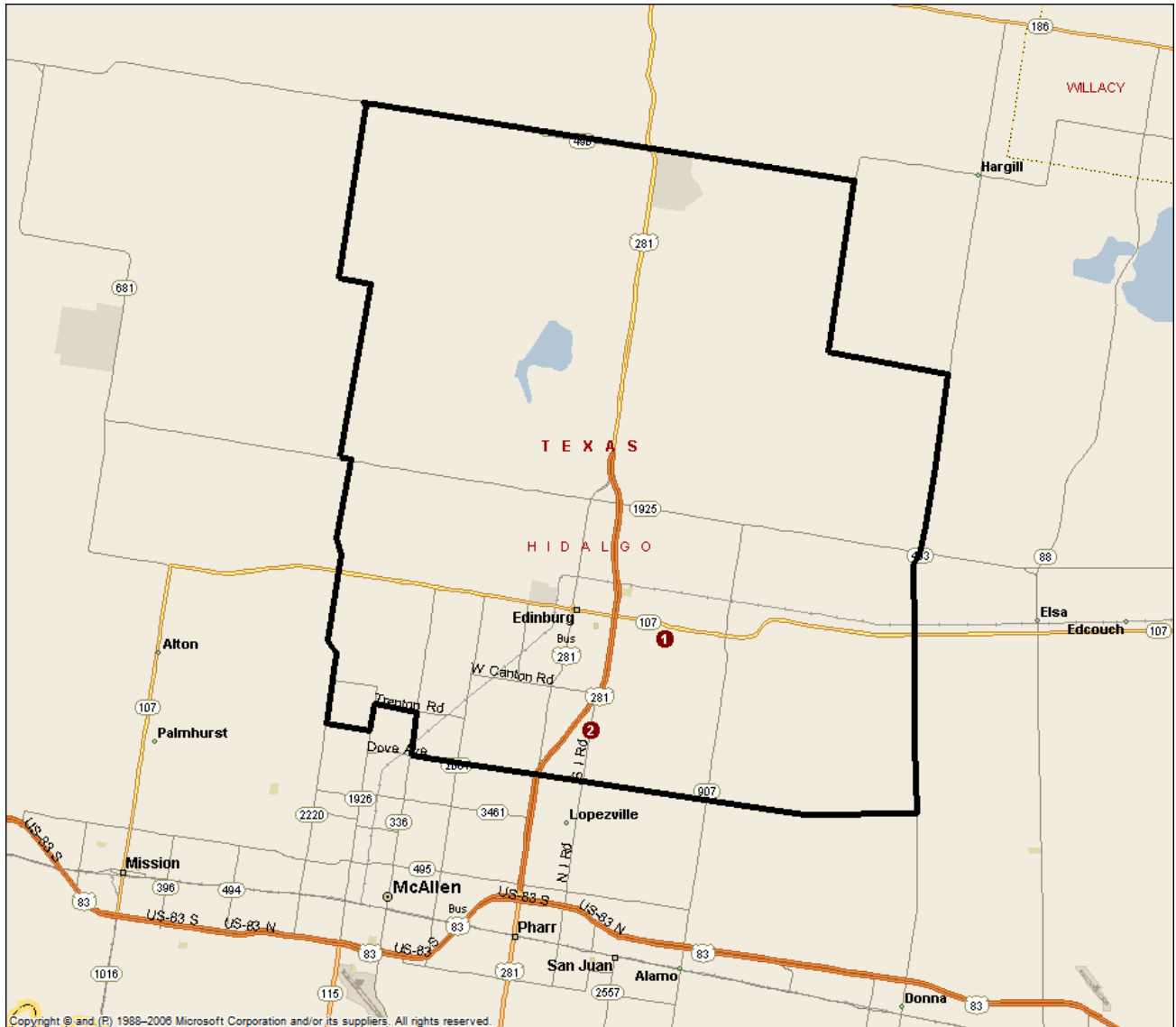
LIHTC Family Supply

We attempted to identify all existing, proposed, and under construction family LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified nine family LIHTC developments in the Central Hidalgo County Submarket. Of the nine LIHTC developments, Kingswood Village has a Project Based Section 8 subsidy allowing the tenants to pay no more than 30 percent of their annual gross income towards rent. Therefore, this property has been excluded from the family LIHTC analysis and will be addressed in the family subsidized analysis section. Two of the remaining family LIHTC developments were able to provide current property and market data.

The table on the following pages lists the six family LIHTC properties in the PMA that were excluded from this analysis and the basis for their exclusion. Multiple attempts were made to contact each of the excluded properties with no success. It should be noted that all of the excluded properties below were allocated in 1992 or prior. Therefore, it is likely that the majority of the LIHTC properties listed below are no longer within their compliance period and are operating as market rate properties. It should be noted that the majority of the LIHTC properties listed below have less than five units and do not offer on-site management.

A map of the surveyed properties can be found below:



SURVEYED PROPERTIES

Number	Name	Location	Type
1	Island Palms	Edinburg	LIHTC – Family
2	The Galilean	Edinburg	LIHTC – Family

The following pictures identify the surveyed LIHTC family properties in the Submarket:



Island Palms



The Galilean

Excluded Properties

The table below lists the family LIHTC properties in the Submarket that were excluded from this analysis and the basis for their exclusion

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Sunrise Project	324 Delia Dr.	LIHTC-Family	3	Could not Contact
Woodstone Project	2122 Woodstone	LIHTC-Family	3	Could not Contact
Project 93-01	2002, 2010, 2021 Woodstone St.	LIHTC-Family	3	Could not Contact
Project 93-02	2102 Woodstone St.	LIHTC-Family	3	Could not Contact
Project 93-03	2103 Cypress St.	LIHTC-Family	2	Could not Contact
Project 93-04	1421 El Recreo Circle	LIHTC-Family	4	Could not Contact
Kingswood Village	502 South 29th Avenue	LIHTC/Section 8 - Family	80	Superceding Subsidy

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one family property in the Central Hidalgo Submarket which has received an allocation in the last three years.

RECENT LIHTC ALLOCATIONS					
Name	Address	Type	No. of Units	Status	Date of Allocation
Kingswood Village	502 South 29th Avenue	LIHTC/Section 8 - Family	80	Renovated in 2007; Fully occupied and being used in the family subsidized analysis	2005

We are not aware of any other proposed or under construction family-oriented LIHTC developments in the Submarket.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	76	16.60%
2 BR	184	40.20%
3 BR	198	43.20%
Total	458	100%

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market.

Unit Size – LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	500	500	500
2 BR	750	900	825
3 BR	1,000	1,100	1,050

The one, two, and three-bedroom unit sizes for the surveyed LIHTC properties in the market are 27.0, 12.0 and 8.7 percent smaller than the surveyed market rate one-, two-, and three-bedroom units in the Submarket.

Common and In-Unit Amenities

	Island Palms	The Galilean Apartments
Comp #	1	2
Property Information		
Property Type	Garden	Garden
Year Built / Renovated	1996	2004
Market (Conv.)/Subsidy Type	@50%, @60%	@50%, @60%
In-Unit Amenities		
Balcony/Patio	yes	yes
Blinds	yes	yes
Carpeting	yes	yes
Central A/C	yes	yes
Dishwasher	yes	yes
Exterior Storage	yes	no
Ceiling Fan	yes	yes
Garbage Disposal	yes	yes
Oven	yes	yes
Refrigerator	yes	yes
Washer/Dryer hookup	no	yes
Property Amenities		
Clubhouse/Meeting Room/Community Room	yes	yes
Central Laundry	yes	yes
Off-Street Parking	yes	yes
On-Site Management	yes	yes
Playground	yes	yes
Swimming Pool	yes	yes
Services		
Daycare	no	yes
Security		
Intercom (Phone)	yes	no
Limited Access	yes	no
Perimeter Fencing	yes	no
Premium Amenities		
Other Amenities		
Other	n/a	n/a

The existing LIHTC multifamily properties in the Submarket offer a moderate to extensive amount of in-unit and community amenities. The surveyed LIHTC properties offer unit amenities that include balconies/patios, window covers, carpeting, central air, dishwashers, ceiling fans, garbage disposals, ovens, refrigerators, and washer-dryer hook-ups in one property only. The surveyed LIHTC properties offer community amenities including a clubhouse/community room, central laundry, off-street parking, on-site management, a playground, and a swimming pool. One of the

surveyed properties offer non-shelter services such as daycare. Security features are offered by one surveyed LIHTC property in the Submarket.

By-Unit Weighted Vacancy

Management at Island Palms was unable to provide a breakdown by unit type and therefore no analysis was performed.

Absorption

None of the surveyed properties were able to provide absorption information.

Waiting Lists

Neither of the surveyed LIHTC properties maintains a waiting list.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Island Palms	250	19.20%
The Galilean Apartments	208	7.20%
AVERAGE		13.2%

Overall vacancy at the surveyed family LIHTC properties is higher than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 6.53 percent. The overall average vacancy rate appears slightly higher than is typical considering the age, condition, and unit mix of the surveyed LIHTC properties. According to management at both properties, there are insufficient income qualified households at the higher AMI levels; this is due specifically to the properties’ proximity to Pan-American University.

Concessions

None of the LIHTC properties in the market are offering concessions. Concessions are not prevalent in the market.

Turnover

Only one surveyed property, Island Palms, was able to provide a turnover rate of 32 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
Island Palms 302 South Doolittle Road Edinburg, TX 78539 Hidalgo County	Garden 1996	@50%, @60%	1BR / 1BA	56	22.40%	@50%	\$370	500	yes	No	N/A	N/A
			1BR / 1BA	20	8.00%	@60%	\$435	500	yes	No	N/A	N/A
			2BR / 1BA	4	1.60%	@50%	\$439	750	yes	No	N/A	N/A
			2BR / 1BA	76	30.40%	@60%	\$475	750	yes	No	N/A	N/A
			3BR / 2BA	15	6.00%	@50%	\$504	1,000	yes	No	N/A	N/A
			3BR / 2BA	79	31.60%	@60%	\$575	1,000	yes	No	N/A	N/A
				250	100%					48	19.20%	
The Galilean Apartments 3817 South I Road Edinburg, TX 78539 Hidalgo County	Garden 2004	@50%, @60%	2BR / 2BA	48	23.10%	@50%	\$444	900	n/a	No	1	2.10%
			2BR / 2BA	56	26.90%	@60%	\$542	900	n/a	No	6	10.70%
			3BR / 2BA	56	26.90%	@50%	\$510	1,100	n/a	No	2	3.60%
			3BR / 2BA	48	23.10%	@60%	\$624	1,100	n/a	No	6	12.50%
							208	100%				

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The surveyed rents at all of the LIHTC properties, including those of the market rate units, are below the current payment standards published by the Hidalgo County and The Edinburg Housing Authority. One of the surveyed properties reported rents set at the maximum allowable levels. However, the rental rates at the surveyed properties appear to be significantly below the 50 percent and 60 percent of AMI rent levels.

LIHTC Family Supply Conclusion

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate an unmet demand for larger bedroom types.

The existing LIHTC multifamily properties in the Submarket offer a moderate to extensive amount of in-unit and community amenities. The surveyed LIHTC properties offer unit amenities that include balconies/patios, window covers, carpeting, central air, dishwashers, ceiling fans, garbage disposals, ovens, refrigerators, and washer-dryer hook-ups in one property only. The surveyed LIHTC properties offer community amenities including a clubhouse/community room, central laundry, off-street parking, on-site management, a playground, and a swimming pool. One of the surveyed properties offered non-shelter services such as daycare. Security features are offered by one surveyed LIHTC property in the Submarket.

The one, two, and three-bedroom unit sizes for the surveyed LIHTC properties in the market are 27.0, 12.0 and 8.7 percent smaller than the surveyed market rate one-, two-, and three-bedroom units in the Submarket. Overall vacancy at the surveyed family LIHTC properties is slightly higher (13.2 percent) than the surveyed market rate properties in the Submarket, which have an overall average vacancy rate of 6.53 percent. The overall average vacancy rate appears slightly higher than is typical considering the age, condition, and unit mix of the surveyed LIHTC properties. According to management at both properties, there are insufficient income qualified households at the higher AMI levels; this is due specifically to the properties' proximity to Pan-American University

The surveyed rents at all of the LIHTC properties, including those of the market rate units, are below the current payment standards published by the Hidalgo County and The Edinburg Housing Authority. One of the surveyed properties reported rents set at the maximum allowable levels. However, the rental rates at the surveyed properties appear to be significantly below the 50 percent and 60 percent of AMI rent levels.

LIHTC Senior Supply

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers.

Novogradac identified one senior LIHTC development, Edinburg Senior Towers aka Providence at Edinburg with 100 units. Edinburg Senior Towers aka Providence at Edinburg is a combination LIHTC/Section 8 development with 100 percent of tenants paying no more than 30 percent of their annual gross income towards rent. Therefore, this property has been excluded from the senior LIHTC analysis and will be addressed in the senior subsidized analysis section.

Proposed/Under Construction

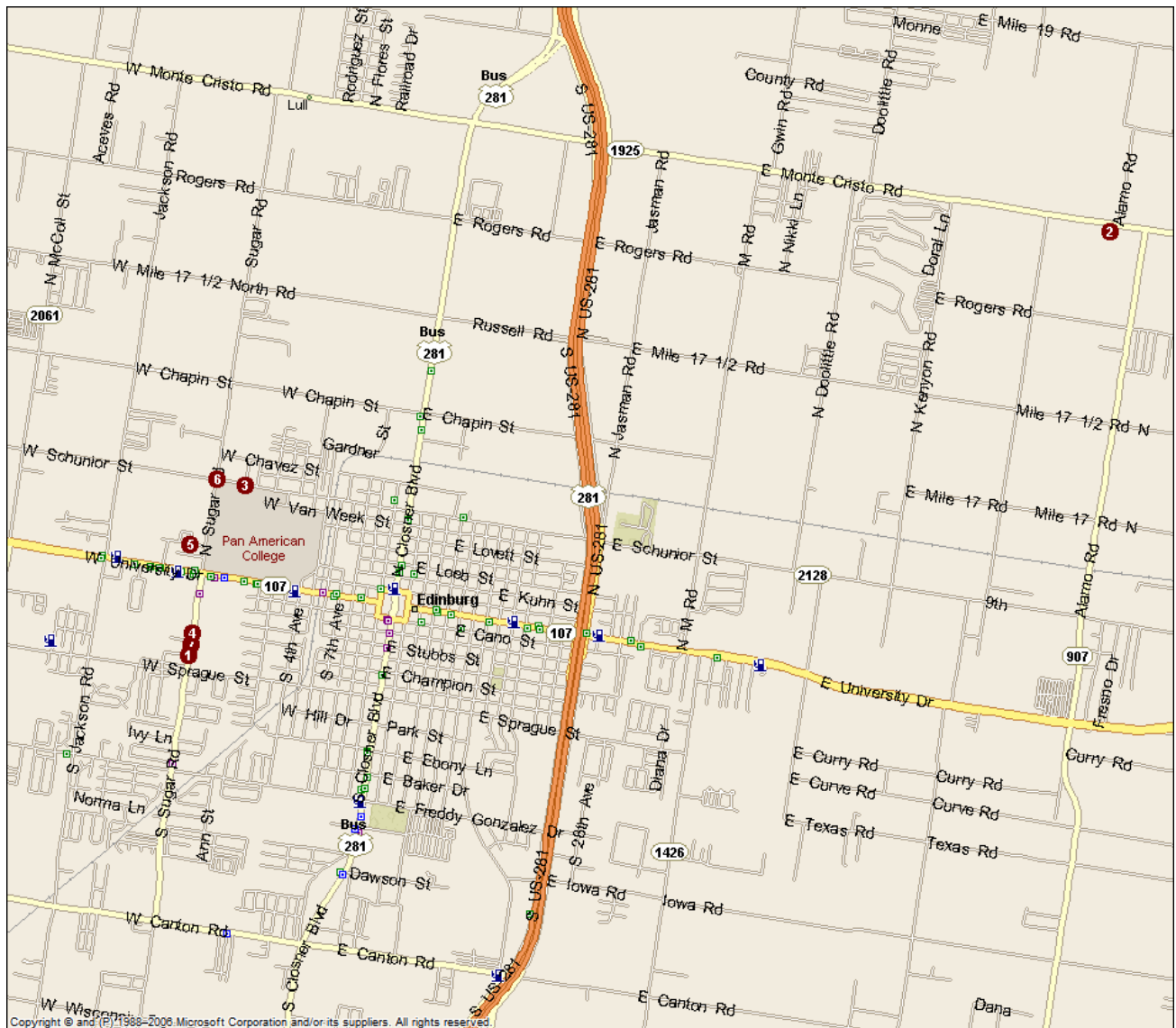
According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one proposed or under construction senior LIHTC property in the Central Hidalgo County Submarket, Villa Estella Trevino. Villa Estella Trevino will be a newly constructed age-restricted property with 161 one- and two-bedroom units set at the 30 and 60 percent of AMI levels. However, this development will be administered by the Edinburg Housing Authority and will have a superceding subsidy allowing the senior tenants to pay no more than 30 percent of their annual income towards rent.

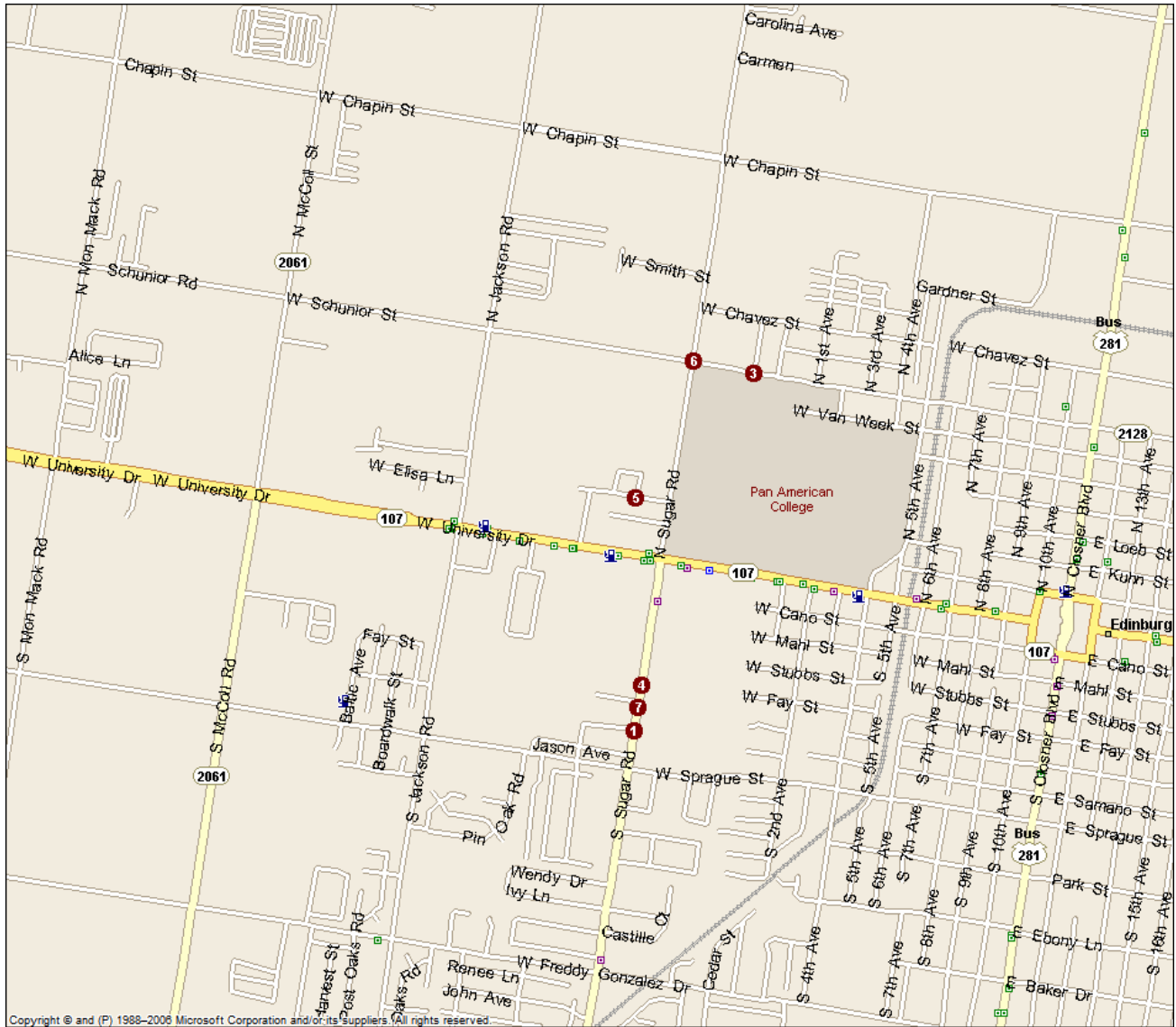
Market Rate Family Supply

We attempted to identify all existing, proposed, and under construction family market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac identified 14 family market rate properties in the Submarket. Of the fourteen properties, seven were able to provide market data. We attempted to contact each of the remaining developments multiple times with no success. A table of the excluded properties and the reasons for exclusion can be found on the following pages.

The following map illustrates the location of the surveyed market rate family properties in the Submarket.





SURVEYED PROPERTIES

Number	Name	Location	Type
1	Ashtree Apartments	Edinburg	Market Rate - Family
2	E.R.G. Properties	Edinburg	Market Rate – Family
3	El Bosque Apartments	Edinburg	Market Rate - Family
4	Heritage Square	Edinburg	Market Rate - Family
5	Oak Tree Apartments	Edinburg	Market Rate – Family
6	Rockridge Apartments	Edinburg	Market Rate – Family
7	University Manor Apartments	Edinburg	Market Rate - Family

Market Rate Multifamily Market

The following pictures identify the surveyed market rate family properties in the Submarket. It should be noted that we were unable to photograph E.R.G. Properties or Oak Tree Apartments.



Ash Tree Apartments



El Bosque Apartments



Heritage Square



Rockridge Apartments



University Manor Apartments

Excluded Properties

The following table illustrates all of the excluded market rate properties in the Submarket. We attempted to contact the excluded properties multiple times with no success. Therefore, we were unable to confirm the target population for each development; we assume all of the following properties are family-oriented.

EXCLUDED PROPERTIES LIST				
Name	Address	Type	No. of Units	Reason For Exclusion
Palms Apartments	1607 Schunior Street	Market Rate	N/A	Could not Contact
Calixto Hernandez Apts.	1811 W Kuhn Street	Market Rate	N/A	Could not Contact
Stonehaven Apartments	1014 Lexington Circle	Market Rate	N/A	Could not Contact
Palm Villas Apartments	1415 W Freddy Gonzales Dr.	Market Rate	N/A	Could not Contact
Las Violetas Apartments	2102 W Elisa Lane	Market Rate	N/A	Could not Contact
Royal Arms Apartments	1611 Norma Lane	Market Rate	N/A	Could not Contact
KZ Apartments	1121 Sandpiper Avenue	Market Rate	N/A	Could not Contact

Proposed Construction

We attempted to contact the City of Edinburg Planning and Zoning Departments. However, our inquiries regarding proposed or under construction market rate multifamily development have not been addressed as of the date of this study.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
1 BR	435	60.4%
2 BR	261	36.3%
3 BR	24	3.3%
Total	720	100%

Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections evidence indicates a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Size – Market Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	570	890	685
2 BR	859	1,008	938
3 BR	1,150	1,150	1,150

The one, two, and three-bedroom unit sizes for the surveyed market rate properties in the market are 27.0, 12.0, and 8.7 percent larger than the surveyed LIHTC one-, two-, and three-bedroom units in the Submarket.

Common and In-Unit Amenities

	Ashtree Apartments	E.R.G. Properties	El Bosque Apartments	Heritage Square Apartments	Oak Tree Apartments	Rockridge Apartments	University Manor Apartments
Comp #	Subject	1	2	3	4	5	6
Property Information							
Property Type	Duplex	Four-plex	Garden	Various	Garden	Garden	Garden
Year Built / Renovated	1983	2005-2006	1980	1984	2000	2004	1975
Market (Conv.)/Subsidy Type	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities							
Balcony/Patio	no	no	yes	yes	no	yes	yes
Blinds	yes	yes	yes	yes	yes	yes	yes
Carpeting	yes	no	yes	yes	no	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes
Dishwasher	no	no	yes	yes	no	yes	yes
Ceiling Fan	no	no	yes	yes	no	no	yes
Garbage Disposal	no	yes	yes	yes	yes	no	yes
Oven	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	no	yes	yes	no	yes	yes
Washer/Dryer	no	yes	no	no	no	yes	no
Washer/Dryer hookup	yes	no	no	yes	yes	no	no
Property Amenities							
Carport	no	no	no	yes	no	no	yes
Clubhouse/Meeting Room/Community Room	no	no	no	no	no	yes	no
Exercise Facility	no	no	no	no	no	yes	no
Jacuzzi	no	no	no	no	no	yes	no
Central Laundry	yes	no	yes	yes	yes	no	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	no	yes	yes	no	yes	yes
Playground	yes	no	no	no	no	no	no
Swimming Pool	no	no	yes	yes	yes	yes	yes
Tennis Court	no	no	yes	no	no	no	no
Services							
Security							
Limited Access	no	no	no	yes	no	yes	yes
Patrol	no	no	yes	no	no	no	no
Perimeter Fencing	no	no	no	yes	no	yes	yes
Video Surveillance	no	no	no	no	no	yes	no
Premium Amenities							
Other Amenities							
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The surveyed market rate properties in the Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including balconies/patios, window covers, carpeting, central air, dishwashers, garbage disposals, ovens, walk-in-closets, and refrigerators. Washer/dryer connections and in-unit appliances are not prevalent in the market. The majority of the market rate surveyed properties offer a central laundry, off-street parking, on-site-management, and a swimming pool. Security measures are present but not prevalent in the market. No premium amenities or non-shelter services are provided by the properties.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit types for the surveyed properties.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	435	32	7.36%
2 BR	261	11	4.21%
3 BR	24	4	1.67%
Total	720	47	6.53%

The average weighted vacancy rate for the surveyed market rate properties is 6.53 percent.

Absorption

One of the market rate properties was able to provide an absorption rate of ten units per month.

Waiting List

One of the market rate properties maintains a waiting list for its one-bedroom units. Though the number of households on the waiting list was not available, it should be noted that the majority of the households are university students. Waiting lists are not prevalent in the Submarket.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – Market Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Ashtree Apartments	82	2	2.40%
E.R.G. Properties	32	0	0.00%
El Bosque Apartments	216	26	12.00%
Heritage Square	204	12	5.90%
Oak Tree Apartments	20	1	5.00%
Rockridge Apartments	75	1	1.30%
University Manor Apartments	91	5	5.50%
AVERAGE	720	47	6.53%

The average vacancy rate for the market rate properties (6.53 percent) is lower than that of the surveyed average vacancy of LIHTC properties of 13.2 percent. This is due largely to an insufficient number of income qualified households, due to the prevalence of student tenants.

Concessions

None of the surveyed market rate properties are offering concessions. Concessions are not prevalent in the Submarket.

Turnover

All but one of the surveyed market rate properties were able to provide turnover information. The following table illustrates turnover information in the market.

Turnover – Market Family		
Property Name	Number of Units	Turnover
Ashtree Apartments	82	20%
E.R.G. Properties	32	N/A
El Bosque Apartments	216	44%
Heritage Square	204	30%
Oak Tree Apartments	20	20%
Rockridge Apartments	75	16%
University Manor Apartments	91	40%
AVERAGE		28.3

Annual turnover rates reported range from 16 percent to 44 percent, with an average of 28.3 percent. Average turnover for the LIHTC properties in the market is slightly higher at 32 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

#	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Wait List?	Units Vacant	Vacancy Rate
1	Ashtree Apartments 707 S. Sugar Road Edinburg, TX 78539 Hidalgo County	Duplex 1983	Market	1BR / 1BA	64	78.00%	Market	\$400	570	No	2	3.10%
				2BR / 1BA	12	14.60%	Market	\$485	864	No	0	0.00%
				2BR / 2BA	6	7.30%	Market	\$495	900	No	0	0.00%
					82	100%					2	2.40%
2	E.R.G. Properties 1404 Prosperity Edinburg, TX 78541 Hidalgo County	Four-plex 2005-2006	Market	2BR / 2BA	32	100.00%	Market	\$575	1,000	No	0	0.00%
					32	100%					0	0.00%
3	El Bosque Apartments 1609 West Schunior Street Edinburg, TX 78541 Hidalgo County	Garden 1980	Market	1BR / 1BA	112	51.90%	Market	\$385	645	No	14	12.50%
				2BR / 2BA	80	37.00%	Market	\$490	920	No	8	10.00%
				3BR / 2BA	24	11.10%	Market	\$625	1,150	No	4	16.70%
					216	100%					26	12.00%
4	Heritage Square Apts. 515 South Sugar Road Edinburg, TX 78539 Hidalgo County	Various 1984	Market	1BR / 1BA	100	49.00%	Market	\$444	645	No	8	8.00%
				1BR / 1.5BA	26	12.70%	Market	\$525	890	No	2	7.70%
				2BR / 1.5BA	26	12.70%	Market	\$580	1,000	No	1	3.80%
				2BR / 2BA	52	25.50%	Market	\$540	859	No	1	1.90%
					204	100%					12	5.90%
5	Oak Tree Apartments 1811 W. Kuhn Street Edinburg, TX 78541 Hidalgo County	Garden 2000	Market	1BR / 1BA	20	100.00%	Market	\$430	640	Yes	1	5.00%
					20	100%					1	5.00%
6	Rockridge Apartments 905 North Sugar Road Edinburg, TX 78541 Hidalgo County	Garden 2004	Market	1BR / 1BA	42	56.00%	Market	\$575	757	No	1	2.40%
				2BR / 2BA	33	44.00%	Market	\$700	1,000	No	0	0.00%
					75	100%					1	1.30%
7	University Manor Apartments 615 South Sugar Road Edinburg, TX 78539 Hidalgo County	Garden 1975	Market	1BR / 1BA	71	78.00%	Market	\$415	646	No	4	5.60%
				2BR / 1BA	10	11.00%	Market	\$495	890	No	1	10.00%
				2BR / 2BA	10	11.00%	Market	\$515	1,008	No	0	0.00%
					91	100%					5	5.50%

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$470
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$516
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$609
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$730
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$839
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

The average market rents for the one-, two-, and three-bedroom units at the surveyed market rate properties are \$453, \$542, and \$625. The average one-, two-, and three-bedroom market rents are \$63 lower, \$67 lower, and similar, respectively, than the current payment standards for the one-, two-, and three-bedroom units in Hidalgo County. The average one-, two-, and three-bedroom market rents are \$37, \$46, and \$55 lower than the 2008 maximum allowable rents at 60 percent of AMI for the one-, two-, and three-bedroom units in Hidalgo County.

Market Supply Conclusion

Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012. Though smaller bedroom types are currently prevalent in the market, demographic projections evidence indicates a possible unmet demand for larger bedroom types.

The surveyed market rate properties in the Central Hidalgo County Submarket offer a moderate amount of in-unit and community amenities. The majority of the surveyed market rate properties offer in-unit amenities including balconies/patios, window covers, carpeting, central air, dishwashers, garbage disposals, ovens, walk-in-closets, and refrigerators. Washer/dryer connections and in-unit appliances are not prevalent in the market. The majority of the market rate surveyed properties offer a central laundry, off-street parking, on-site-management, and a swimming pool. Security measures are present but not prevalent in the market. No premium amenities or non-shelter services are provided by the properties.

The one-, two-, and three-bedroom unit sizes for the surveyed market rate properties in the market are 27.0, 12.0, and 8.7 percent larger than the surveyed market rate one-, two-, and three-bedroom units in the Submarket. The average weighted vacancy rate for the surveyed market rate properties is 6.53 percent. Annual turnover rates reported range from 16 percent to 44 percent, with an average of 28.3 percent. Average turnover for the LIHTC properties in the market is slightly higher at 32 percent.

One of the market rate properties maintains a waiting list for its one-bedroom units. Though the number of households on the waiting list was not available, it should be noted that the majority of the households are university students. Waiting lists are not prevalent in the Submarket. The average vacancy rate for the market rate properties (6.53 percent) is lower than that of the surveyed average vacancy of LIHTC properties of 13.2 percent. This is due largely to an insufficient number of income qualified households, due to the prevalence of student tenants. None of the surveyed market rate properties are offering concessions. Concessions are not prevalent in the Submarket.

The average market rents for the one-, two-, and three-bedroom units at the surveyed market rate properties are \$453, \$542, and \$625. The average one-, two-, and three-bedroom market rents are \$63 lower, \$67 lower, and similar, respectively, than the current payment standards for the one-, two-, and three-bedroom units in Hidalgo County. The average one-, two-, and three-bedroom market rents are \$37, \$46, and \$55 lower than the 2008 maximum allowable rents at 60 percent of AMI for the one-, two-, and three-bedroom units in Hidalgo County.

Market Rate Senior Supply

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable existing senior market rate properties in the Central Hidalgo County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis.

Proposed Construction

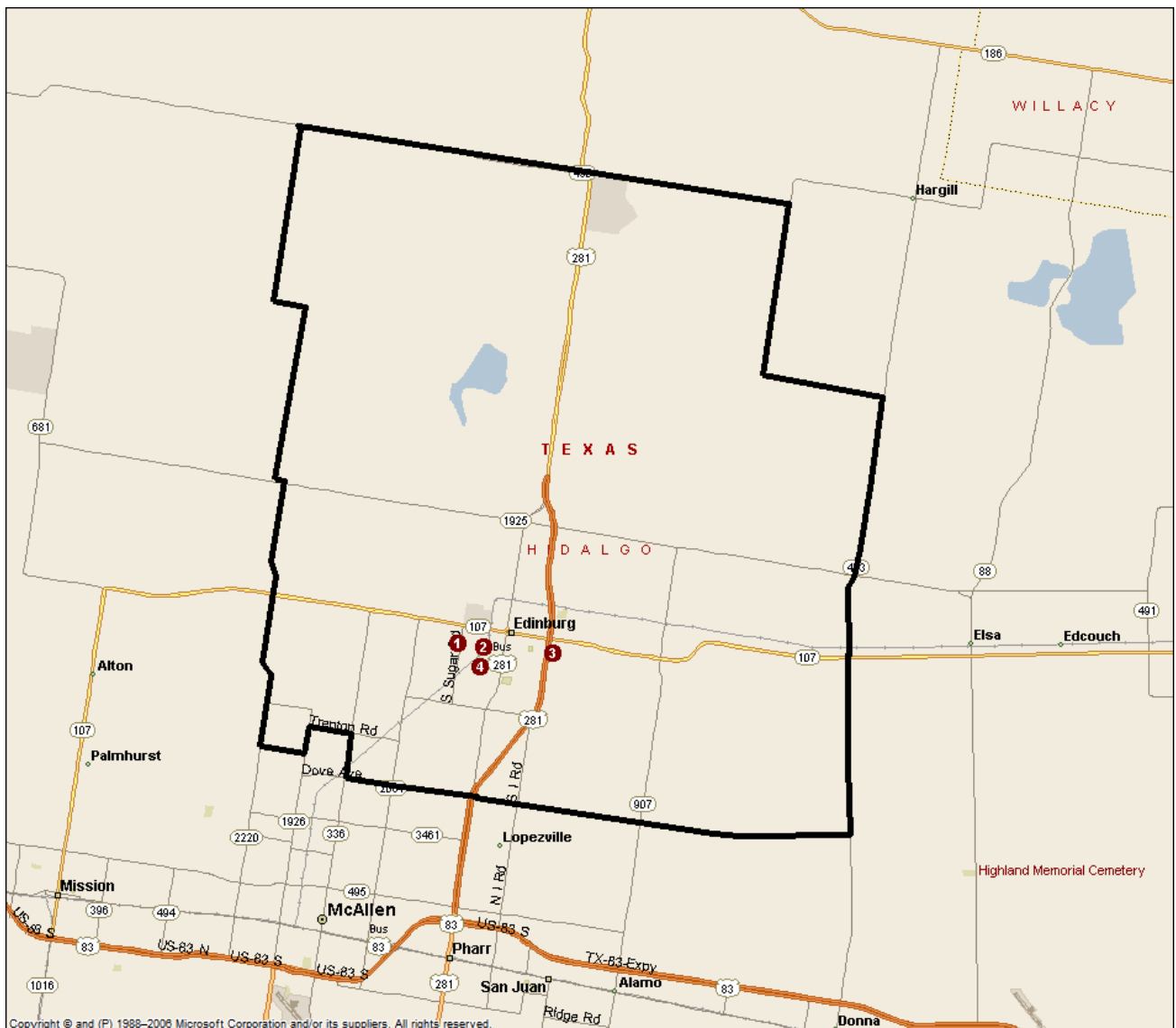
We were unable to identify any proposed or under construction market rate senior developments in the Submarket.

Subsidized Family Supply

We attempted to identify all existing, proposed, and under construction family oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are four existing family-targeted subsidized developments located in the Central Hidalgo Submarket. We were able to acquire information on all of subsidized developments.

The following map illustrates the location of the surveyed family-oriented subsidized properties in the Submarket.



SURVEYED FAMILY PROPERTIES			
Number	Name	Location	Type
1	Champion Gardens	Edinburg	Section 8 – Family
2	Edinburg Village Apartments	Edinburg	Section 8 Family
3	Kingswood Village	Edinburg	LIHTC/Section 8 – Family
4	Sherwood Apartments	Edinburg	Section 8 - Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



Champion Gardens



Edinburg Village Apartments



Kingswood Village



Sherwood Apartments

Excluded Properties

We were able to acquire information on all of the family-oriented subsidized developments.

Proposed Construction

We attempted to contact the City of Edinburg Planning and Zoning Departments. However, our inquiries regarding proposed or under construction subsidized multifamily development have not been addressed as of the date of this study. According to the Edinburg Housing Authority, there are no proposed family targeted developments at this time.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market. Properties unable to provide a breakdown by unit type have been excluded from this analysis.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	36	11.7%
2 BR	127	41.0%
3 BR	126	40.8%
4 BR	20	6.50%
Total	309	100

Large unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012.

Unit Size

The following table illustrates the existing unit sizes in the subsidized rental property market. Properties unable to provide information regarding unit sizes are prevalent in the Submarket.

Unit Size - Subsidized Family			
Unit Type	Minimum Surveyed	Maximum Surveyed	Surveyed Average
1 BR	576	628	601
2 BR	700	1,008	839
3 BR	971	1,140	1,043
4 BR	1,140	1,183	1,162

The surveyed one-, two-, three-, and four-bedroom subsidized units have average sizes of 601, 839, 1,043 and 1,162 square feet, respectively. The subsidized one-, two-, and three-bedroom average unit sizes are similar, 16.8 percent larger, and 0.6 percent smaller, respectively, than the one-, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four-bedroom units among the surveyed market rate and LIHTC developments.

Common and In-Unit Amenities

	Champion Gardens	Edinburg Village Apartments	Kingswood Village	Sherwood Apts
Comp #	1	2	3	4
Property Information				
Property Type			Garden	
Year Built / Renovated	1984 / 2008	1980's / n/a	1974 / 2006	1970's / 2007
Market (Conv.)/Subsidy Type	Section 8	Section 8	Section 8	Section 8
In-Unit Amenities				
Balcony/Patio	yes	yes	no	no
Blinds	yes	yes	yes	yes
Carpeting	yes	no	no	yes
Central A/C	yes	yes	yes	yes
Dishwasher	yes	no	no	no
Exterior Storage	yes	yes	yes	no
Ceiling Fan	yes	no	no	yes
Garbage Disposal	yes	no	no	no
Microwave	no	no	no	yes
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Walk-In Closet	yes	no	no	no
Washer/Dryer	yes	no	no	no
Washer/Dryer hookup	yes	no	yes	yes
Property Amenities				
Carport	no	no	yes	no
Clubhouse/Meeting Room/Community Room	no	no	yes	no
Central Laundry	yes	yes	no	no
Off-Street Parking	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes
Picnic Area	yes	no	no	no
Playground	yes	yes	no	no
Services				
Security				
Perimeter Fencing	yes	yes	no	no
Premium Amenities				
Other Amenities				
Other	n/a	n/a	n/a	n/a

The existing subsidized multifamily properties in the Central Hidalgo County Submarket offer limited in-unit and community amenities. The majority of the properties in the market offer window covers, central air, ovens and refrigerators. The majority of the properties offer community amenities including central laundry, off-street parking and on-site management. The majority of the surveyed subsidized properties offer no non-shelter services and no premium amenities.

Weighted Vacancy

The following table illustrates the weighted vacancy rates in the subsidized rental property market. Properties unable to provide a breakdown of vacancies by unit type were excluded from the weighted vacancy analysis.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	20	0	0.00%
2 BR	78	2	2.57%
3 BR	110	4	3.63%
4 BR	20	1	5.00%
Total	228	7	3.07%

The average weighted vacancy of the surveyed subsidized properties is 3.07 percent.

Absorption

None of the subsidized family properties were able to provide an absorption rate.

Waiting List

The following table illustrates the waiting lists in the subsidized rental property market.

Waiting Lists – Subsidized Family		
Property Name	Number of Units	Households
Champion Gardens	81	24HH
Edinburg Village Apartments	100	40HH
Kingswood Village	80	10HH
Sherwood Apartments	48	60-80HH

The average length of the waiting lists at the surveyed subsidized properties is approximately 54 households. All of the surveyed developments maintain extensive waiting lists. Based on this information, we anticipate significant future demand for affordable housing.

Vacancy Levels

The following table illustrates the vacancy rates in the subsidized rental property market.

Vacancy – Subsidized Family			
Property Name	Number of Units	Vacant Units	Vacancy Rate
Champion Gardens	81	18	22.20%
Edinburg Village Apartments	100	5	5.00%
Kingswood Village	80	0	0.00%
Sherwood Apartments	48	2	4.20%
AVERAGE	309	25	8.1%

The average vacancy rate of the surveyed subsidized properties (8.1 percent) is lower than the average vacancy rate of the surveyed LIHTC properties (13.2 percent).

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

Turnover – Subsidized Family		
Property Name	Number of Units	Households
Champion Gardens	81	44%
Edinburg Village Apartments	100	36%
Kingswood Village	80	10%
Sherwood Apartments	48	25%
AVERAGE	309	28.8%

All of the subsidized properties were able to provide turnover rates ranging from 10 to 44 percent, resulting in an average turnover rate of 28.8 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Champion Gardens 1802 W Samano St Edinburg, TX 78539 Hidalgo County	1984 / 2008	Section 8	1BR / 1BA	10	12.30%	Market	\$405	600	n/a	No	N/A	N/A
				1BR / 1BA	6	7.40%	Section 8	\$513	600	n/a	Yes	N/A	N/A
				2BR / 1BA	9	11.10%	Market	\$455	700	n/a	No	N/A	N/A
				2BR / 1BA	8	9.90%	Market	\$470	834	n/a	No	N/A	N/A
				2BR / 2BA	10	12.30%	Market	\$490	902	n/a	No	N/A	N/A
				2BR / 2BA	22	27.20%	Section 8	\$568	902	n/a	Yes	N/A	N/A
				3BR / 2BA	10	12.30%	Market	\$590	1,057	n/a	No	N/A	N/A
				3BR / 2BA	6	7.40%	Section 8	\$721	1,057	n/a	Yes	N/A	N/A
				81	100%							18	22.20%
2	Edinburg Village Apts. 701 S 4th Ave Edinburg, TX 78539 Hidalgo County	1980's / n/a	Section 8	1BR / 1BA	16	16.00%	Section 8	\$484	576	n/a	Yes	0	0.00%
				2BR / 1BA	28	28.00%	Section 8	\$562	820	n/a	Yes	1	3.60%
				3BR / 1.5BA	40	40.00%	Section 8	\$709	1,007	n/a	Yes	3	7.50%
				4BR / 2BA	16	16.00%	Section 8	\$771	1,183	n/a	Yes	1	6.20%
				100	100%						5	5.00%	
3	Kingswood Village 521 S. 27th Avenue Edinburg, TX 78539 Hidalgo County	Garden 1974 / 2006	Section 8	2BR / 1BA	30	37.50%	Section 8	\$595	1,008	n/a	Yes 10HH	0	0.00%
				3BR / 1BA	50	62.50%	Section 8	\$695	1,140	n/a	Yes 10HH	0	0.00%
					80	100%							0
4	Sherwood Apts 801 Greenbriar Dr Edinburg, TX 78539 Hidalgo County	1970's / 2007	Section 8	1BR / 1BA	4	8.30%	Section 8	\$457	628	n/a	Yes	0	0.00%
				2BR / 1BA	20	41.70%	Section 8	\$501	772	n/a	Yes	1	5.00%
				3BR / 1.5BA	20	41.70%	Section 8	\$645	971	n/a	Yes	1	5.00%
				4BR / 2BA	4	8.30%	Section 8	\$742	1,140	n/a	Yes	0	0.00%
					48	100%							2

Rent and Square Footage Ranking

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$516
Two-bedroom	\$609
Three-bedroom	\$730
Four-bedroom	\$839

All of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County.

Subsidized Family Supply Conclusion

Large unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.45 and is projected to decrease slightly by 2012 to 3.42. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, demographic estimates show that approximately 38 percent of the population in 2007 was age 19 years or younger and this trend is expected to remain stable through 2012.

The surveyed one-, two, three-, and four-bedroom subsidized units have average sizes of 601, 839, 1,043 and 1,162 square feet, respectively. The subsidized one, two, and three-bedroom average unit sizes are similar, 16.8 percent larger, and 0.6 percent smaller, respectively, than the one, two-, and three-bedroom average unit sizes found at the LIHTC properties in the Submarket. There were no four-bedroom units among the surveyed market rate and LIHTC developments.

The average weighted vacancy of the surveyed subsidized properties is 3.07 percent. None of the subsidized family properties were able to provide an absorption rate. The average length of the waiting lists at the surveyed subsidized properties is approximately 54 households. All of the surveyed developments maintain extensive waiting lists. Based on this information, we anticipate significant future demand for affordable housing. The average vacancy rate of the surveyed subsidized properties (8.1 percent) is lower than the average vacancy rate of the surveyed LIHTC properties (13.2 percent). None of the subsidized family properties in the market are offering concessions. All of the subsidized properties were able to provide turnover rates ranging from 10 to 44 percent, resulting in an average turnover rate of 28.8 percent.

All of the surveyed properties have one-, two-, three-, and four-bedroom units below the current payment standards for Hidalgo County.

Subsidized Senior Supply

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac's online database, HUD's online rental housing search database, the USDA's online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There is one existing senior comparable in the Central Hidalgo Submarket. Edinburg Senior Towers is a combination LIHTC/Project Based Section 8 Development comprised of 100 studio and one-bedroom units. This development is 94 percent occupied and the waiting list is administered by the Edinburg Housing Authority. This property was recently renovated with tax credits; however, 100 percent of the tenants pay no more than 30 percent of their annual income towards rent. Due to the lack of available data, we have not performed a senior subsidized rental analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one proposed or under construction senior LIHTC property in the Central Hidalgo County Submarket, Villa Estella Trevino. Villa Estella Trevino will be a newly constructed age-restricted property with 161 one- and two-bedroom units set at the 30 and 60 percent of AMI levels. However, this development will be administered by the Edinburg Housing Authority and will have a superceding subsidy allowing the senior tenants to pay no more than 30 percent of their annual income towards rent.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the Central Hidalgo County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the Central Hidalgo County Submarket in 2007 is 34,345 and the total number of households in 2012 is projected to be 40,356. The total number of households age 55 and older in the Submarket for 2007 is 8,683, with a 2012 projection of 11,428 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 28.7 percent of the occupied housing unit households in the Central Hidalgo County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 16.5 percent, which is the highest senior renter percentage of the seven Hidalgo County Submarkets.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a

one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the Central Hidalgo County Submarket (McAllen-Edinburg-Mission, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the Central Hidalgo County Submarket, approximately 28.8 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 2.9 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the Central Hidalgo County Submarket, it is estimated that 22.3 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 32 percent.

We were unable to identify any senior LIHTC properties in this Submarket. With so few senior LIHTC properties able to provide turnover data in the MSA, we have used the average senior subsidized turnover rate of 6.5 percent.

Unstabilized Rental Units - Existing and Proposed

There are no proposed or under construction family LIHTC or subsidized properties in the Central Hidalgo County Submarket. Villa Estrella Trevino is a proposed senior LIHTC development to be located in Edinburg. This development was allocated tax credit funding in 2007; it will offer 17 units at 30 percent of AMI, 144 units at 60 percent of AMI and seven market rate units. These units have been deducted from the following demand analysis, with the market rate units deducted from demand at 81 to 100 percent of AMI.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the Central Hidalgo County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,910	719	67	99	99	165	149
2 person	2,089	567	149	150	136	197	121
3 person	1,988	579	160	162	92	173	199
4 person	1,640	441	185	145	88	193	176
5+person	2,213	760	184	171	176	221	103
Total	9,839	3,068	745	727	590	948	748
Number of Income-Qualified Renter Households		3,068	745	727	590	948	748
X	Percentage of Rent-Overburdened (28.8%)	883	214	209	170	273	215
X	Percentage of Substandard Housing (2.9%)	89	22	21	17	27	22
X	Percentage of Overcrowded Housing (22.3%)	684	166	162	132	211	167
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,656	402	392	318	511	404
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,639	402	392	174	511	397

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,331	878	81	120	120	201	182
2 person	2,451	666	174	176	160	231	141
3 person	2,404	700	194	196	111	209	241
4 person	1,971	531	222	175	105	231	211
5+person	2,649	910	221	205	211	264	124
Total	11,805	3,685	892	872	707	1,136	899
Number of Income-Qualified Renter Households		3,685	892	872	707	1,136	899
X	Percentage of Rent-Overburdened (28.8%)	1060	257	251	203	327	259
X	Percentage of Substandard Housing (2.9%)	107	26	25	21	33	26
X	Percentage of Overcrowded Housing (22.3%)	822	199	194	158	253	200
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		1,989	481	471	382	613	485
<i>Less Existing and Planned Unstablized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		1,972	481	471	238	613	478

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,910	719	67	99	99	165	149
2 person	2,089	567	149	150	136	197	121
3 person	1,988	579	160	162	92	173	199
4 person	1,640	441	185	145	88	193	176
5+person	2,213	760	184	171	176	221	103
Total	9,839	3,068	745	727	590	948	748
Number of Income-Qualified Renter Households		3,068	745	727	590	948	748
X	Percentage of Rent-Overburdened (28.8%)	883	214	209	170	273	215
X	Percentage of Substandard Housing (2.9%)	89	22	21	17	27	22
X	Percentage of Overcrowded Housing (22.3%)	684	166	162	132	211	167
X	Percentage of Estimated Turnover (32%)	982	238	233	189	303	239
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		2,637	641	625	507	815	643
<i>Less Existing and Planned Unstablized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		2,620	641	625	363	815	636

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,331	878	81	120	120	201	182
2 person	2,451	666	174	176	160	231	141
3 person	2,404	700	194	196	111	209	241
4 person	1,971	531	222	175	105	231	211
5+person	2,649	910	221	205	211	264	124
Total	11,805	3,685	892	872	707	1,136	899
Number of Income-Qualified Renter Households		3,685	892	872	707	1,136	899
X	Percentage of Rent-Overburdened (28.8%)	1060	257	251	203	327	259
X	Percentage of Substandard Housing (2.9%)	107	26	25	21	33	26
X	Percentage of Overcrowded Housing (22.3%)	822	199	194	158	253	200
X	Percentage of Estimated Turnover (32%)	1179	285	279	226	364	288
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		3,168	767	750	608	977	773
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		3,151	767	750	464	977	766

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	664	374	35	25	25	51	49
2 person	365	120	24	24	21	26	26
3 person	195	58	26	26	10	15	12
4 person	139	21	5	6	8	22	20
5+person	179	64	7	11	12	18	10
Total	1,542	636	96	91	76	132	116
Number of Income-Qualified Renter Households		636	96	91	76	132	116
X	Percentage of Rent-Overburdened (28.8%)	183	28	26	22	38	33
X	Percentage of Substandard Housing (2.9%)	18	3	3	2	4	3
X	Percentage of Overcrowded Housing (22.3%)	142	21	20	17	29	26
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		343	52	49	41	71	63
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		326	52	49	-103	71	56

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	827	465	43	31	31	64	61
2 person	486	161	32	32	28	34	34
3 person	262	78	34	35	13	20	16
4 person	212	31	7	9	12	34	30
5+person	238	84	10	14	17	23	13
Total	2,024	819	126	121	101	175	154
Number of Income-Qualified Renter Households		819	126	121	101	175	154
X	Percentage of Rent-Overburdened (28.8%)	236	36	35	29	50	44
X	Percentage of Substandard Housing (2.9%)	24	4	4	3	5	4
X	Percentage of Overcrowded Housing (22.3%)	183	28	27	23	39	34
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		442	68	65	55	94	83
<i>Less Existing and Planned Unstablized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		425	68	65	-89	94	76

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	664	374	35	25	25	51	49
2 person	365	120	24	24	21	26	26
3 person	195	58	26	26	10	15	12
4 person	139	21	5	6	8	22	20
5+person	179	64	7	11	12	18	10
Total	1,542	636	96	91	76	132	116
Number of Income-Qualified Renter Households		636	96	91	76	132	116
X	Percentage of Rent-Overburdened (28.8%)	183	28	26	22	38	33
X	Percentage of Substandard Housing (2.9%)	18	3	3	2	4	3
X	Percentage of Overcrowded Housing (22.3%)	142	21	20	17	29	26
X	Percentage of Estimated Turnover (6.5%)	41	6	6	5	9	8
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		385	58	55	46	80	70
<i>Less Existing and Planned Unstabilized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		368	58	55	-98	80	63

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	827	465	43	31	31	64	61
2 person	486	161	32	32	28	34	34
3 person	262	78	34	35	13	20	16
4 person	212	31	7	9	12	34	30
5+person	238	84	10	14	17	23	13
Total	2,024	819	126	121	101	175	154
Number of Income-Qualified Renter Households		819	126	121	101	175	154
X	Percentage of Rent-Overburdened (28.8%)	236	36	35	29	50	44
X	Percentage of Substandard Housing (2.9%)	24	4	4	3	5	4
X	Percentage of Overcrowded Housing (22.3%)	183	28	27	23	39	34
X	Percentage of Estimated Turnover (6.5%)	53	8	8	7	11	10
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		495	76	73	61	106	93
<i>Less Existing and Planned Unstablized Competing Units</i>		17	0	0	144	0	7
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		478	76	73	-83	106	86

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the Central Hidalgo County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that almost 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain the 13.2 percent average vacancy rate among family LIHTC properties in the Submarket, while market rate properties in the Submarket have an average vacancy rate of 6.5 percent. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than average vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Interviews with property managers at the Submarket's LIHTC properties provide further anecdotal evidence that this is indeed the case. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Although there are no new family LIHTC units proposed for the market, and new units at the 60 percent of AMI level in the market may experience a somewhat slower than average absorption period, and concessions may be needed to attract and maintain tenants in units at the 60 percent set-aside. However, it should be noted that with a high incidence of overcrowding in the Submarket, additional demand may be generated from owner households looking to improve their current housing situation.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Villa Estrella Trevino is a proposed senior LIHTC development to be located in Edinburg. This development was allocated tax credit funding in 2007; it will offer 17 units at 30 percent of AMI, 144 units at 60 percent of AMI and seven market rate units. As shown in the demand analysis above, it appears that there is an insufficient number of income-qualified senior households at the 60 percent of AMI level to support the proposed number of units.

It should be noted that Villa Estrella Trevino is being developed in conjunction with the Edinburg Housing Authority. The housing authority currently reports a waiting list of over 1,000 households, one-third of which are senior households. Additionally, Edinburg's last affordable units for seniors were constructed in 1975. It is anticipated that many of the units at 60 percent of AMI may be occupied by Housing Choice Voucher Holders from the Edinburg Housing Authority waiting list. Based on the demand analysis of senior renter households, there appears to be adequate demand for additional affordable housing for seniors at the lowest income levels.

**BROWNSVILLE-HARLINGEN, TX MSA REGIONAL
COMMUNITY CHARACTERISTICS,
CURRENT DEMOGRAPHIC DATA AND
REGIONAL ECONOMY**

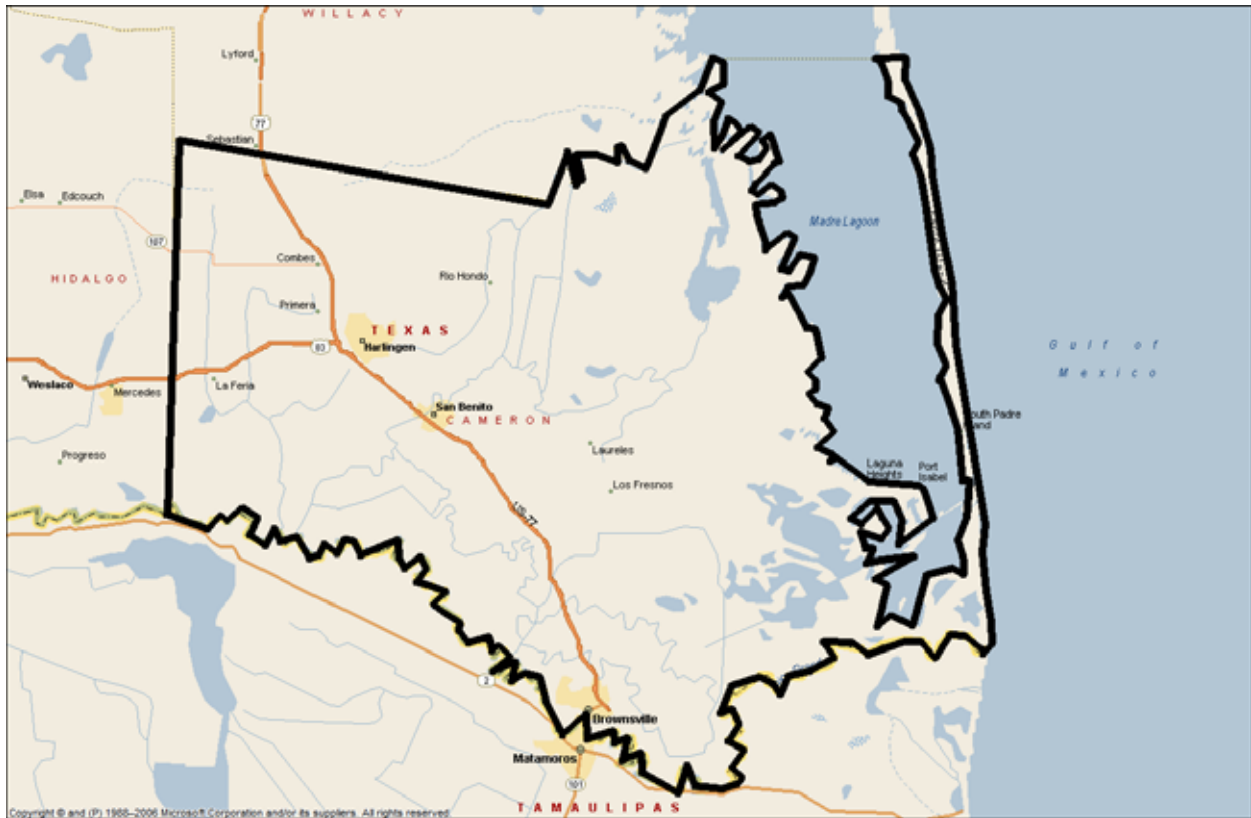
BROWNSVILLE-HARLINGEN, TX MSA REGIONAL AND LOCAL AREA CHARACTERISTICS

Introduction

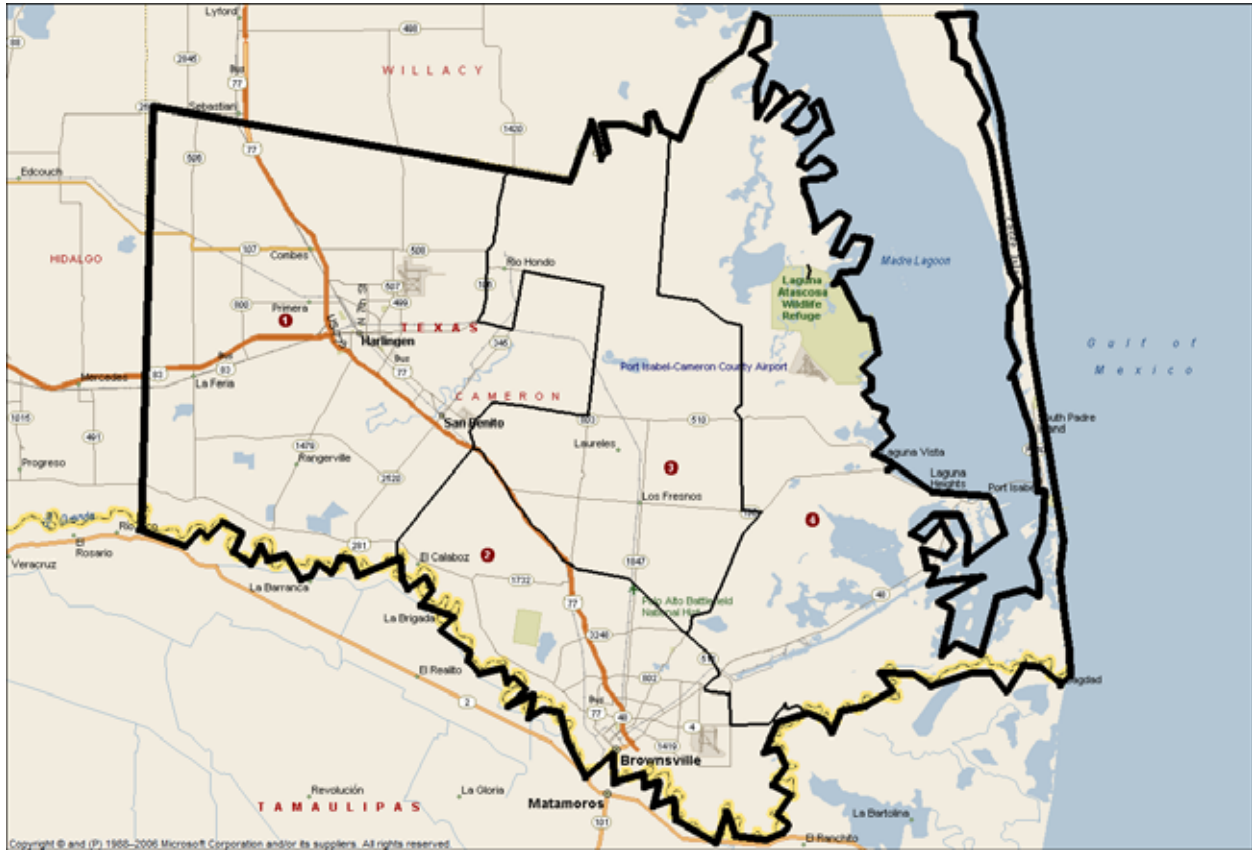
The following sections will project the estimated housing needs for the ensuing five-year period (2007-2012). The Data is based on Novogradac and Company LLP research and analysis of ESRI Business Information Solutions and Census data as well as in-depth interviews with local market participants.

Brownsville-Harlingen, TX MSA

The primary market area is defined as the Brownsville-Harlingen, TX MSA, which is comprised entirely of Cameron County. This area was defined based on the client’s specifications. The following map illustrates the boundaries of the PMA as defined above.



The following map shows the four submarkets of the Brownsville-Harlingen, TX MSA.



Submarket Number	Submarket Name
1	West Cameron County
2	South Cameron County
3	Central Cameron County
4	East Cameron County

Overview

The Brownsville-Harlingen, TX MSA is located in the Rio Grande Valley of south Texas, which is comprised of the four southernmost counties in Texas, including Cameron, Hidalgo, Starr and Willacy Counties. Cameron County is the southernmost county in the state of Texas and covers a land area of 1,276 square miles. Principal cities and towns in Cameron County include Brownsville (estimated population 139,722), Harlingen (66,498), La Feria (6,115), Los Fresnos (4,512), Palm Valley (1,298), Port Isabel (4,865), Rio Hondo (1,942) and San Benito (25,005). The City of Brownsville is the county seat of Cameron County.

Economic Analysis

The Brownsville-Harlingen MSA is the largest MSA in the Rio Grande Valley. The South Texas region's rate of job growth will outpace that of the state of Texas through 2012. The Brownsville-Harlingen MSA's population is growing rapidly, at a rate that has exceeded the state average since 2002. Forbes magazine ranked the Brownsville-Harlingen MSA number two nationally in cost of living and also ranked the MSA in terms of job growth and cost of doing business.

Retail activity in Brownsville has grown by 56 percent since 2000. New retailers have contributed to the sales tax base, which increased from \$1.3 billion in 2000 to \$1.8 billion in 2006. According to the Brownsville Economic Development Corporation, the city is scheduled to get a second Ross store, a Conn's and a Kohl's outlet by the end of 2008.

The current construction of a loop from Reynosa to the outskirts of Matamoros is expected to facilitate the drive for shoppers coming to Brownsville and South Padre Island from Mexico. The retail sector is expected to remain strong over the next few years.

According to the most recent statistics for the city of Brownsville, building permit valuation for new commercial construction increased from \$5.6 million in October 2006 to \$25.5 million in October 2007. The increase is due to new commercial projects that broke ground in the fourth quarter of 2007. In total permits, valuations increased from \$14.9 million in October 2006 to \$43.4 million for the same time period last year.

RealtyTrac published a report dated July 25, 2008 in which it indicated that foreclosures nationwide increased 14 percent between first quarter 2008 and the second quarter of 2008. The report also shows that one in every 171 U.S. households received a foreclosure filing during this quarter. Overall, foreclosure activity in Texas was down six percent in July. According to the report, there were 265 properties in the Brownsville-Harlingen MSA with foreclosure filings during second quarter 2008, which equates to one in every 530 homes in the MSA. This is well below the national average and indicates that the MSA may be less impacted than the nation as a whole by the ongoing mortgage crisis.

Major Employers

The following tables show the major employers in Brownsville and Harlingen, TX. It should be noted that the number of employees for the Brownsville major employers was not available at the time of this report.

Brownsville Top Ten Employers

Rank	Company	Industry
1	Brownsville Independent School District	Education
2	AMFELS	Manufacturing
3	University of Texas at Brownsville	Education
4	Cameron County	Government
5	Wal-Mart	Retail
6	City of Brownsville	Government
7	Convergys Corp.	Call Center
8	HEB Food Stores	Retail
9	Valley Regional Medical Center	Healthcare
10	Valley Baptist Medical Center	Healthcare

Source: Brownsville Economic Development Corporation, Real Estate Center Market Overview 2008: July 2008

Harlingen Top Ten Employers

Rank	Company	Industry	Employees
1	Harlingen CISD	Education	2,582
2	Valley Baptist Medical Center	Healthcare	1,962
3	Vicki Roy Home Health	Healthcare	978
4	Advanced Call Center Technologies	Call center	865
5	Dish Network	Call center	842
6	City of Harlingen	Government	555
7	Texas State Technical College	Education	534
8	Harlingen Medical Center	Healthcare	463
9	West Corporation	Call Center	425
10	HEB	Grocery/Retail	363

Source: Harlingen Economic Development Corporation, Real Estate Center Market Overview 2008: July 2008

Employment in the Brownsville-Harlingen MSA is dominated by relatively stable industries, as almost all ten of the major employers are in the education, healthcare, manufacturing and government sectors. However, according to 2007 Employment by Industry demographics, retail trade and construction comprise approximately 24 percent of overall employment and are two of the top four industry sectors in the Brownsville-Harlingen MSA. Retail trade and construction are typically more volatile sectors of the economy as compared to historically stable industries such as education, healthcare and government. Therefore, despite lack of representation of these two principal industries in the major employers list, it is possible that the MSA will experience slowing growth due to the predominance of these two industries, despite other mitigating factors.

Employment Expansion/Contractions

According to the Brownsville Economic Development Corporation, between January 2007 and March 2008, eight new companies have set up operations or expanded in Brownsville, resulting in the creation of over 2,000 new jobs in the region. Lowes, T-Mobile, Kohl's and Conn's are just some of the businesses moving into the area.

T-Mobile USA opened a customer service facility in Brownsville at the end of 2007. The Brownsville center will provide customer service to more than 26 million T-Mobile customers

and will employ 750 people. The 78,000 square-foot facility opened in February 2008. In other call center activity, Teleperformance, the world's co-leader in contact center outsourcing, is renovating a 65,000 square-foot facility and plans to employ about 1,000 people in positions such as contact center agent, management and support staff. Other back-office operations that opened in 2007 and 2008 include ORION Marketing Group and American Customer Care, both of which are operating out of the University of Texas at Brownsville ITEC Campus.

Two new maquiladora parks have boosted the Brownsville industrial space from 10 a year ago to 12 today. La Ventana Industrial Park and Los Palmares Industrial Park both opened in 2007. The Shaw Group, a leading global provider of services to private and government clients, was the first to take a plot of land at La Ventana, where it broke ground on a 50-acre site for a 370,000-plus square foot facility. The Fortune 500 company plans to hire 1,200 employees and will provide manufacturing services for the oilrig industry.

Other major manufacturing companies adding to the Brownsville-Matamoros landscape include Kwalu, Fisher, Horton Company, Fisher Dynamics, Flanders, Organic Fuel, AMEREX, Paladin, Gyropanel and DURR. In all, Brownsville has five industrial parks and Matamoros has seven. Brownsville-Matamoros added 2,285 jobs in the manufacturing sector and 997,000 square feet in industrial space in 2007.

We attempted to contact the Harlingen Economic Development Corporation; however, our attempts have been unsuccessful as of the date of this report.

Employment Growth

The following table details historical employment and unemployment figures for the Brownsville-Harlingen MSA from 1990 to May 2008.

EMPLOYMENT & UNEMPLOYMENT TRENDS

Year	<u>Brownsville-Harlingen, TX MSA</u>		<u>Brownsville-Harlingen, TX MSA</u>		<u>USA</u>
	Total Employment	% Change	Unemployment Rate	% Change	Unemployment Rate
1990	90,534	-	12.9%	-	5.7%
1991	92,705	2.4%	15.2%	2.3%	6.9%
1992	96,974	4.6%	14.6%	-0.6%	7.6%
1993	102,253	5.4%	13.5%	-1.1%	7.0%
1994	106,551	4.2%	13.0%	-0.5%	6.2%
1995	106,945	0.4%	12.9%	-0.1%	5.7%
1996	108,575	1.5%	12.8%	-0.1%	5.5%
1997	111,134	2.4%	12.5%	-0.3%	5.0%
1998	111,120	0.0%	12.8%	0.3%	4.6%
1999	114,518	3.1%	10.0%	-2.8%	4.3%
2000	118,079	3.1%	7.0%	-3.0%	4.0%
2001	120,553	2.1%	7.9%	0.9%	4.8%
2002	126,521	5.0%	9.0%	1.1%	5.8%
2003	129,147	2.1%	9.5%	0.5%	6.0%
2004	130,223	0.8%	8.8%	-0.7%	5.6%
2005	130,398	0.1%	7.6%	-1.2%	5.2%
2006	134,081	2.8%	6.6%	-1.0%	4.7%
2007	134,474	0.3%	6.0%	-0.6%	4.7%
2008 YTD	134,939	-0.1%	5.9%	-0.7%	5.3%

Source: U.S. Bureau of Labor Statistics and Real Estate Center at Texas A&M University.

* 2008 data is through May

Since 1990, total employment in the Brownsville-Harlingen MSA has increased by approximately 44,405 jobs. The unemployment rate has decreased 13 out of the last 18 years in the MSA. This consistent growth is a strong indication of a sound economic base. However, 2008 exhibited the lowest employment growth in the past nine years and this is likely a result of the economic downturn. Overall employment growth is currently in a period of moderation. As shown in the previous table, the unemployment rate in the MSA has decreased significantly since the 1990s and is currently at its lowest point on record. However, the unemployment rate remains higher in the MSA than the nation.

Employment by Industry

The table on the following table illustrates employment by industry for Cameron County in 2007.

2007 EMPLOYMENT BY INDUSTRY		
Occupation	Number	Cameron County
		Percent Employed
Agric/Forestry/Fishing/Hunting	1,880	1.45%
Mining	313	0.24%
Construction	10,939	8.43%
Manufacturing	10,171	7.84%
Wholesale Trade	4,015	3.09%
Retail Trade	15,385	11.86%
Transportation/Warehousing	5,515	4.25%
Utilities	1,059	0.82%
Information	1,382	1.07%
Finance/Insurance	3,623	2.79%
Real Estate/Rental/Leasing	3,254	2.51%
Prof/Scientific/Tech Services	3,792	2.92%
Mgmt of Companies/Enterprises	0	0.00%
Admin/Support/Waste Mgmt Svcs	4,437	3.42%
Educational Services	19,834	15.29%
Health Care/Social Assistance	17,688	13.63%
Arts/Entertainment/Recreation	1,445	1.11%
Accommodation/Food Services	10,429	8.04%
Other Services (excl Publ Adm)	7,726	5.96%
Public Administration	6,847	5.28%
Total Employment	129,734	100.0%
Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008		

The top four employment sectors in Cameron County are the educational services, healthcare/social assistance, retail trade and construction sectors. Approximately 49.2 percent of people in Cameron County work in these four industries. The health care/social assistance, construction, retail trade and educational services sector all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the MSA. The lower paying incomes demonstrate the need for affordable housing in the MSA.

As previously mentioned, the large number of people employed in the retail trade and construction industries could negatively impact employment in the MSA, due to the current national economic downturn, which is affecting both of these sectors nationwide. However, as educational services and healthcare/social assistance are two historically stable sectors of the economy, the strong presence of these two industries should help mitigate losses in employment in other industries.

Colonias

One important component of the housing landscape in south Texas is the presence of the colonias. The Texas legislature has defined colonias as subdivisions lacking essential elements of infrastructure near the Mexico border. The United States Department of Housing and Urban Development (HUD) defines a colonia as an “unincorporated community located within 150 miles of the U.S.-Mexico border, with a population of less than 10,000 that is low and very low income, and which lacks safe, sanitary and sound housing, as well as services such as potable water, adequate sewage systems, drainage, streets and utilities.” Data from the Federal Reserve Bank of Dallas Community Affairs Division indicates that Texas has the largest colonia population of any border states, with a 2007 estimated population of over 400,000 in nearly 2,300 colonias. According to data collected in 2006 by the Texas Legislature, Hidalgo County has the highest colonia population in the state, with 156,132 people in 934 colonias. Cameron County reports 178 colonias, with a population of 47,606. In an effort to improve the living situation of people in colonias, the Texas Legislature has authorized \$175 million to fund roadway projects in the state’s 23 border counties, which includes Hidalgo County and Cameron County. In addition, several state agencies, including TDHCA, have multiple initiatives in place to assist the residents of colonias.

Attempts by the government to collect demographic and socioeconomic data on colonias have been hampered by several issues, including language barriers and lack of resources to identify colonias. In the wake of the 2000 census, the Census Bureau completed ethnographic studies in four colonias in Texas, New Mexico and California to better identify the challenges in collecting data for this population. As a result, new guidelines defining Census Designated Places (CDPs) were issued in 2007 for use in the 2010 Census. New CDPs will be established for the 25 border counties in Texas, with much of the data regarding the location of colonias provided by the Texas State Attorney General’s Office. It is anticipated that these efforts will allow the Census Bureau to survey colonias more accurately and, for the first time, provide detailed, searchable information regarding colonias populations.

Due to the limitations as discussed above, demographic data provided in this study may not fully reflect the estimated 203,000 people living in colonias in Hidalgo and Cameron Counties. Further, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand already accounted for through the analysis of Census data.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – BROWNSVILLE-HARLINGEN MSA AND THE NATION

The following section provides an analysis of the demographic characteristics within the Subject’s market area. Data such as population, households and growth patterns are studied, to determine if the Brownsville-Harlingen MSA is an area of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the MSA from 1990 through 2012.

Total Population		
Year	Brownsville-Harlingen MSA	
	Number	Annual Change
1990	260,081	-
2000	335,155	2.89%
2007	395,777	2.49%
2012	440,338	2.25%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The MSA expected to grow at a slower rate from 2007 to 2012, compared to 2000 to 2007. However, the growth rate of the MSA from 2007 to 2012 is still very strong, at 2.25 percent. The increase in the MSA growth rate is a positive indicator of the need for the affordable housing and likely why so many individuals are employed in the construction sector in the MSA.

Households

The following table is a summary of the total households in the MSA from 1990 to 2012.

Total Number of Households		
Year	Brownsville-Harlingen, MSA	
	Number	Annual Change
1990	73,260	-
2000	97,231	3.27%
2007	115,710	2.62%
2012	129,283	2.35%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rate of the MSA in 2007 was strong, at 2.62 percent. Although the growth rate is projected to decrease from 2007 through 2012, the rate of growth is still significant for a developed area. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the MSA from 2000 to 2012.

Average Household Size		
Year	Brownsville-Harlingen, MSA	
	Number	Annual Change
2000	3.40	-
2007	3.38	-0.08%
2012	3.37	-0.06%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the MSA is significantly larger than the national average size of 2.59 (not shown). The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the MSA.

Median Household Income Levels

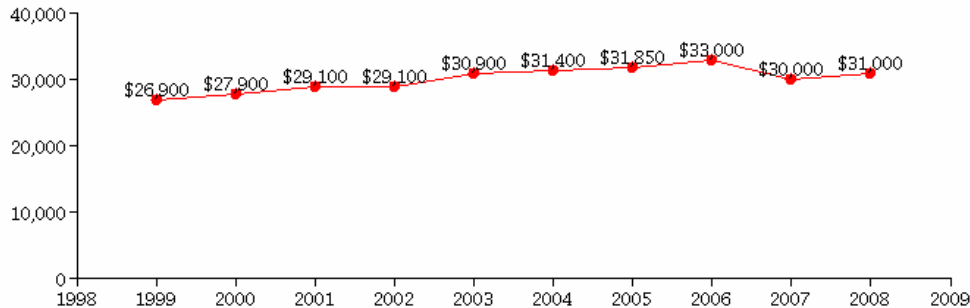
The table below illustrates Median Household Income in the MSA.

Median Household Income		
Year	Brownsville-Harlingen, MSA	
	Number	Annual Change
2000	26,151	-
2007	31,951	3.06%
2012	36,647	2.94%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the MSA is projected to grow at a slower rate from 2007 through 2012 than the previous seven years. The lower median income level indicates increasing need for affordable housing. It should be noted that for Section 42 LIHTC rent determination purposes, the area median income is used. The following chart illustrates the AMI level for a four-person household in the Brownsville-Harlingen MSA.

AMGI



—●— 4-person AMGI

Source: Novogradac & Company, LLP, July 2008.

The AMI has increased from 1999 to 2008 by approximately 15.2 percent, or an average of 1.7 percent annually. The AMI has only had one decrease from 2006 to 2007 and an increase again in 2008. The system and underlying data sources that HUD uses to establish income limits have changed, by shifting to data from the American Community Survey (ACS), which has replaced previous census reports. In 2007, two-thirds of the nation experienced flat or decreased AMI levels based largely on this methodology change. The overall rise in AMI levels indicates a healthy market where low-income households may be priced out by more affluent households.

Household Income

The following tables illustrate median household income in the MSA.

Household Income Distribution - Brownsville-Harlingen MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	19,922	17.2%	18,316	14.2%
\$10,000-\$14,999	9,501	8.2%	10,395	8.0%
\$15,000-\$19,999	8,170	7.1%	8,371	6.5%
\$20,000-\$24,999	8,499	7.3%	7,682	5.9%
\$25,000-\$29,999	8,359	7.2%	9,161	7.1%
\$30,000-\$34,999	7,996	6.9%	7,705	6.0%
\$35,000-\$39,999	6,362	5.5%	8,376	6.5%
\$40,000-\$44,999	5,893	5.1%	5,998	4.6%
\$45,000-\$49,999	5,029	4.3%	4,950	3.8%
\$50,000-\$59,999	9,108	7.9%	11,048	8.5%
\$60,000-\$74,999	9,668	8.4%	11,896	9.2%
\$75,000-\$99,999	7,438	6.4%	11,067	8.6%
\$100,000-\$124,999	4,603	4.0%	5,735	4.4%
\$125,000-\$149,999	2,026	1.8%	3,478	2.7%
\$150,000-\$199,999	1,470	1.3%	2,439	1.9%
\$200,000-\$249,999	723	0.6%	1,162	0.9%
\$250,000-\$499,999	783	0.7%	1,142	0.9%
\$500,000+	159	0.1%	361	0.3%
Total	115,709	100%	129,282	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 32.5 percent of the population in the MSA earned below \$20,000 in 2007 and approximately 28.7 percent of the population in the MSA is projected to earn below \$20,000 in 2012. In both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the MSA.

Tenure

The following table is a summary of the housing stock in the MSA.

TENURE PATTERNS MSA

Year	Percentage Owner-		Percentage Renter-	
	Owner-Occupied Units	Occupied	Renter-Occupied Units	Occupied
2000	65,848	67.72%	31,383	32.28%
2007	79,970	69.11%	35,740	30.89%
2012	89,195	68.99%	40,087	31.01%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Renter occupied units made up approximately 31 percent of the total occupied units in the MSA in 2007. The percentage of renters is slightly lower than the national average of approximately 33 percent (not shown). The low percentage of renters is likely due to the limited supply of rental housing in the MSA.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2007 for Cameron County, Texas. 2008 data was not available.

BUILDING PERMITS: Cameron County, TX 1997 to 2007				
Year	Single-family and	Three and	Five or More	Total Units
	Duplex	Four-Family	Family	
1997	1,601	40	257	1,898
1998	1,400	166	161	1,727
1999	1,058	229	150	1,437
2000	2,086	121	150	2,357
2001	1,595	142	102	1,839
2002	2,211	136	475	2,822
2003	3,200	81	163	3,444
2004	2,203	198	213	2,614
2005	1,981	197	116	2,294
2006	2,670	74	261	3,005
2007	1,800	131	138	2,069
Total	21,805	1,515	2,186	25,506
Average	1,982	138	199	2,319

There were 2,186 “5+ units” building permits issued in Cameron County from 1997 to 2007. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2007, at 85 percent, while “5+ units” building permits constitute approximately 8.6 percent of all permits issued from 1997 through 2007. The small percentage of multifamily permits issued indicates demand for multi-family housing of all kinds.

Conclusion

The MSA has demonstrated that it is an area of growth in terms of population, household, and income levels. The population and the number of households are both expected to increase from 2007 to 2012 at rates near or above 3.5 percent annually. The MSA has a larger average household size relative to the national average of 2.59, and a significant portion of its households earning below the AMI; furthermore, approximately 32.5 percent of the population in the MSA earned below \$20,000 in 2007 and approximately 28.7 percent of the population in the MSA is projected to earn below \$20,000 in 2012. These factors demonstrate a need for affordable housing of all kinds.

1. WEST CAMERON COUNTY SUBMARKET ANALYSIS

WEST CAMERON COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the West Cameron County Submarket, which is bounded to the north, west and south by the Cameron County line and to the east by FM 1420, FM 106, Cemetery Road/Coston Road, US Highway 77 and FM 732. This area was defined based on the client's specifications. The following map illustrates the boundaries of the Submarket as defined above.

West Cameron County Submarket Map



Local Government

The major cities in the West Cameron County submarket include Harlingen, San Benito and La Feria.

Harlingen is located entirely in Cameron County and operates under a mayor-commission form of government with five elected city commissioners. The 2000 census reported a total population of 57,564. Harlingen has a total area of 34.3 square miles.

San Benito is located in Cameron County and operates under a mayor-city commission form of government with four elected city commissioners. The population was 25,005 at the 2000 census. San Benito has a total area of 11.2 square miles.

La Feria is a city in Cameron County. In November 1989, the city of La Feria adopted a Home-Rule charter. The city operates under a mayor-commission form of government with five elected city commissioners. The population was 6,115 at the 2000 census. La Feria has a total area of 2.0 square miles.

Employment by Industry

The table on the following table illustrates employment by industry for the West Cameron County Submarket and Brownsville-Harlingen MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	<u>West Cameron County Submarket</u>		<u>Brownsville-Harlingen, TX MSA</u>	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	648	1.30%	1,880	1.45%
Mining	103	0.21%	313	0.24%
Construction	4,015	8.08%	10,941	8.43%
Manufacturing	3,424	6.89%	10,172	7.84%
Wholesale Trade	1,510	3.04%	4,016	3.09%
Retail Trade	5,566	11.21%	15,389	11.86%
Transportation/Warehousing	2,001	4.03%	5,516	4.25%
Utilities	422	0.85%	1,059	0.82%
Information	749	1.51%	1,382	1.07%
Finance/Insurance	1,493	3.01%	3,623	2.79%
Real Estate/Rental/Leasing	1,182	2.38%	3,257	2.51%
Prof/Scientific/Tech Services	1,340	2.70%	3,794	2.92%
Mgmt of Companies/Enterprises	0	0.00%	0	0.00%
Admin/Support/Waste Mgmt Svcs	1,726	3.48%	4,438	3.42%
Educational Services	7,087	14.27%	19,838	15.29%
Health Care/Social Assistance	8,331	16.77%	17,690	13.63%
Arts/Entertainment/Recreation	519	1.04%	1,446	1.11%
Accommodation/Food Services	3,303	6.65%	10,434	8.04%
Other Services (excl Publ Adm)	3,196	6.43%	7,728	5.96%
Public Administration	3,052	6.14%	6,849	5.28%
Total Employment	49,667	100.0%	129,765	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the West Cameron County Submarket are the health care/social assistance, educational services, retail trade and construction sectors. Approximately 50.3 percent of people in Cameron County work in these four industries. The West Cameron County Submarket has

a similar number of persons employed in the educational services, retail trade and construction sectors and a larger number of people employed in the healthcare/social assistance sector, relative to the MSA. Although, educational services is typically a stable sector of the economy, industries such as retail trade and construction, are particularly susceptible to fluctuations in the health of the economy. Additionally, the West Cameron County Submarket and the MSA benefit from the presence of another historically stable industry, healthcare/social assistance, which is one of the top four employment sectors. The large number of people employed in the retail trade and construction industries could negatively impact employment in the West Cameron County Submarket, due to the current national economic downturn. However, the strong presence of the healthcare/social assistance and educational services industries should help bolster the economic stability of the West Cameron County Region.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the Submarket.

Commute Patterns in the West Cameron County Submarket

The table below summarizes commute times for the West Cameron County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	1,533
5-9 min	6,124
10-14 min	9,503
15-19 min	8,735
20-24 min	5,349
25-29 min	1,439
30-34 min	4,348
35-39 min	506
40-44 min	841
45-59 min	1,606
60-89 min	837
90+ min	676
Average Travel Time	19.8 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The West Cameron County Submarket has the shortest average commute time of the four identified Submarkets. The largest share of workers reports a daily travel time to work of 10 to 14 minutes. From this data, it appears that the Submarket’s major employers, located in Harlingen, are located within 35 minutes of the majority of the working population.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the West Cameron County Submarket and Brownsville-Harlingen, TX MSA. Data such as population, households and growth patterns are studied to determine if the Brownsville-Harlingen MSA and the West Cameron County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the West Cameron County Submarket and Brownsville-Harlingen, TX MSA from 1990 through 2012.

Year	West Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	105,412	-	260,120	-
2000	129,182	2.25%	335,227	2.89%
2007	146,617	1.86%	395,867	2.50%
2012	160,914	1.95%	440,440	2.25%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been slightly slower than growth in the MSA in all years of analysis. However, both the Submarket and the MSA are showing strong growth from 2007 through 2012, although at a slower rate than from 2000 through 2007. The strong growth in the Submarket and the MSA is a positive indicator of the need for the affordable housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 2007. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group					
West Cameron County Submarket					
Age Cohort	1990	2000	2007	Projected Mkt	2012
0-4	9,170	11,590	13,883	14,298	15,127
5-9	9,645	11,877	12,122	12,539	13,372
10-14	10,140	11,291	11,851	12,103	12,607
15-19	9,779	10,985	11,493	11,833	12,512
20-24	7,262	8,558	10,437	10,653	11,086
25-29	7,351	8,559	10,617	10,728	10,951
30-34	7,518	8,279	9,593	9,944	10,645
35-39	7,218	8,516	8,789	8,952	9,279
40-44	6,242	8,132	8,858	8,924	9,057
45-49	4,403	7,377	8,774	8,962	9,339
50-54	3,998	6,530	8,324	8,659	9,328
55-59	3,995	4,859	7,081	7,719	8,995
60-64	4,466	4,656	5,427	6,088	7,410
65-69	4,646	4,922	4,879	5,158	5,716
70-74	3,720	4,837	4,670	4,673	4,678
75-79	2,965	3,884	4,262	4,249	4,222
80-84	1,723	2,332	3,021	3,142	3,385
85+	1,171	1,998	2,536	2,759	3,205
Total	105,412	129,182	146,617	151,383	160,914
Brownsville-Harlingen, TX MSA					
Age Cohort	1990	2000	2007	Projected Mkt	2012
0-4	23,151	31,744	39,821	41,234	44,060
5-9	25,049	32,315	35,155	36,473	39,109
10-14	26,812	30,761	33,638	34,719	36,880
15-19	26,585	29,914	32,307	33,397	35,577
20-24	19,529	23,783	30,033	30,772	32,250
25-29	18,911	23,906	29,569	30,257	31,634
30-34	18,981	22,498	27,241	27,931	29,311
35-39	17,854	22,257	25,412	25,885	26,832
40-44	15,504	21,060	23,668	24,511	26,198
45-49	11,371	19,220	23,367	23,994	25,247
50-54	9,804	16,577	21,725	22,573	24,268
55-59	9,290	12,468	18,317	20,121	23,730
60-64	9,764	11,349	13,415	15,114	18,513
65-69	9,418	10,925	11,705	12,236	13,297
70-74	7,168	10,205	10,349	10,521	10,866
75-79	5,509	7,889	9,157	9,169	9,194
80-84	3,218	4,559	6,040	6,391	7,093
85+	2,202	3,797	4,948	5,426	6,381
Total	260,120	335,227	395,867	410,725	440,440

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	West Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	32,151	-	73,278	-
2000	40,315	2.54%	97,267	3.27%
2007	46,385	2.08%	115,756	2.62%
2012	51,241	2.09%	129,335	2.35%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007. Household growth in the MSA is expected to slow slightly from 2007 through 2012, while household growth in the Submarket is expected to remain consistent. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	West Cameron County		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.16	-	3.40	-
2007	3.12	-0.17%	3.38	-0.08%
2012	3.10	-0.13%	3.37	-0.06%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly smaller than the MSA, but both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, but especially in the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	West Cameron County		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	28,127	-	26,156	-
2007	34,454	3.10%	31,956	3.06%
2012	39,294	2.81%	36,654	2.94%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 7.3 percent higher than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slower rate from 2007 through 2012 than the previous seven years, as in the MSA. The lower median income level indicates increasing need for affordable housing.

Household Income

The following tables illustrate median household income in both the Submarket and MSA.

Household Income Distribution - West Cameron County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	7,051	15.2%	6,410	12.5%
\$10,000-\$14,999	3,430	7.4%	3,672	7.2%
\$15,000-\$19,999	3,055	6.6%	3,012	5.9%
\$20,000-\$24,999	3,413	7.4%	2,944	5.7%
\$25,000-\$29,999	3,394	7.3%	3,636	7.1%
\$30,000-\$34,999	3,153	6.8%	3,088	6.0%
\$35,000-\$39,999	2,477	5.3%	3,272	6.4%
\$40,000-\$44,999	2,538	5.5%	2,319	4.5%
\$45,000-\$49,999	2,170	4.7%	2,100	4.1%
\$50,000-\$59,999	4,069	8.8%	4,759	9.3%
\$60,000-\$74,999	4,340	9.4%	5,302	10.3%
\$75,000-\$99,999	3,070	6.6%	4,749	9.3%
\$100,000-\$124,999	1,884	4.1%	2,310	4.5%
\$125,000-\$149,999	885	1.9%	1,404	2.7%
\$150,000-\$199,999	674	1.5%	1,043	2.0%
\$200,000-\$249,999	328	0.7%	523	1.0%
\$250,000-\$499,999	383	0.8%	535	1.0%
\$500,000+	71	0.2%	163	0.3%
Total	46,385	100%	51,241	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	19,926	17.2%	18,319	14.2%
\$10,000-\$14,999	9,503	8.2%	10,397	8.0%
\$15,000-\$19,999	8,172	7.1%	8,373	6.5%
\$20,000-\$24,999	8,502	7.3%	7,684	5.9%
\$25,000-\$29,999	8,361	7.2%	9,164	7.1%
\$30,000-\$34,999	7,999	6.9%	7,707	6.0%
\$35,000-\$39,999	6,364	5.5%	8,379	6.5%
\$40,000-\$44,999	5,894	5.1%	6,000	4.6%
\$45,000-\$49,999	5,031	4.3%	4,951	3.8%
\$50,000-\$59,999	9,112	7.9%	11,052	8.5%
\$60,000-\$74,999	9,673	8.4%	11,902	9.2%
\$75,000-\$99,999	7,445	6.4%	11,075	8.6%
\$100,000-\$124,999	4,608	4.0%	5,741	4.4%
\$125,000-\$149,999	2,027	1.8%	3,482	2.7%
\$150,000-\$199,999	1,471	1.3%	2,440	1.9%
\$200,000-\$249,999	724	0.6%	1,163	0.9%
\$250,000-\$499,999	785	0.7%	1,144	0.9%
\$500,000+	159	0.1%	362	0.3%
Total	115,756	100%	129,335	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 29.2 percent of the population in the Submarket and 32.5 percent of the population in the MSA earned below \$20,000 in 2007. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 25.6 percent and 28.7 percent, respectively, but in both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the Submarket and MSA.

Senior Demographic Trends

Among the demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 65 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	West Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	16,180	-	35,359	-
2007	18,657	2.1%	42,259	2.7%
2012	21,877	3.5%	50,724	4.0%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

As the table illustrates, similar to the general population trends, the senior population in both the Submarket and the MSA increased between 2000 and 2007. Senior population growth in the West Cameron County Submarket is expected to grow at a slightly slower rate than the MSA from 2007 through 2012.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the PMA from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	West Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	16,180	-	35,359	-
2007	18,657	2.1%	42,259	2.7%
2012	21,877	3.5%	50,724	4.0%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is projected to increase through 2012 with growth rate also increasing through 2012. In contrast to general household growth rates, senior household growth rates are expected to increase from 2007 through 2012. The strong projected growth of senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	Brownsville-Harlingen, TX		West Cameron County		USA	
	MSA		Submarket			
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
<i>All Ages</i>						
2007	\$31,956	-	\$34,454	-	\$53,154	-
2012	\$36,654	2.94%	\$39,294	2.81%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$28,614	-	\$31,530	-	\$32,710	-
2012	\$34,145	3.87%	\$36,835	3.37%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all three areas of analysis are below those of all households. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The Submarket will experience slightly weaker median household income growth for all households and senior households when compared to the MSA, and the nation.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - West Cameron County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	4,973	26.7%	5,038	23.0%
\$15,000-\$24,999	2,711	14.5%	2,603	11.9%
\$25,000-\$34,999	2,383	12.8%	2,559	11.7%
\$35,000-\$49,999	2,755	14.8%	3,271	15.0%
\$50,000-\$74,999	2,935	15.7%	3,857	17.6%
\$75,000-\$99,999	1,258	6.7%	2,085	9.5%
100,000-\$149,999	1,050	5.6%	1,510	6.9%
150,000-\$199,999	251	1.3%	388	1.8%
200,000-\$249,999	151	0.8%	261	1.2%
250,000-\$499,999	159	0.9%	230	1.1%
\$500,000+	31	0.2%	75	0.3%
Total	18,657	100%	21,877	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	12,432	29.4%	12,846	25.3%
\$15,000-\$24,999	5,986	14.2%	6,015	11.9%
\$25,000-\$34,999	5,232	12.4%	5,755	11.3%
\$35,000-\$49,999	5,879	13.9%	7,291	14.4%
\$50,000-\$74,999	6,327	15.0%	8,438	16.6%
\$75,000-\$99,999	2,657	6.3%	4,394	8.7%
100,000-\$149,999	2,386	5.6%	3,640	7.2%
150,000-\$199,999	597	1.4%	1,084	2.1%
200,000-\$249,999	339	0.8%	558	1.1%
250,000-\$499,999	351	0.8%	526	1.0%
\$500,000+	73	0.2%	177	0.3%
Total	42,259	100%	50,724	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Among these locations, the MSA has the largest percentage of seniors earning less than \$35,000 annually. Approximately 56 percent of those 55 and older in the MSA are earning under \$35,000 per year. This is attributable primarily to the MSA’s high percentage of senior households earning below \$15,000 annually. The Submarket features a similar number of senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 46.6 and 48.5 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the Submarket will be earning less than \$25,000, which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket for 2000.

Tenure Patterns - Elderly Population (Age 55+)								
Year	West Cameron County Submarket				Brownsville-Harlingen, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	13,601	84.1%	2,579	15.9%	28,551	80.7%	6,808	19.3%
2007	15,683	84.1%	2,974	15.9%	34,122	80.7%	8,137	19.3%
2012	18,390	84.1%	3,487	15.9%	40,958	80.7%	9,766	19.3%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket has a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above) and the MSA. The small percentage of renter-occupied senior households is not unusual in rural submarkets, where owner-occupied housing is predominant among a reduced population.

Senior Demographic Conclusion

Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Although the median senior household income for the MSA is projected to increase from 2007 to 2012, growth in the national and Submarket's median senior household income is projected to outpace growth in the Submarket. Both the MSA and Submarket have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Approximately 54 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the Submarket's high percentage of senior households earning below \$15,000 annually. The Submarket features similar numbers of senior households in these income brackets when compared to the MSA and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

West Cameron County Submarket

The following sections will provide an analysis of the demographic characteristics within the Submarket.

Healthcare

The West Cameron County Submarket offers several hospitals and medical facilities, the majority of which are located in the city of Harlingen. The Harlingen Medical Center (HMC) is the advanced general acute care hospital in Harlingen. HMC specializes in advanced cardiovascular care, orthopedics, neurology, obstetrics and gynecology. The hospital opened in 2003 and provides comprehensive medical care for the majority of the Rio Grande Valley. Valley Baptist Medical Center (VBMC) is a 600-bed hospital that serves as the regional trauma center.

Transportation

Valley International Airport, located in Harlingen, is the major airport for the West Cameron County Submarket. Valley International Airport has a service area that encompasses the lower Rio Grande Valley and northern Mexico, serving more than two million people on both sides of the US-Mexico border. It is the largest international airport in the region and handles approximately 45 percent of all passenger traffic in the Rio Grande Valley.

Access to West Cameron County Submarket can be accomplished via US Highways 77 and 83. US Highway 77 connects to Interstate 37 at Corpus Christi and U.S. Highway 83 connects with Interstate 35 at Laredo.

The Free Trade Bridge at Los Indios, located 10 miles south of Harlingen in the West Cameron County Submarket, is said to be the most time-efficient border crossing station. The international bridge offers a full U.S. Customs inspection facility and accesses a four-lane highway in Northern Mexico.

The Port of Harlingen is located four miles east of Harlingen in the West Cameron County Submarket.

Education

The West Cameron County Submarket is served by the Harlingen Consolidated School District and the South Texas Independent School District. The Harlingen Consolidated School District includes two high schools, five middle schools, and 17 elementary schools. The South Texas Independent School District operates magnet schools that draw students from Cameron, Hidalgo and Willacy Counties. The South Texas Academy of Medical Technology is the only South Texas ISD school in the West Cameron County submarket. Harlingen has a branch of the Texas State Technical College, a two-year technical school offering Associate of Applied Science degrees.

Public Transportation

Rio Metro Harlingen, operated by the Lower Rio Grande Valley Development Council, offers public transportation to the West Cameron County Submarket. Rio Metro Harlingen offers flexible routes and passengers may request curbside pickups by calling a day in advance to make reservations. Rio Metro Harlingen offers retail and medical oriented routes.

Employment Centers

The majority of employment centers in the West Cameron County Submarket are located in Harlingen. The largest employers in the City of Harlingen include the following:

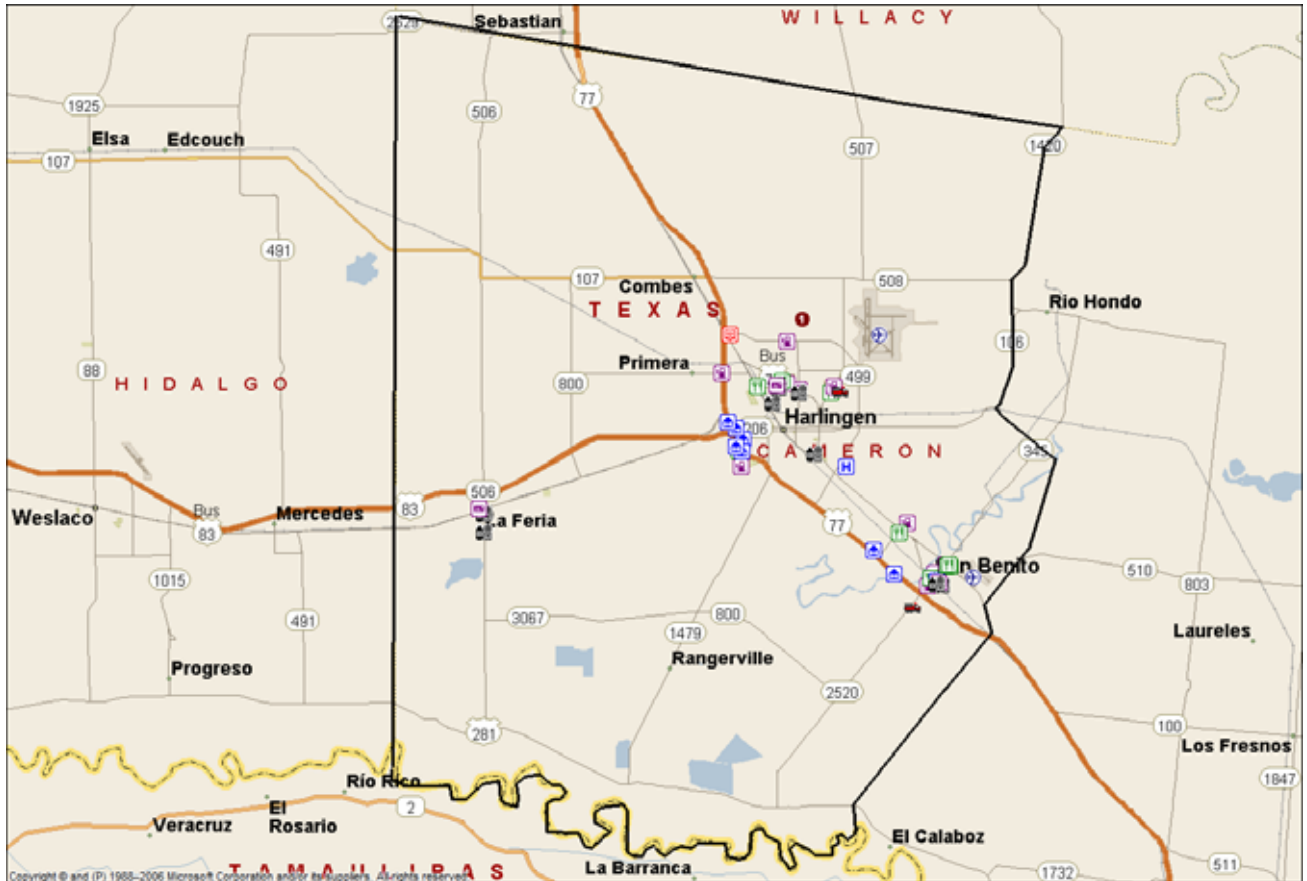
Harlingen Top Ten Employers

Rank	Company	Industry	Employees
1	Harlingen CISD	Education	2,582
2	Valley Baptist Medical Center	Healthcare	1,962
3	Vicki Roy Home Health	Healthcare	978
4	Advanced Call Center Technologies	Call center	865
5	Dish Network	Call center	842
6	City of Harlingen	Government	555
7	Texas State Technical College	Education	534
8	Harlingen Medical Center	Healthcare	463
9	West Corporation	Call Center	425
10	HEB	Grocery/Retail	363

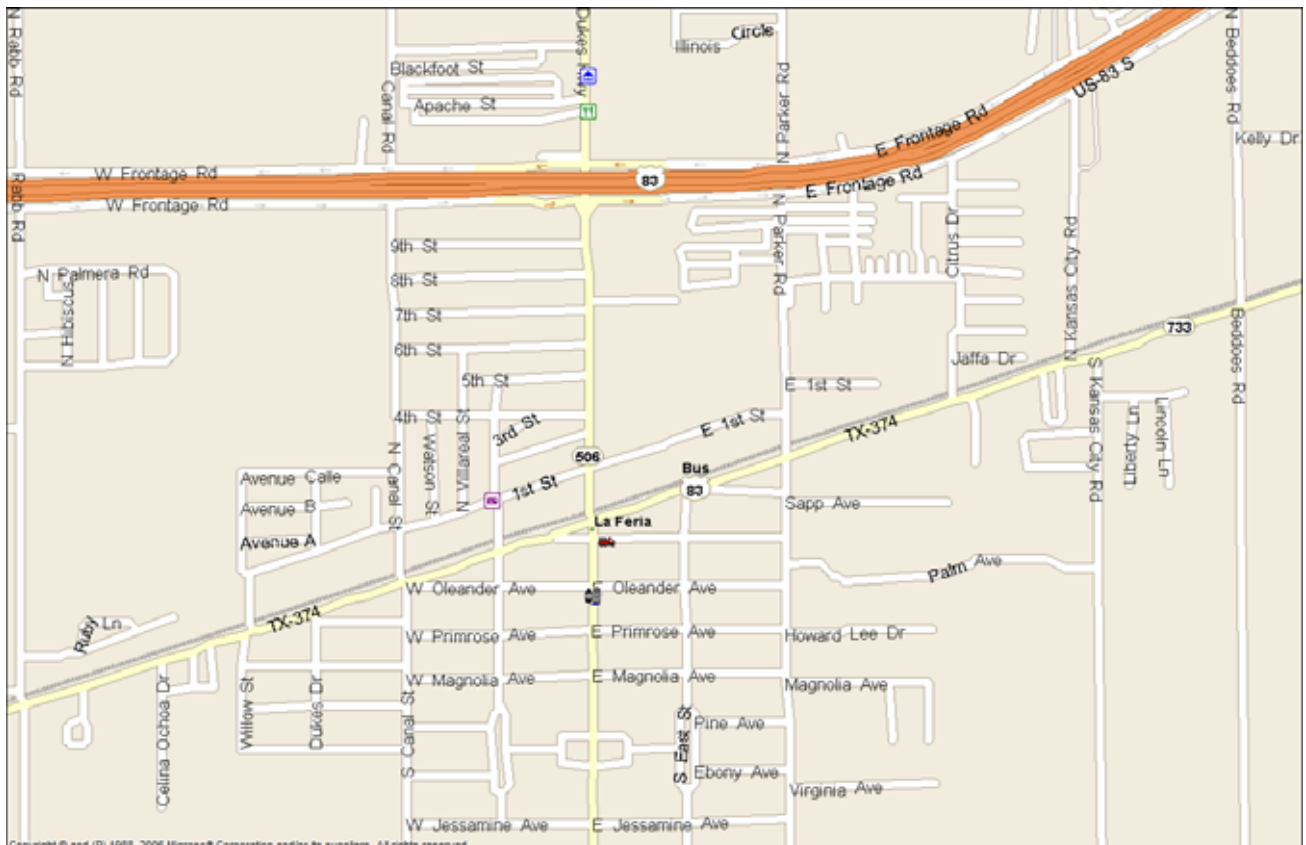
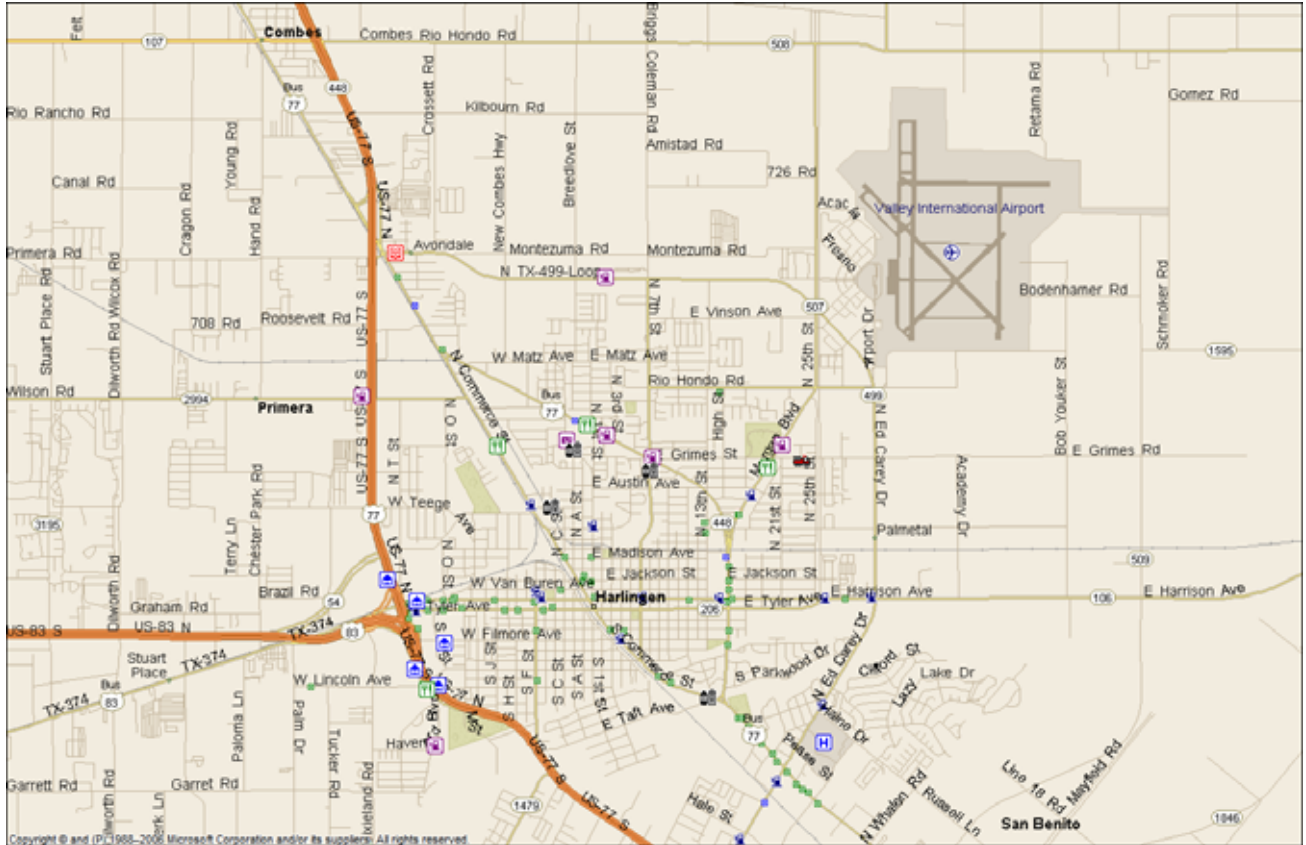
Source: Harlingen Economic Development Corporation, Real Estate Center Market Overview 2008: July 2008

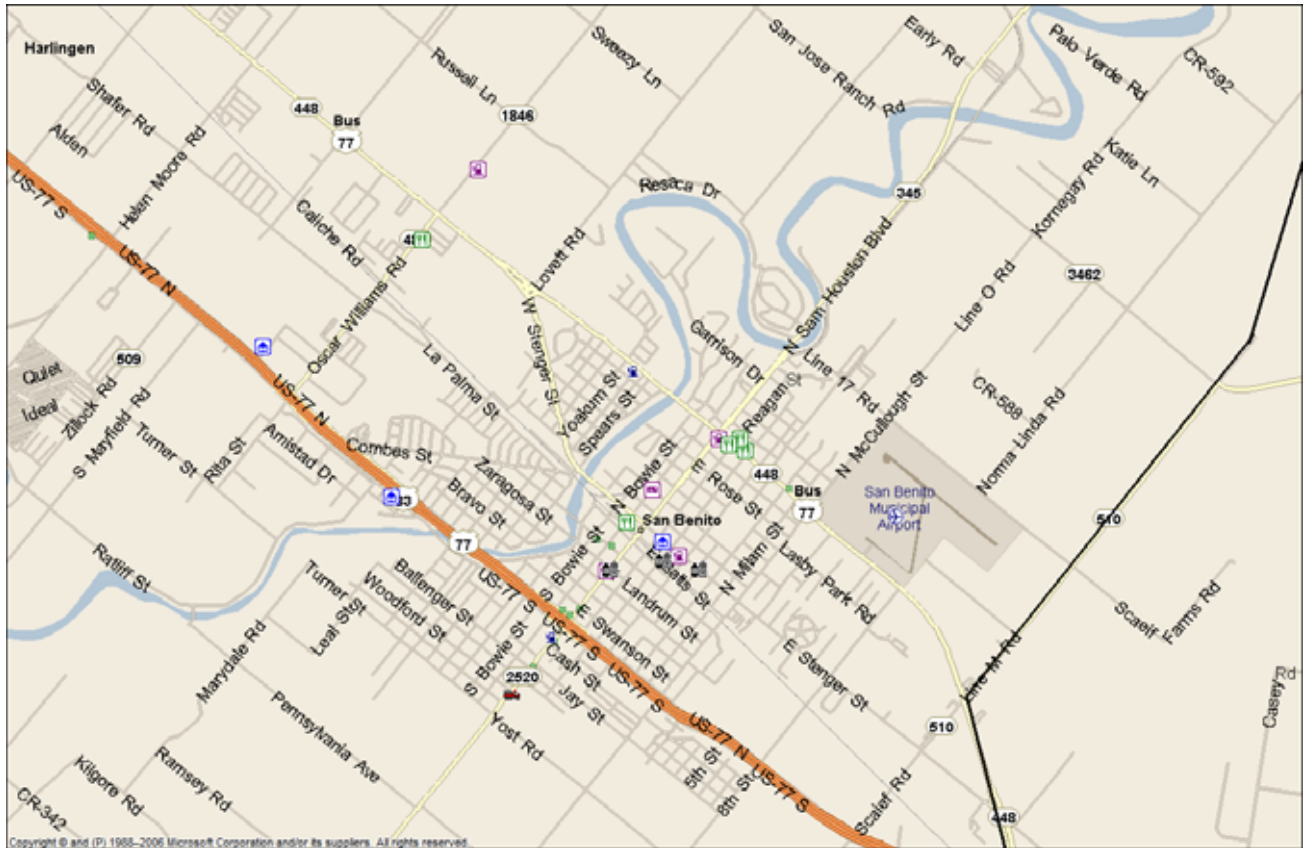
Proximity to Local Services












The majority of locational amenities are in the West Cameron County Submarket are located in Harlingen, TX.



Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX





	Ranch		School
	United States Post Office		Hospital
	Fire Station		Airport
	Restaurant		Police Station
	Hotel/Motel		College/University
	Grocery/Supermarket		Gas Station

HOUSING SUPPLY ANALYSIS

WEST CAMERON COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the West Cameron County Submarket.

AGE OF HOUSING STOCK IN WEST CAMERON COUNTY SUBMARKET		
Years	Number of Units	Percent of Housing Stock
1999-3/2000	2,228	4.45%
1995-1998	5,485	10.96%
1990-1994	3,980	7.95%
1980-1989	11,997	23.98%
1970-1979	9,608	19.20%
1960-1969	5,419	10.83%
1950-1959	5,144	10.28%
1940-1949	3,159	6.31%
1939 and Before	3,012	6.02%
Total	50,032	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (66.54 percent) in the West Cameron County Submarket was constructed from 1979 through 1989. The West Cameron County Submarket consists primarily of developed land with moderate to extensive single-family housing and multi-family housing. Based upon observations in the field single-family housing in the Submarket typically ranges from fair to good condition and is less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2007 for Cameron County, Texas. Data was not available for 2008. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Cameron County, TX - 1997 to 2007				
Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,601	40	257	1,898
1998	1,400	166	161	1,727
1999	1,058	229	150	1,437
2000	2,086	121	150	2,357
2001	1,595	142	102	1,839
2002	2,211	136	475	2,822
2003	3,200	81	163	3,444
2004	2,203	198	213	2,614
2005	1,981	197	116	2,294
2006	2,670	74	261	3,005
2007	1,800	131	138	2,069
Total	21,805	1,515	2,186	25,506
Average	1,982	138	199	2,319

There were 2,186 “5+ units” building permits issued in Cameron County from 1997 to 2007. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2007, at 85 percent, while “5+ units” building permits constitute approximately 8.6 percent of all permits issued from 1997 through 2007. The small percentage of multifamily permits issued indicates there may be demand for multifamily housing of all kinds.

Interviews

Cameron County Housing Authority

We spoke with Guadalupe Garcia with the Cameron County Housing Authority. According to Ms. Garcia, the Housing Authority is allocated 1,080 Housing Choice Vouchers and 1,006 vouchers are currently in use. Ms. Garcia estimated that there were 878 households on the waiting list as of July 2008, and the waiting list is currently open. We attempted to contact Yolanda Santa Maria with the Public Housing Office of the Cameron County Housing Authority, but our calls have been unreturned as of the date of this report. The current payment standards for one-, two-, three-, and four-bedroom units are listed below.

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

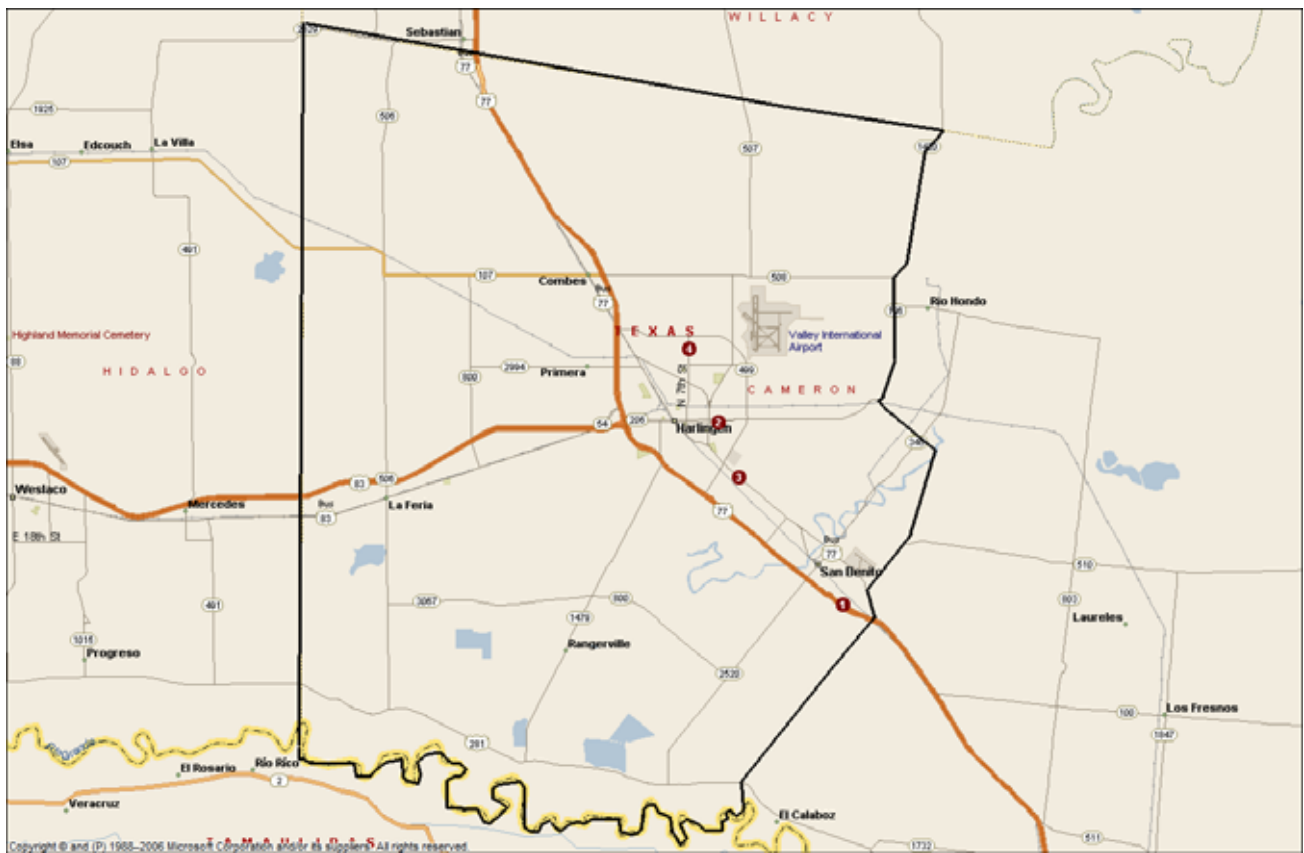
Housing Authority of the City of Harlingen

We attempted to contact the Housing Authority of the City of Harlingen to gather information pertaining to the Housing Choice Voucher and Public Housing Programs; however, as of the date of this report, our attempts have been unsuccessful.

LIHTC Family Supply

We attempted to identify all existing, proposed, and under construction LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified 10 family LIHTC developments in the West Cameron County Submarket. Of the 10 LIHTC developments, four properties constructed between 1996 and 2003, with a total of 500 units, were able to provide current property and market data. The reasons for exclusion of the remaining properties can be found on the excluded properties list on the following pages. Based on the lack of available data, we did not complete a LIHTC senior market analysis. A map of the surveyed properties can be found below:



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Canal Place Apartments	San Benito	LIHTC – Family
2	Rosemont of Highland Gardens	Harlingen	LIHTC/Market – Family
3	Sundance Apartments	Harlingen	LIHTC/Market – Family
4	Windstar Apartments	Harlingen	LIHTC – Family

The following pictures identify the surveyed LIHTC family properties in the Submarket:



Canal Place Apartments



Rosemont of Highland Gardens



Sundance Apartments



Windstar Apartments

Excluded Properties

Novogradac has excluded six LIHTC developments from our analysis. The following table lists the properties in the Submarket that were excluded from this analysis and the basis for their exclusion. It should be noted that the majority of the LIHTC properties listed below have less than 12 units, were constructed/allocated from 1987 to 1992 and may be out of the 15 year compliance period and do not offer on-site management.

Name	Location	Type	Reason for Exclusion
Second North Corporation	Harlingen	LIHTC – Family	Could not contact
Second Adams Corporation	Harlingen	LIHTC – Family	Could not contact
Devco Arroyo Estates	San Benito	LIHTC – Family	Could not contact
Alcott & Alcott	Harlingen	LIHTC – Family	Could not contact
Rangerville Park Subdivision	Rangerville	LIHTC – Family	Could not contact
La Alameda	Harlingen	LIHTC – Family	Could not contact
Santa Rosa Village	Santa Rosa	LIHTC – Family	Could not contact

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one property in the West Cameron County Submarket, which has received an allocation in the last three years. Santa Rosa Village, located in Santa Rosa, received an allocation in 2005 and was constructed in 2006. Despite numerous attempts to contact the property manager both in person and over the phone, our calls have not been returned as of the date of this report. Santa Rosa Village received a LIHTC allocation, but operates as a Section 8 development for seniors. Santa Rosa Village also received a small allocation of funding in early 2008; however, further information regarding this lesser allocation was unavailable.

We attempted to contact the Harlingen Planning Department numerous times to obtain information on multifamily developments that are currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages at this time.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market. It should be noted that Sundance Apartments was unable to provide a unit mix and has been excluded from this analysis.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	N/A	N/A
2 BR	105	32.4%
3 BR	147	45.4%
4 BR	72	22.2%
Total	324	100%

The majority of the LIHTC units in the Submarket are three-bedroom units, followed by two-bedroom units. Sundance Apartments is the only property in the Submarket to offer one-bedroom units. Larger unit types are prevalent in the Submarket. Demographic projections show that the

average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 33 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	575	575	575
2 BR	834	990	929
3 BR	1,016	1,211	1,132
4 BR	1,263	1,292	1,278

The surveyed one-, two, three- and four-bedroom LIHTC units have an average size of 575, 929, 1,132, and 1,278 square feet, respectively. All of the developments were constructed from 1996 to 2003 and unit sizes are representative of the newly constructed properties in the West Cameron County Submarket.

Community and In-Unit Amenities

Unit Matrix Report

	Canal Place Apartments	Rosemont Of Highland Gardens	Sundance Apartments	Windstar Apartments
Comp #	1	2	3	4

Property Information				
Property Type	Garden (2 stories)	Garden (2 stories)	Garden	Garden
Year Built / Renovated	1998 / n/a	2003 / n/a	2000 / n/a	1996 / n/a
Market (Conv.)/Subsidy Type	@60%	@50%, @60%, Market	@60%, Market	@50%, @60%

In-Unit Amenities				
Balcony/Patio	no	yes	yes	no
Blinds	yes	yes	yes	yes
Carpeting	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes
Dishwasher	no	yes	yes	yes
Exterior Storage	no	no	yes	no
Ceiling Fan	no	yes	no	yes
Garbage Disposal	no	no	no	yes
Microwave	no	yes	yes	no
Oven	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes
Washer/Dryer hookup	yes	yes	yes	yes

Property Amenities				
Business Center/Computer Lab	no	yes	yes	no
Carport	no	no	yes	no
Clubhouse/Meeting Room/Community	yes	yes	no	yes
Courtyard	no	no	yes	no
Exercise Facility	no	no	yes	no
Jacuzzi	yes	no	yes	no
Central Laundry	yes	yes	yes	yes
Off-Street Parking	no	no	no	yes
On-Site Management	no	no	yes	yes
Playground	yes	yes	yes	yes
Swimming Pool	yes	yes	yes	yes
Volleyball Court	no	no	yes	no
Carport Fee	--	--	\$10.00	--

Services				
Afterschool Program	no	yes	no	no

Security				
Perimeter Fencing	yes	yes	yes	no

Premium Amenities

Other Amenities				
Other	n/a	n/a	n/a	n/a

The existing LIHTC multifamily properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC comparables offer unit amenities that include central air, ovens, dishwashers and refrigerators. Washer/dryer connections are common in the family LIHTC market. Most of the surveyed LIHTC comparables offer community amenities including a clubhouse, a central laundry facility, playground, and swimming pool. Security features such as perimeter fencing and limited access are prevalent in the Submarket. No premium amenities or services are offered by the surveyed LIHTC properties in the Submarket.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. It should be noted that Sundance Apartments was unable to provide vacancy by unit type or a complete unit mix and has been excluded from this analysis.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	N/A	N/A	N/A
2 BR	105	3	2.9%
3 BR	147	1	0.7%
4 BR	72	1	1.4%
Total	324	5	1.5%

Of the surveyed unit types, the three-bedroom units have the lowest weighted vacancy in the Submarket. The vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units, which may indicate a difficulty in finding income-qualified households.

Absorption

One of the four surveyed LIHTC properties was able to provide absorption information. Rosemont of Highland Gardens opened in 2003 and reported an absorption rate of 10.2 units per month, for an absorption period of approximately 17 months.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Waiting List
Canal Place Apartments	72	20 HH for 2 and 3 BR units
Rosemont of Highland Gardens	172	5 HH for 2 BR LIHTC units, 5 HH for 3 BR units @ 50%, 2 HH for 4 BR units @ 50 %
Sundance Apartments	176	None
Windstar Apartments	80	90 HH for 2 BR units and 80 HH for 3 BR units

Three of the four surveyed family LIHTC properties currently maintain waiting lists. Waiting lists range in size from two households to 90 households for two-, three- and four-bedroom units.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Canal Place Apartments	72	1.4%
Rosemont of Highland Gardens	172	2.3%
Sundance Apartments	176	2.3%
Windstar Apartments	80	0.0%
AVERAGE	500	1.5%

All of the surveyed LIHTC properties were constructed between 1996 and 2003 and all of the surveyed LIHTC properties offer some units at 50 and/or 60 percent of AMI. The overall average vacancy rate appears slightly lower than is typical considering the age, condition, and unit mix of the surveyed LIHTC properties.

Concessions

None of the LIHTC family properties in the market are offering concessions. Concessions do not appear to be prevalent in the family LIHTC market.

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
Canal Place Apartments	72	17%
Rosemont of Highland Gardens	172	30%
Sundance Apartments	176	30%
Windstar Apartments	80	20%
AVERAGE	500	24.25%

The range of turnover rates at the surveyed family LIHTC properties in the Submarket appears to be well within range of typical turnover rates for multifamily properties.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Canal Place Apartments 2280 W. Business 77 San Benito, TX 78586 Cameron County	Garden (2 stories) 1998 / n/a	@60%	2BR / 2BA	8	11.10%	@60%	\$503	990	n/a	Yes	0	0.00%
				3BR / 2BA	48	66.70%	@60%	\$576	1,211	n/a	Yes	0	0.00%
				4BR / 2BA	16	22.20%	@60%	\$639	1,292	n/a	No	1	6.20%
					72	100%							1
2	Rosemont Of Highland Gardens 1902 East Tyler Harlingen, TX 78550 Cameron County	Garden (2 stories) 2003 / n/a	@50%, @60%, Market	2BR / 2BA	20	11.60%	@50%	\$418	902	yes	Y 5HH	0	0.00%
				2BR / 2BA	23	13.40%	@60%	\$516	902	yes	Y 5HH	0	0.00%
				2BR / 2BA	14	8.10%	Market	\$600	902	n/a	No	3	21.40%
				3BR / 2BA	20	11.60%	@50%	\$462	1,112	yes	Y 5HH	0	0.00%
				3BR / 2BA	24	14.00%	@60%	\$576	1,112	yes	No	0	0.00%
				3BR / 2BA	15	8.70%	Market	\$699	1,112	n/a	No	1	6.70%
				4BR / 2BA	19	11.00%	@50%	\$500	1,263	yes	Y 2HH	0	0.00%
				4BR / 2BA	23	13.40%	@60%	\$627	1,263	yes	No	0	0.00%
				4BR / 2BA	14	8.10%	Market	\$750	1,263	n/a	No	0	0.00%
	172	100%								4	2.30%		
3	Sundance Apartments 1402 Vermont Harlingen, TX 78550 Cameron County	Garden 2000 / n/a	@60%, Market	1BR / 1BA	N/A	N/A	@60%	\$430	575	n/a	No	0	N/A
				1BR / 1BA	N/A	N/A	Market	\$495	575	n/a	No	1	N/A
				2BR / 2BA	N/A	N/A	@60%	\$510	834	n/a	No	2	N/A
				2BR / 2BA	N/A	N/A	Market	\$610	834	n/a	No	0	N/A
				3BR / 2BA	N/A	N/A	@60%	\$580	1,016	n/a	No	0	N/A
				3BR / 2BA	N/A	N/A	Market	\$695	1,016	n/a	No	1	N/A
	176	100%								4	2.30%		
4	Windstar Apartments 2802 N. 7th Street Harlingen, TX 78550 Cameron County	Garden 1996 / n/a	@50%, @60%	2BR / 2BA	20	25.00%	@50%	\$412	990	n/a	Yes	0	0.00%
				2BR / 2BA	20	25.00%	@60%	\$497	990	n/a	Yes	0	0.00%
				3BR / 2BA	40	50.00%	@60%	\$572	1,189	n/a	Yes	0	0.00%
					80	100%							0

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$423
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$488
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$559
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$691
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$781
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

Rosemont of Highland Gardens is the only LIHTC property in the market achieving the LIHTC maximum allowable rents. The surveyed family LIHTC properties were constructed from 1996 through 2003 and all offer some units at 50 and/or 60 percent of AMI. The overall average vacancy rate at the LIHTC properties is approximately 1.5 percent. Additionally, the vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. Three of the four surveyed family LIHTC properties currently maintain waiting lists, specifically for two- and three-bedroom units. Market data from the surveyed family LIHTC developments suggests a demand for LIHTC units at the lower AMI levels and potentially insufficient income qualified demand for units at 60 percent of AMI.

LIHTC Supply Conclusion

Novogradac identified 10 LIHTC developments in the West Cameron County Submarket. Of the 10 LIHTC developments, four properties constructed between 1996 and 2003, with a total of 500 units, were able to provide current property and market data.

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one property in the West Cameron County Submarket, which has received an allocation in the last three years. Santa Rosa Village, located in Santa Rosa, received an allocation in 2005 and was constructed in 2006. Despite numerous attempts to contact the property manager both in person and over the phone, our calls have not been returned as of the date of this report. Santa Rosa Village received a LIHTC allocation, but operates as a Section 8 development for seniors. Santa Rosa Village also received a small allocation of funding in early 2008; however, further information regarding this lesser allocation was unavailable.

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 33 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate demand for larger bedroom types.

The existing LIHTC multi-family properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Most of the surveyed LIHTC comparables offer unit amenities that include central air, ovens, dishwashers and refrigerators. Washer/dryer connections are common in the family LIHTC market. Most of the surveyed LIHTC comparables

offer community amenities including a clubhouse, a central laundry facility, playground, and swimming pool. Security features such as perimeter fencing and limited access are prevalent in the Submarket. No premium amenities or services are offered by the surveyed LIHTC properties in the Submarket.

None of surveyed comparables is offering concessions and three of the four surveyed family LIHTC properties currently maintain waiting lists. Waiting lists range in size from two households to 90 households for two-, three- and four-bedroom units. One of the four surveyed LIHTC properties was able to provide absorption information. Rosemont of Highland Gardens opened in 2003 and reported an absorption rate of 10.2 units per month, for an absorption period of approximately 17 months. The range of turnover rates at the surveyed family LIHTC properties in the Submarket appears to be well within range of typical turnover rates for multifamily properties.

Rosemont of Highland Gardens is the only LIHTC property in the market achieving the LIHTC maximum allowable rents. The surveyed family LIHTC properties were constructed from 1996 through 2003 and all offer some units at 50 and/or 60 percent of AMI. The overall average vacancy rate at the LIHTC properties is approximately 1.5 percent. Additionally, the vacant units found at the surveyed LIHTC family properties are comprised entirely of units at the 60 percent of AMI set-aside and the market rate units. Three of the four surveyed family LIHTC properties currently maintain waiting lists, specifically for two- and three-bedroom units. Market data from the surveyed family LIHTC developments suggests a demand for LIHTC units at the lower AMI levels and potentially insufficient income qualified demand for units at 60 percent of AMI.

LIHTC SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers. There is one existing senior LIHTC development located in the West Cameron County Submarket, Las Palmas. Las Palmas is a senior targeted affordable development located in La Feria, Texas. This development consists of 36 single-story one- and two bedroom units and was allocated in 1998. This development also operates under a USDA Rural Rental Assistance subsidy. Our attempts to contact this property both in person and over the phone were unsuccessful as of the date of this report. There are no other existing LIHTC developments in this Submarket. Based on the lack of available data, we did not complete a LIHTC senior market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there is one property in the West Cameron County Submarket, which has received an allocation in the last three years. Santa Rosa Village, located in Santa Rosa, received an allocation in 2005 and was constructed in 2006. Despite numerous attempts to contact the property manager both in person and over the phone, our calls have not been returned as of the date of this report. Santa Rosa Village received a LIHTC allocation, but operates as a Section 8 development for seniors. Santa Rosa Village also received a small allocation of funding in early 2008; however, further information regarding this lesser allocation was unavailable.

We attempted to contact the Harlingen Planning Department numerous times to obtain information on multifamily developments that are currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages at this time.

MARKET RATE FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac was able to identify 26 market rate multifamily developments in the West Cameron County Submarket, but we were only able to survey 18 of the properties. Based on the lack of available data, we did not complete a market rate senior market analysis.

The following map illustrates the location of the surveyed market rate family comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Buckingham Manor	Harlingen	Market – Family
2	Casa Granada Apartments	Harlingen	Market – Family
3	Corbie Apartments	Harlingen	Market – Family
4	Cornerstone Apartments	Harlingen	Market – Family
5	Heather Apartments	San Benito	Market – Family
6	Madrid Apartments	Harlingen	Market – Family
7	Maryland Apartments	Harlingen	Market - Family
8	Oak Terrace Apartments	Harlingen	Market – Family
9	Oakridge Apartments	Harlingen	Market – Family
10	Palm Terrace Apartments	Harlingen	Market – Family
11	Parkwood Townhomes	Harlingen	Market – Family
12	Reata Apartments	Harlingen	Market – Family
13	Riverview Apartments	Harlingen	Market – Family
14	Sierra Apartments	Harlingen	Market – Family
15	Skyline on Grimes Apartments	Harlingen	Market – Family
16	Somerset Apartments	Harlingen	Market – Family
17	St. James Apartments	Harlingen	Market – Family
18	Timber Apartments	Harlingen	Market – Family

The following pictures identify a sampling of the surveyed market rate family properties in the Submarket:



Skyline on Grimes Apartments



Oak Ridge Apartments



Reata Apartments



St. James Apartments

Excluded Properties

The following table illustrates excluded market rate properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments.

Name	Location	Type	Reason for Exclusion
Star Village Apartments	Harlingen	Market – Family	Has not been built
La Posada Apartments	Harlingen	Market – Family	Could not contact
La Casita Apartments	Harlingen	Market – Family	Could not contact
One Hundred Seventy Nine Weekly	Harlingen	Market – Family	Could not contact
Sunrise Villa	Harlingen	Market – Family	Could not contact
Granada Apartments	Harlingen	Market – Family	Could not contact
Town & Country Apartments	Harlingen	Market – Family	Could not contact
Denim Park Apartments	Harlingen	Market – Family	Could not contact

Proposed Construction

We attempted to contact the Harlingen Planning Department numerous times to obtain information on multifamily developments that are currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages at this time.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market. It should be noted that Cornerstone Apartments, Palm Terrace Apartments, Parkwood Townhomes, St. James Apartments and Timber Apartments were unable to provide unit mixes and have been excluded from this analysis.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
1 BR	542	42.4%
1.5 BR	26	2.0%
2 BR	654	51.2%
3 BR	55	4.3%
Total	1,277	100%

The majority of the market rate units in the Submarket are two-bedroom units, followed by one-bedroom units and three-bedroom units. We were unable to identify any four bedroom market rate units. Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 34 percent of the population in 2007 was age 19 years or younger. This

trend is expected to remain stable through 2012. Market data, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	545	545	545
1 BR	500	1,015	698
1.5 BR	760	1,005	846
2 BR	655	1,250	990
3 BR	1,065	1,517	1,250

The surveyed market rate properties in the Submarket had a studio-bedroom average unit size of 545 square feet, a one-bedroom average unit size of 698 square feet, a 1.5-bedroom average unit size of 846 square feet, a two-bedroom average unit size of 990 square feet and a three-bedroom average unit size of 1,250 square feet.

Common and In-Unit Amenities

Comp #	Buckingham Manor	Casa Granada Apartments	Corbie Apartments	Cornerstone Apartments	Heather Apartments	Madrid Apartments	Maryland Apartments	Oak Terrace Apartments	Oakridge Apartments
1	2	3	4	5	6	7	8	9	
Property Information									
Property Type	Various	Garden	Garden	Garden (2 stories)	Garden	Garden	Garden (2 stories)	Garden	Garden
Year Built / Renovated	1990 / n/a	1970's / n/a	1970's / n/a	2003 / n/a	1973 / n/a	1982 / n/a	1965 / n/a	1994-2003 / n/a	1970's / n/a
Market (Conv./Subsidy Type)	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	no	yes	no	yes	yes	no	yes	yes	no
Blinds	yes	yes	yes	yes	yes	yes	yes	yes	yes
Carpeting	yes	yes	yes	yes	yes	yes	yes	yes	yes
Central A/C	yes	no	yes	yes	yes	yes	yes	yes	yes
Coat Closet	no	no	no	yes	no	no	yes	no	no
Dishwasher	yes	yes	no	yes	no	yes	yes	yes	no
Exterior Storage	no	no	no	no	no	no	no	no	no
Ceiling Fan	no	no	no	yes	yes	yes	yes	yes	yes
Fireplace	no	no	no	no	no	no	no	no	no
Garbage Disposal	yes	yes	no	yes	yes	yes	yes	yes	yes
Microwave	no	no	no	yes	no	no	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Vaulted Ceilings	no	no	no	no	no	no	no	no	no
Walk-In Closet	no	no	no	yes	no	no	yes	no	yes
Washer/Dryer	no	no	no	no	no	no	no	no	no
Washer/Dryer hookup	no	no	no	yes	no	no	no	yes	no
Property Amenities									
Basketball Court	no	no	no	no	no	no	no	no	no
Business Center/Computer Lab	no	no	no	no	yes	no	no	no	no
Carport	no	no	no	yes	yes	yes	yes	no	yes
Clubhouse/Meeting Room/Community Room	no	no	no	yes	no	no	yes	no	no
Courtyard	no	no	no	no	yes	no	no	no	yes
Exercise Facility	no	no	no	yes	no	no	no	no	no
Garage	no	no	no	no	no	no	no	no	no
Jacuzzi	no	no	no	yes	no	no	no	no	no
Central Laundry	yes	yes	no	yes	yes	yes	yes	yes	no
Off-Street Parking	yes	yes	yes	yes	no	yes	yes	yes	yes
On-Site Management	yes	yes	no	yes	no	yes	yes	yes	no
Picnic Area	no	no	no	no	no	no	no	yes	no
Playground	no	no	no	yes	no	no	no	yes	no
Swimming Pool	yes	yes	no	yes	yes	no	yes	yes	no
Tennis Court	no	no	no	no	no	no	no	yes	no
Volleyball Court	no	no	no	no	no	no	no	no	no
Carport Fee	--	--	--	\$15.00	--	--	--	--	--
Garage Fee	--	--	--	--	--	--	--	--	--
Services									
Security									
Limited Access	no	no	no	no	no	no	no	no	no
Patrol	no	no	no	no	no	no	yes	no	no
Perimeter Fencing	no	no	no	yes	no	yes	no	no	no
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Miniature Golf	n/a

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

	Palm Terrace Apartments	Parkwood Townhomes	Reata Apartments	Riverview Apartments	Sierra Apartments	Skyline On Grimes Apartments	Somerset Apartments	St. James Apartments	Timber Apartments
Comp #	10	11	12	13	14	15	16	17	18
Property Information									
Property Type	Garden	Various	Garden (2 stories)	Garden	Garden (2 stories)	Garden (2 stories)	Garden	Garden	Garden
Year Built / Renovated	n/a / n/a	1969 / Current	2002 / n/a	1974 / n/a	1985 / n/a	1983 / n/a	1962 / n/a	1979 / n/a	n/a / n/a
Market (Conv./Subsidy Type)	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	yes	no	yes	yes	yes	yes	no	yes	no
Blinds	yes	yes	yes	yes	yes	no	yes	yes	yes
Carpeting	yes	yes	yes	yes	yes	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes
Coat Closet	no	no	yes	no	yes	yes	no	no	no
Dishwasher	yes	yes	yes	yes	no	yes	yes	yes	yes
Exterior Storage	no	no	no	no	yes	no	no	yes	no
Ceiling Fan	no	no	yes	yes	yes	yes	yes	yes	yes
Fireplace	no	no	no	no	no	no	no	yes	yes
Garbage Disposal	yes	no	yes	yes	no	yes	yes	yes	no
Microwave	no	no	no	no	no	no	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Vaulted Ceilings	no	no	yes	no	no	no	no	no	no
Walk-In Closet	no	no	yes	yes	yes	yes	yes	yes	yes
Washer/Dryer	no	no	yes	no	yes	no	no	no	no
Washer/Dryer hookup	no	no	no	no	no	no	no	yes	yes
Property Amenities									
Basketball Court	no	no	no	no	yes	no	no	no	no
Business Center/Computer Lab	no	no	yes	no	yes	no	no	no	no
Carport	no	no	yes	yes	no	no	no	no	yes
Clubhouse/Meeting Room/Community Room	no	no	yes	yes	no	no	no	no	no
Courtyard	no	no	no	no	no	no	no	yes	no
Exercise Facility	no	no	no	yes	yes	no	no	yes	no
Garage	no	no	yes	no	no	no	no	no	no
Jacuzzi	no	no	yes	no	no	no	no	no	no
Central Laundry	yes	yes	no	no	no	yes	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes	yes	yes	yes	yes	yes
Picnic Area	no	no	yes	no	no	no	yes	no	no
Playground	no	no	no	no	yes	no	yes	no	no
Swimming Pool	yes	yes	yes	yes	yes	yes	yes	yes	yes
Tennis Court	no	no	no	no	no	no	no	no	no
Volleyball Court	no	no	no	no	yes	no	no	no	no
Carport Fee	--	--	\$20.00	--	--	--	--	--	--
Garage Fee	--	--	\$75.00	--	--	--	--	--	--
Services									
Security									
Limited Access	no	no	yes	no	yes	no	no	yes	no
Patrol	no	no	no	no	yes	yes	no	no	no
Perimeter Fencing	no	no	yes	no	yes	no	no	yes	no
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The surveyed market rate properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Washer/dryer hookups and/or appliances are not common in the market. Six of the 18 surveyed properties offer security features of some kind.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type for the surveyed properties. It should be noted that Cornerstone Apartments, Palm Terrace Apartments, Parkwood Townhomes, St. James Apartments and Timber Apartments were unable to provide vacancy by unit type and have been excluded from this analysis.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	542	29	5.4%
1.5 BR	26	0	0.0%
2 BR	654	60	9.2%
3 BR	55	4	7.3%
Total	1,277	93	7.3%

It should also be noted that Somerset Apartments is reporting the highest vacancy in the market. According to the property manager, new management took over earlier in the year and, as a result, there have been numerous evictions due to lease violations and failure to pay rent.

Absorption

The surveyed comparables were built from 1962 to 2003. None of the surveyed comparables were able to provide absorption information.

Waiting List

Four of the market rate family properties in the market maintain a waiting list. Cornerstone Apartments maintains a waiting list for the one-bedroom units. The property manager was unable to estimate the number of households on the waiting list. Heather Apartments maintains a waiting list of eight households for all units. St. James Apartments maintains a waiting list of two households for the two-bedroom units with 1.5 and two baths and for the three-bedroom units. Timber Apartments maintains a waiting list for all unit types. The property manager was unable to estimate the number of households on the waiting list. Of the four properties with waiting lists, property managers at Cornerstone Apartments, St. James Apartments and Timber Apartments mentioned displaced residents from Hurricane Dolly were the main reason for the waiting lists. Waiting lists at market rate properties do not appear to be common in the Submarket.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Buckingham Manor	Market	68	2	2.9%
Casa Granada Apartments	Market	108	17	15.7%
Corbie Apartments	Market	10	0	0.0%
Cornerstone Apartments	Market	168	2	1.2%
Heather Apartments	Market	70	0	0.0%
Madrid Apartments	Market	32	2	6.2%
Maryland Apartments	Market	90	11	12.2%
Oak Terrace Apartments	Market	240	0	0.0%
Oakridge Apartments	Market	16	0	0.0%
Palm Terrace Apartments	Market	124	4	3.2%
Parkwood Townhomes	Market	50	4	8.0%
Reata Apartments	Market	144	2	1.4%
Riverview Apartments	Market	72	9	12.5%
Sierra Apartments	Market	208	1	0.5%
Skyline on Grimes Apartments	Market	120	5	4.2%
Somerset Apartments	Market	99	44	44.4%
St. James Apartments	Market	120	2	1.7%
Timber Apartments	Market	61	1	1.6%
Total		1,732	104	6.0%

Somerset Apartments is reporting the highest vacancy rate in the market at 44.4 percent. According to the property manager, new management took over earlier in the year and, as a result, there have been numerous evictions due to lease violations and failure to pay rent. If Somerset Apartments is removed from the analysis, the average vacancy rate in the market is 4.2 percent, which is considered good.

Concessions

Three of the market rate comparables currently offer concessions. Reata Apartments is offering \$250 off the first month’s rent for all units. Skyline on Grimes Apartments is offering \$100 off the first month’s rent for two-bedroom units. Somerset Apartments is offering reduced rents on all unit types. Somerset Apartments currently has the highest vacancy rate in the market and the property manager stated that concessions are being offered to increase occupancy at the property.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Buckingham Manor	Market	35%
Casa Granada Apartments	Market	N/A
Corbie Apartments	Market	10%
Cornerstone Apartments	Market	36%
Heather Apartments	Market	34%
Madrid Apartments	Market	37%
Maryland Apartments	Market	26%
Oak Terrace Apartments	Market	20%
Oakridge Apartments	Market	10%
Palm Terrace Apartments	Market	25%
Parkwood Townhomes	Market	N/A
Reata Apartments	Market	25%
Riverview Apartments	Market	N/A
Sierra Apartments	Market	17%
Skyline on Grimes Apartments	Market	40%
Somerset Apartments	Market	N/A
St. James Apartments	Market	30%
Timber Apartments	Market	15%
Total		25.7%

Annual turnover rates reported range from 10 percent to 40 percent, with an average of 25.7 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	
									(SF)	Rent?	List?		
1	Buckingham Manor 1601 Haverford Boulevard Harlingen, TX 78552 Cameron County	Various 1990 / n/a	Market	1BR / 1BA (Garden)	32	47.10%	Market	\$399	650	n/a	No	2	
				2BR / 1.5BA (Townhouse)	20	29.40%	Market	\$545	1,025	n/a	No	0	
				2BR / 2BA (Garden)	16	23.50%	Market	\$495	960	n/a	No	0	
					68	100%							2
2	Casa Granada Apartments 1814 E. Washington Avenue Harlingen, TX 78550 Cameron County	Garden 1970's / n/a	Market	1BR / 1BA	40	37.00%	Market	\$375	690	n/a	No	4	
				2BR / 1.5BA	34	31.50%	Market	\$525	1,021	n/a	No	6	
				2BR / 2BA	26	24.10%	Market	\$550	1,011	n/a	No	6	
				3BR / 2BA	8	7.40%	Market	\$700	1,111	n/a	No	1	
					108	100%							17
3	Corbie Apartments 306 S. Eye Street Harlingen, TX 78550 Cameron County	Garden 1970's / n/a	Market	1BR / 1BA	10	100.00%	Market	\$300	500	n/a	No	0	
					10	100%						0	
4	Cornerstone Apartments 2115 E Vinson Avenue Harlingen, TX 78550 Cameron County	Garden (2 stories) 2003 / n/a	Market	1BR / 1BA	N/A	N/A	Market	\$515	583	n/a	Yes	0	
				1BR / 1BA	N/A	N/A	Market	\$530	653	n/a	Yes	0	
				2BR / 1BA	N/A	N/A	Market	\$640	800	n/a	No	2	
				2BR / 2BA	N/A	N/A	Market	\$675	900	n/a	No	0	
				3BR / 2BA	N/A	N/A	Market	\$775	1,137	n/a	No	0	
					168	100%							2
5	Heather Apartments 1000 E US Hwy 77 San Benito, TX 78586 Cameron County	Garden 1973 / n/a	Market	1BR / 1BA	26	37.10%	Market	\$420	644	n/a	Yes	0	
				2BR / 1BA	16	22.90%	Market	\$485	792	n/a	Yes	0	
				2BR / 2BA	24	34.30%	Market	\$530	904	n/a	Yes	0	
				3BR / 2BA	4	5.70%	Market	\$600	1,065	n/a	Yes	0	
					70	100%							0
6	Madrid Apartments 401 East Grimes Harlingen, TX 78550 Cameron County	Garden 1982 / n/a	Market	1BR / 1BA	16	50.00%	Market	\$365	615	n/a	No	0	
				2BR / 2BA	16	50.00%	Market	\$475	822	n/a	No	2	
					32	100%							2
					32	100%							2

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
7	Maryland Apartments 1410 Morgan Boulevard Harlingen, TX 78550 Cameron County	Garden (2 stories) 1965 / n/a	Market	1BR / 1BA	16	17.80%	Market	\$356	690	n/a	No	2	12.50%
				1.5BR / 1BA	2	2.20%	Market	\$399	760	n/a	No	0	0.00%
				2BR / 2BA	4	4.40%	Market	\$439	984	n/a	No	0	0.00%
				2BR / 2BA	54	60.00%	Market	\$411	992	n/a	No	6	11.10%
				2BR / 2BA	2	2.20%	Market	\$459	1,069	n/a	No	0	0.00%
				2BR / 2BA	2	2.20%	Market	\$469	1,152	n/a	No	0	0.00%
				3BR / 2BA	6	6.70%	Market	\$502	1,321	n/a	No	2	33.30%
				3BR / 2BA	4	4.40%	Market	\$530	1,517	n/a	No	1	25.00%
				90	100%						11	12.20%	
8	Oak Terrace Apartments 902 South Loop 499 Harlingen, TX 78550 Cameron County	Garden 1994-2003 / n/a	Market	1BR / 1BA	96	40.00%	Market	\$525	702	n/a	No	0	0.00%
				1BR / 1.5BA	8	3.30%	Market	\$620	995	n/a	No	0	0.00%
				2BR / 2BA	88	36.70%	Market	\$650	1,085	n/a	No	0	0.00%
				2BR / 2.5BA	48	20.00%	Market	\$765	1,240	n/a	No	0	0.00%
				240	100%						0	0.00%	
9	Oakridge Apartments 1119 North 1st Street Harlingen, TX 78550 Cameron County	Garden 1970's / n/a	Market	1BR / 1BA	16	100.00%	Market	\$385	600	n/a	No	0	0.00%
					16	100%							0
10	Palm Terrace Apartments 1501 Sam Houston Street Harlingen, TX 78550 Cameron County	Garden n/a / n/a	Market	1BR / 1BA	N/A	N/A	Market	\$420	752	n/a	No	0	N/A
				1BR / 1.5BA	N/A	N/A	Market	\$495	1,015	n/a	No	0	N/A
				2BR / 1BA	N/A	N/A	Market	\$485	864	n/a	No	2	N/A
				2BR / 1.5BA	N/A	N/A	Market	\$545	1,216	n/a	No	2	N/A
				124	100%						4	3.20%	
11	Parkwood Townhomes 2505 South Parkland Drive Harlingen, TX 78550 Cameron County	Various 1969 / Current	Market	2BR / 1.5BA (Garden)	N/A	N/A	Market	\$575	1,070	n/a	No	2	N/A
				2BR / 1.5BA (Townhouse)	N/A	N/A	Market	\$625	1,250	n/a	No	0	N/A
				3BR / 1.5BA (Townhouse)	N/A	N/A	Market	\$695	1,400	n/a	No	2	N/A
				3BR / 2.5BA (Townhouse)	N/A	N/A	Market	\$750	1,500	n/a	No	0	N/A
				50	100%						4	8.00%	
12	Reata Apartments 3102 Haine Dr Harlingen, TX 78550 Cameron County	Garden (2 stories) 2002 / n/a	Market	1BR / 1BA	52	36.10%	Market	\$628	618	n/a	No	0	0.00%
				1BR / 1BA	36	25.00%	Market	\$700	739	n/a	No	1	2.80%
				1.5BR / 1BA	24	16.70%	Market	\$881	1,005	n/a	No	0	0.00%
				2BR / 2BA	32	22.20%	Market	\$900	1,075	n/a	No	1	3.10%
					144	100%							

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
13	Riverview Apartments 1325 South 77 Sunshine Strip Harlingen, TX 78550 Cameron County	Garden 1974 / n/a	Market	1BR / 1BA	48	66.70%	Market	\$440	700	n/a	No	6	12.50%
				2BR / 2BA	24	33.30%	Market	\$540	950	n/a	No	3	12.50%
					72	100%						9	12.50%
14	Sierra Apartments 2901 Haine Drive Harlingen, TX 78550 Cameron County	Garden (2 stories) 1985 / n/a	Market	1BR / 1BA	64	30.80%	Market	\$510	619	n/a	No	0	0.00%
				2BR / 1.5BA	60	28.80%	Market	\$630	655	n/a	No	0	0.00%
				2BR / 2BA	60	28.80%	Market	\$710	1,068	n/a	No	1	1.70%
				3BR / 2BA	24	11.50%	Market	\$780	1,111	n/a	No	0	0.00%
					208	100%						1	0.50%
15	Skyline On Grimes Apartments 2828 E Grimes Street Harlingen, TX 78550 Cameron County	Garden (2 stories) 1983 / n/a	Market	1BR / 1BA	48	40.00%	Market	\$410	600	n/a	No	0	0.00%
				2BR / 1BA	72	60.00%	Market	\$491	900	n/a	No	5	6.90%
					120	100%						5	4.20%
16	Somerset Apartments 4402 Glasscock Avenue Harlingen, TX 78550 Cameron County	Garden 1962 / n/a	Market	1BR / 1BA	34	34.30%	Market	\$359	625	n/a	No	14	41.20%
				2BR / 2BA	56	56.60%	Market	\$439	925	n/a	No	30	53.60%
				3BR / 2BA	9	9.10%	Market	\$575	1,125	n/a	No	0	0.00%
					99	100%						44	44.40%
17	St. James Apartments 1902 East Washington Harlingen, TX 78550 Cameron County	Garden 1979 / n/a	Market	1BR / 1BA	N/A	N/A	Market	\$405	662	n/a	No	0	N/A
				1BR / 1.5BA	N/A	N/A	Market	\$450	772	n/a	No	0	N/A
				2BR / 1BA	N/A	N/A	Market	\$495	852	n/a	No	2	N/A
				2BR / 1BA	N/A	N/A	Market	\$530	905	n/a	No	0	N/A
				2BR / 1.5BA	N/A	N/A	Market	\$550	1,021	n/a	Yes-2HH	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$550	1,006	n/a	Yes-2HH	0	N/A
				3BR / 2BA	N/A	N/A	Market	\$640	1,213	n/a	Yes-2HH	0	N/A
					120	100%						2	1.70%
18	Timber Apartments 1500 Sam Houston Street Harlingen, TX 78550 Cameron County	Garden n/a / n/a	Market	Studio / 1BA	N/A	N/A	Market	\$360	545	n/a	Yes	0	N/A
				1BR / 1BA	N/A	N/A	Market	\$420	717	n/a	Yes	0	N/A
				1BR / 1.5BA	N/A	N/A	Market	\$465	995	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	Market	\$465	850	n/a	Yes	0	N/A
				2BR / 2BA	N/A	N/A	Market	\$525	1,152	n/a	Yes	1	N/A
				2BR / 2BA	N/A	N/A	Market	\$555	1,178	n/a	Yes	0	N/A
					61	100%						1	1.60%

Rent and Square Footage Ranking

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$423
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$488
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$559
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$691
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$781
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

The studio-bedroom market rate rent for the surveyed comparables is \$360. The one-bedroom market rate rents for the surveyed comparables range from \$300 to \$700, with an average rent of \$456. The one-and-a-half-bedroom market rate rents for the surveyed comparables range from \$399 to \$881, with an average rent of \$640. The two-bedroom market rate rents for the surveyed comparables range from \$411 to \$900, with an average rent of \$554. The three-bedroom market rate rents for the surveyed comparables range from \$502 to \$780, with an average rent of \$655. The studio-bedroom average market rent of \$360 is above the LIHTC maximum allowable rent limits at 30 and 40 percent AMI, but below the maximum allowable rent limits at 50, 60, 80 and 100 percent of AMI, as well as the fair market rent. The one-bedroom average market rent of \$456 is above the LIHTC maximum allowable rent limits at 30, 40 and 50 percent of AMI, but below the maximum allowable rent limits at 60, 80 and 100 percent of AMI, as well as the fair market rent. The two-bedroom average market rent of \$554 is above the LIHTC maximum allowable rent limits at 30, 40 and 50 percent of AMI, but is below the LIHTC maximum allowable rents at 60, 80 and 100 percent of AMI, as well as the fair market rent. The three-bedroom average market rent of \$655 is above the LIHTC maximum allowable rents at 30, 40 and 50 percent of AMI, but is below the maximum allowable rent limits at 60, 80 and 100 percent of AMI, as well as the fair market rent.

Market Supply Conclusion

Novogradac was able to identify 26 market rate multifamily developments in the West Cameron County Submarket, but were only able to survey 18 of the properties. Based on the lack of available data, we did not complete a market rate senior market analysis. We contacted the City of Harlingen's planning department to determine if there are any additional proposed/under construction market rate multifamily developments in the area. As of the date of this report, our phone calls have not been returned.

Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 34 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Market data, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The surveyed market rate properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Washer/dryer hookups and/or appliances are not common in the market. Six of the 18 surveyed properties offer security features of some kind.

Three of the market rate comparables currently offer concessions. Reata Apartments is offering \$250 off the first month's rent for all units. Skyline on Grimes Apartments is offering \$100 off the first month's rent for two-bedroom units. Somerset Apartments is offering reduced rents on all unit types. Four of the market rate family properties in the market maintain a waiting list. Cornerstone Apartments maintains a waiting list for the one-bedroom units. The property manager was unable to estimate the number of households on the waiting list. Heather Apartments maintains a waiting list of eight households for all units. St. James Apartments maintains a waiting list of two households for the two-bedroom units with 1.5 and two baths and for the three-bedroom units. Timber Apartments maintains a waiting list for all unit types. The property manager was unable to estimate the number of households on the waiting list. Of the four properties with waiting lists, property managers at Cornerstone Apartments, St. James Apartments and Timber Apartments mentioned displaced residents from Hurricane Dolly were the main reason for the waiting lists. Waiting lists at market rate properties do not appear to be common in the Submarket. The surveyed comparables were built from 1962 to 2003. None of the surveyed comparables were able to provide absorption information. Annual turnover rates reported range from 10 percent to 40 percent, with an average of 25.7 percent. The market rate properties in the West Cameron County Submarket have an average vacancy rate of 6.0 percent, which is considered good.

The Submarket's 2007 population of 146,617 is expected to increase by approximately 1.95 percent to 160,914, by 2012. Similarly, the number of households in the Submarket is expected to increase at a similar rate of growth as the population, from 2007 through 2012, resulting in a total of 51,241 households by 2012. As population and households increase, along with commercial and residential expansion, the demand for multifamily rental housing of all kinds will likely increase, as well. However, it should be noted that based on the current rental rates of existing market rate properties in the Submarket and the percentage of households in the Submarket in 2007 (29.2 percent) and

2012 (25.6 percent) earning less than \$20,000 a year, the demand for affordable housing of all kinds will supercede the demand for market rate housing.

Market Rate Senior Supply

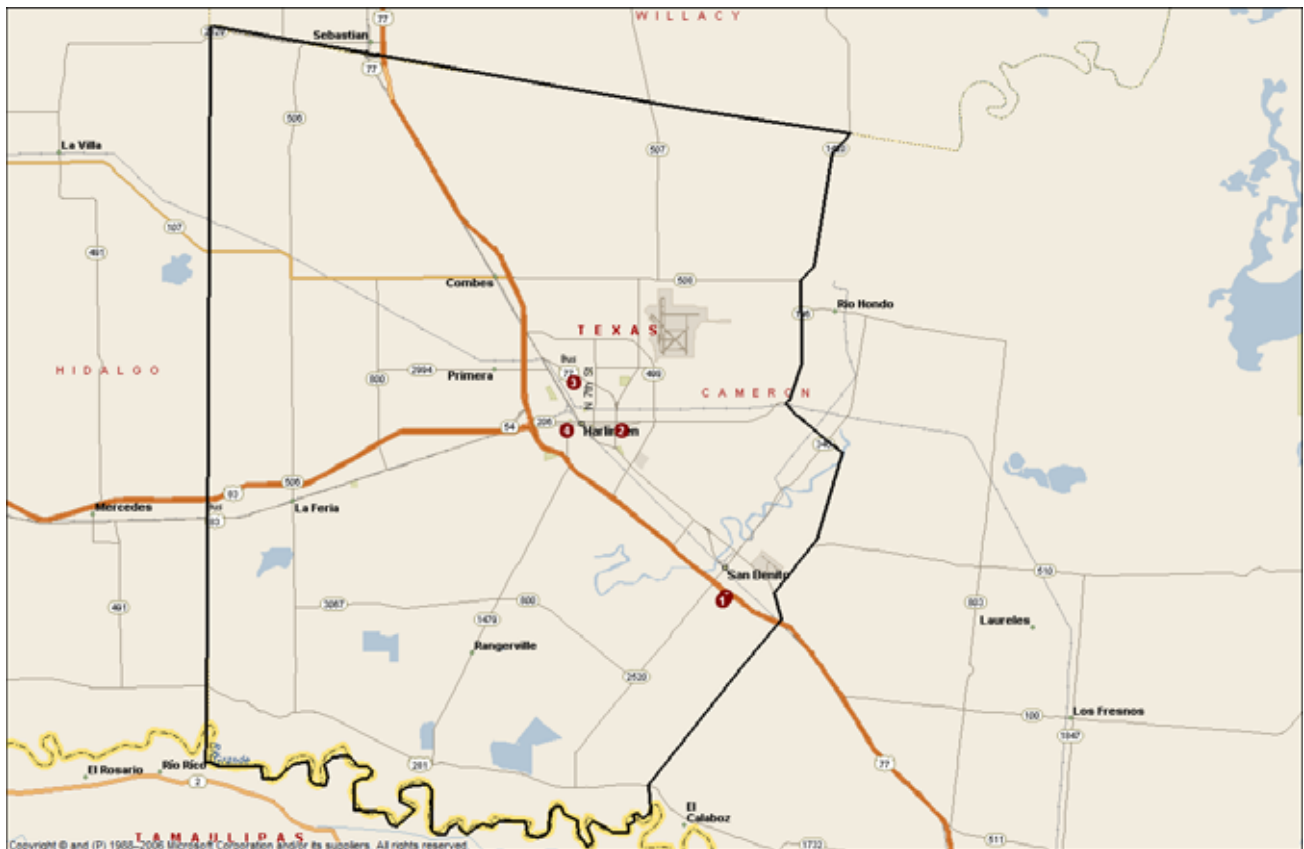
We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable senior market rate properties in the West Cameron County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis. There are no proposed or under construction market rate senior properties in the West Cameron County Submarket.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are eight multifamily subsidized properties in the Submarket. We were able to contact five of the properties.

The following map illustrates the location of the surveyed subsidized family comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	La Hermosa	San Benito	Public Housing – Family
2	Harrison Manor	Harlingen	Section 8 – Family
3	North Star Village Apartments	Harlingen	Section 8 – Family
4	Robinhood Apartments	Harlingen	Section 8 – Family
5	Villa San Benito Apartments	San Benito	Section 8 - Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket. We were unable to obtain a photo of La Hermosa.



Harrison Manor



North Star Village Apartments



Robinhood Apartments



Villa San Benito

Excluded Properties

The following table illustrates excluded subsidized family properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments.

Name	Location	Type	Reason for Exclusion
Casa De Amigos III	Harlingen	Section 8 – Family	Could not contact
Santa Rosa Village Apartments	Harlingen	Section 8 – Family	Could not contact
Las Palmas	Harlingen	USDA – Family	Could not contact

Proposed/Under Construction

We attempted to contact Yolanda Santa Maria in the Public Housing office of the Cameron County Housing Authority both in person and over the phone to determine if there are any public housing developments under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market. It should be noted that La Hermosa and Robinhood Apartments were unable to provide complete unit mixes and have been excluded from this analysis.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	60	36.1%
2 BR	76	45.6%
3 BR	30	18.1%
Total	166	100%

The majority of the subsidized units in the Submarket are two-bedroom units, followed by one-bedroom units. Demographic projections show that the average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket’s household size is still significantly larger than the national average of 2.59 but slightly smaller than that of the MSA. Demographic estimates show that approximately 34 percent of the population in the Submarket in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. We were unable to identify four-bedroom units in the market. Though there is a lack of subsidized multifamily developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

There is an insufficient amount of subsidized multifamily development in the Submarket on which to base an effective analysis of unit size. However, the following table illustrates the existing unit sizes in the subsidized rental property market. It should be noted that La Hermosa was unable to provide unit sizes and has been excluded from this analysis.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	570	638	605
2 BR	660	816	739
3 BR	802	920	879

The surveyed subsidized family properties in the Submarket had a one-bedroom average unit size of 605 square feet, a two-bedroom average unit size of 739 square feet and a three-bedroom average unit size of 879 square feet.

Common and In-Unit Amenities

	La Hermosa	Harrison Manor	North Star Village Apartments	Robinhood Apartments	Villa San Benito Apartments
Comp #	1	2	3	4	5
Property Information					
Property Type	Garden	Garden	Garden (2 stories)	Garden	Garden
Year Built / Renovated	1984 / n/a	1979 / n/a	1969 / n/a	1977 / n/a	1973 / n/a
Market (Conv./Subsidy Type)	@30% (Public Housing)	Section 8	Section 8	Section 8	Section 8
In-Unit Amenities					
Blinds	yes	yes	yes	yes	no
Central A/C	no	yes	yes	yes	yes
Oven	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes
Washer/Dryer hookup	yes	no	no	no	no
Property Amenities					
Business Center/Computer Lab	yes	no	no	no	no
Carport	no	no	yes	no	no
Clubhouse/Meeting Room/Community	no	yes	no	yes	no
Central Laundry	no	yes	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes
On-Site Management	no	yes	yes	yes	yes
Playground	no	yes	yes	yes	yes
Services					
Security					
Premium Amenities					
Other Amenities					
Other	n/a	n/a	n/a	n/a	n/a

The existing subsidized multifamily properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed subsidized comparables offer no services, no security features and no premium amenities. A basic appliance package is provided, with washer/dryer connections only offered at La Hermosa.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	60	1	1.7%
2 BR	76	1	1.3%
3 BR	30	0	0.0%
Total	166	2	1.2%

Absorption

None of the surveyed subsidized family properties were able to provide absorption information. All of the comparables were built prior to 1984.

Waiting List

The following table illustrates waiting lists at the family subsidized comparable properties.

Property Name	Rent Structure	Waiting List
La Hermosa	Public Housing	100 HH for all unit types
Harrison Manor	Section 8	90 HH for all unit types
North Star Village Apartments	Section 8	25 HH for 1BR units
Robinhood Apartments	Section 8	90 HH for all unit types
Villa San Benito Apartments	Section 8	6 – 12 months long for all unit types

Based on the extensive waiting lists for subsidized housing, we anticipate significant future demand for very low income affordable housing.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
La Hermosa	Public Housing	46	0	0.0%
Harrison Manor	Section 8	50	1	2.0%
North Star Village Apartments	Section 8	56	0	0.0%
Robinhood Apartments	Section 8	69	0	0.0%
Villa San Benito Apartments	Section 8	60	1	1.7%
Total		281	2	0.7%

The average vacancy rate of the subsidized family comparables in the market is 0.7 percent, which is considered excellent and indicates strong demand for very low income affordable housing.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
La Hermosa	Public Housing	25%
Harrison Manor	Section 8	15%
North Star Village Apartments	Section 8	N/A
Robinhood Apartments	Section 8	10%
Villa San Benito Apartments	Section 8	15%
Total		16.25%

Annual turnover rates reported range from 10 percent to 25 percent, with an average of 16.25 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	La Hermosa 1155 South San Benito, TX 78586 Cameron County	Garden 1984 / n/a	@30% (Public Housing)	1BR / 1BA	N/A	N/A	@30%	\$220	N/A	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	@30%	\$369	N/A	Yes	0	N/A	
				3BR / 1BA	N/A	N/A	@30%	\$386	N/A	Yes	0	N/A	
					46	100%					0	0.00%	
2	Harrison Manor 601 S 17th Street Harlingen, TX 78550 Cameron County	Garden 1979 / n/a	Section 8	1BR / 1BA	16	32.00%	Section 8	\$639	605	n/a	Yes	0	0.00%
				2BR / 1BA	24	48.00%	Section 8	\$662	761	n/a	Yes	1	4.20%
				3BR / 1BA	10	20.00%	Section 8	\$801	895	n/a	Yes	0	0.00%
					50	100%					1	2.00%	
3	North Star Village Apartments 411 Lozano Street Harlingen, TX 78550 Cameron County	Garden (2 stories) 1969 / n/a	Section 8	1BR / 1BA	20	35.70%	Section 8	\$504	638	n/a	Yes	0	0.00%
				2BR / 1BA	28	50.00%	Section 8	\$620	816	n/a	Yes	0	0.00%
				3BR / 1.5BA	8	14.30%	Section 8	\$741	920	n/a	Yes	0	0.00%
					56	100%					0	0.00%	
4	Robinhood Apartments 615 S F Street Harlingen, TX 78550 Cameron County	Garden 1977 / n/a	Section 8	1BR / 1BA	N/A	N/A	Section 8	\$520	570	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	Section 8	\$607	720	n/a	Yes	0	N/A
				3BR / 2BA	N/A	N/A	Section 8	N/A	900	n/a	Yes	0	N/A
					69	100%					0	0.00%	
5	Villa San Benito 870 S Mc Cullough San Benito, TX 78586 Cameron County	Garden 1973 / n/a	Section 8	1BR / 1BA	24	40.00%	Section 8	\$409	609	n/a	Yes	1	4.20%
				2BR / 1BA	24	40.00%	Section 8	\$445	660	n/a	Yes	0	0.00%
				3BR / 2.5BA	12	20.00%	Section 8	\$534	802	n/a	Yes	0	0.00%
					60	100%					1	1.70%	

Rent and Square Footage Ranking

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

As the surveyed subsidized properties are Public Housing and Section 8 developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are “flat rents”. The flat rents at the majority of the surveyed subsidized properties are well below the payment standards for Cameron County. According to the Cameron County Housing Authority, the Housing Choice Voucher waiting list is 878 households long, indicating significant demand for very low income affordable housing.

Subsidized Family Supply Conclusion

There are five existing Public Housing/Section 8 subsidized developments located in the West Cameron County Submarket.

The majority of the subsidized units in the Submarket are two-bedroom units, followed by one-bedroom units. Demographic projections show that the average household size in the Submarket in 2007 was 3.12 and is projected to decrease slightly by 2012 to 3.10. However, the Submarket’s household size is still significantly larger than the national average of 2.59 but slightly smaller than that of the MSA. Demographic estimates show that approximately 34 percent of the population in the Submarket in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized multi-family developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The existing subsidized multi-family properties in the West Hidalgo County Submarket offer limited in-unit and community amenities. The surveyed subsidized comparables offer no services, no security features and no premium amenities. A basic appliance package is provided with washer/dryer connections only offered at La Hermosa.

None of surveyed comparables are offering concessions and none of the comparables were able to provide absorption information. All of the surveyed subsidized family properties maintain extensive waiting lists. Annual turnover rates reported range from 10 percent to 25 percent, with an average of 16.25 percent. The average vacancy rate of the subsidized family comparables is 0.7 percent.

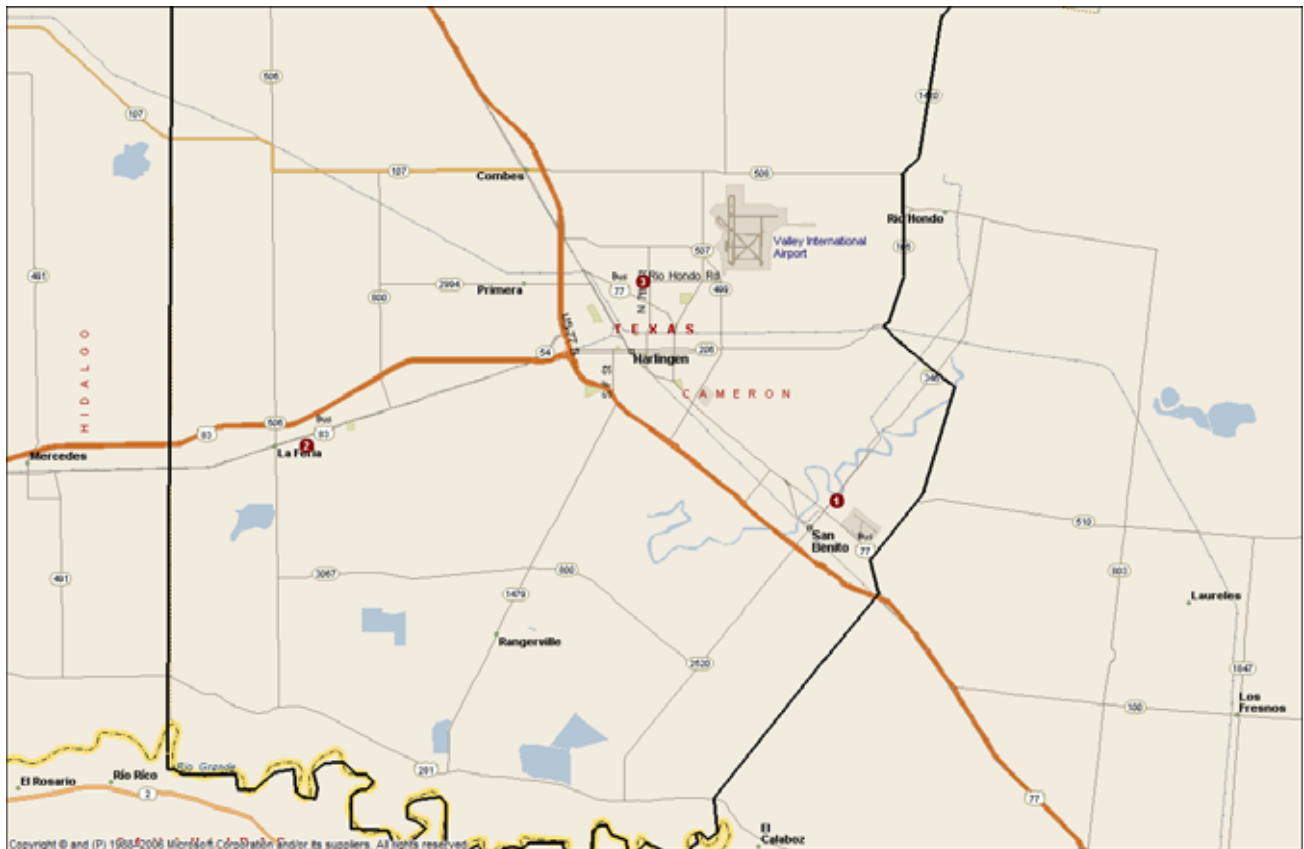
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Subsidized Senior Supply

We attempted to identify all existing, proposed, and under construction senior-targeted subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are three senior-targeted subsidized developments in the Submarket. We were able to contact all of the subsidized senior properties in the Submarket; therefore, we have not excluded any comparable properties from our analysis.

The following map illustrates the location of the surveyed subsidized senior comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Palmville	San Benito	Public Housing – Senior
2	Buena Vida Apartments	La Feria	USDA – Senior
3	The Palms Retirement Center	Harlingen	Section 8 - Senior

Subsidized Senior Market

The following pictures identify the surveyed subsidized senior properties in the Submarket. We were unable to obtain photos of Palmville.



The Palms Retirement Center



Buena Vida Apartments

Excluded Properties

We were able to contact all of the subsidized senior properties in the Submarket; therefore, we have not excluded any comparable properties from our analysis.

Proposed/Under Construction

We attempted to contact Yolanda Santa Maria in the Public Housing office of the Cameron County Housing Authority both in person and over the phone to determine if there are any public housing developments under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful.

Unit Mix

There is an insufficient amount of subsidized senior development in the Submarket on which to base an effective analysis of unit size. However, the following table illustrates the unit mix in the senior subsidized rental property market. There are 221 total senior subsidized units in the Submarket. It should be noted that Palmville and The Palms Retirement Center were unable to provide complete unit mixes and have been excluded from this analysis.

Unit Mix - Subsidized Senior		
Unit Type	Total Units	Percent
1 BR	40	69.0%
2 BR	18	31.0%
Total	58	100%

The majority of the subsidized units in the Submarket are two-bedroom units, followed by one-bedroom units. Palmville and The Palms Retirement Center offer studio units as well. Demographic estimates show that approximately 22 percent of the population in the Submarket in 2007 was age 55 years or older. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized senior developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for smaller bedroom types.

Unit Size

There is an insufficient amount of subsidized senior development in the Submarket, on which to base an effective analysis of unit size. However, the following table illustrates the existing unit sizes in the subsidized rental property market. It should be noted that Palmville was unable to provide unit sizes and has been excluded from this analysis.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
0 BR	350	350	350
1 BR	500	650	575
2 BR	820	820	820

The surveyed subsidized senior properties in the Submarket had a studio average unit size of 350 square feet, a one-bedroom average unit size of 575 square feet and a two-bedroom average unit size of 820 square feet.

Common and In-Unit Amenities

	Palmville	Buena Vida Apartments	The Palms Retirement Center, Inc
Comp #	1	2	3
Property Information			
Property Type	(age-restricted)	Garden	Garden (3 stories)
Year Built / Renovated	1966/1972 / n/a	1986 / n/a	1983 / n/a
Market (Conv.)/Subsidy Type	@30% (Public Housing)	Rural Development	Section 8
In-Unit Amenities			
Blinds	no	yes	yes
Carpeting	no	yes	yes
Central A/C	no	yes	no
Oven	yes	yes	yes
Pull Cords	no	no	yes
Refrigerator	yes	yes	yes
Wall A/C	no	no	yes
Window A/C	yes	no	no
Property Amenities			
Clubhouse/Meeting Room/Community Room	no	yes	no
Courtyard	no	yes	no
Central Laundry	yes	yes	yes
Off-Street Parking	no	yes	yes
On-Site Management	no	yes	yes
Services			
Security			
Premium Amenities			
Other Amenities			
Other	n/a	n/a	n/a

The existing subsidized senior properties in the West Cameron County Submarket offer limited in-unit and community amenities. The surveyed subsidized comparables offer no services, no security features and no premium amenities. A basic appliance package is provided with central air conditioning only offered at Buena Vida Apartments.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. It should be noted that the table below only includes Buena Vista Apartments; Palmville and The Palms Retirement Center were unable to provide vacancy by unit type.

Weighted Vacancy – Subsidized Senior			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	40	3	7.5%
2 BR	18	0	0.0%
Total	58	3	5.2%

It should also be noted that there is one vacant studio unit in the Submarket, at The Palms Retirement Center.

Absorption

None of the surveyed subsidized senior properties were able to provide absorption information.

Waiting List

The following table illustrates waiting lists at the family subsidized comparable properties.

Property Name	Rent Structure	Waiting List
Palmville	Public Housing	15 HH for all unit types
Buena Vida Apartments	USDA	10 HH for all unit types
The Palms Retirement Center	Section 8	15 HH for all unit types

Palmville and The Palms Retirement Center draw tenants from the Public Housing and Section 8 waiting lists for their respective housing authorities. The waiting list information given by the property managers was based on the housing authority waiting list information. Buena Vida Apartments maintains a waiting list, even though there are vacancies at the property, due to those units being in turnover. Based on the current waiting lists for senior subsidized housing, we anticipate significant future demand for very low income affordable senior housing.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Palmville	Public Housing	100	0	0.0%
Buena Vida Apartments	USDA	58	3	5.2%
The Palms Retirement Center	Section 8	63	2	3.2%
Total		221	2	0.9%

The average vacancy rate in the market is 0.9 percent, which is considered excellent.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Pamville	Public Housing	10%
Buena Vida Apartments	USDA	10%
The Palms Retirement Center	Section 8	15%
Total		11.7%

Annual turnover rates reported range from 10 percent to 15 percent, with an average of 11.7 percent. Turnover in the senior subsidized properties is lower than in the family subsidized properties.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Pamville 1400 N. Reagan San Benito, TX 78586 Cameron County	n/a (age-restricted) 1966/1972 / n/a	@30% (Public Housing)	Studio / 1BA	N/A	N/A	@30%	\$219	N/A	n/a	Yes	0	N/A
				1BR / 1BA	N/A	N/A	@30%	\$219	N/A	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	@30%	\$360	N/A	n/a	Yes	0	N/A
					100	100%						0	0.00%
2	Buena Vida Apartments 209 South Kansas City La Feria, TX 78559 Cameron County	Garden 1986 / n/a	Rural Development	1BR / 1BA	40	69.00%	Rural Development	\$315	650	n/a	Yes	3	7.50%
				2BR / 1BA	18	31.00%	Rural Development	\$360	820	n/a	Yes	0	0.00%
					58	100%						3	5.20%
3	The Palms Retirement Center, Inc 525 E Davis Street Harlingen, TX 78550 Cameron County	Garden (3 stories) 1983 / n/a	Section 8	Studio / 1BA	N/A	N/A	Section 8	N/A	350	n/a	Yes	1	N/A
				1BR / 1BA	N/A	N/A	Section 8	N/A	500	n/a	Yes	1	N/A
					63	100%						2	3.20%

Rent and Square Footage Ranking

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

There is an insufficient amount of subsidized senior development in the Submarket, on which to base an effective rental rate analysis. It should be noted that The Palms Retirement Center, a Section 8 senior comparable, could not provide actual rents and the property manager stated that tenants just pay 30 percent of their gross annual income. As the remaining surveyed subsidized properties are Public Housing and USDA developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are “flat rents”. The flat rents at both surveyed subsidized properties are well below the payment standards for Cameron County. According to the Cameron County Housing Authority, the Housing Choice Voucher waiting list is 878 households long, indicating significant demand for very low income affordable housing. We were unable to maintain the number of seniors on the Housing Choice Voucher or Public Housing waiting lists.

Subsidized Senior Supply Conclusion

There are three senior-targeted subsidized developments in the Submarket. There are no other existing subsidized developments in this Submarket.

The majority of the subsidized units in the Submarket are two-bedroom units, followed by one-bedroom units. Palmville and The Palms Retirement Center offer studio units as well. Demographic estimates show that approximately 22 percent of the population in the Submarket in 2007 was age 55 years or older. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized senior developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for smaller bedroom types.

The existing subsidized senior properties in the West Cameron County Submarket offer limited in-unit and community amenities. The surveyed subsidized comparables offer no services, no security features and no premium amenities. A basic appliance package is provided with central air conditioning only offered at Buena Vida Apartments.

None of surveyed comparables are offering concessions and none of the comparables were able to provide absorption information. All three senior subsidized comparables maintain waiting lists. Annual turnover rates reported range from 10 percent to 15 percent, with an average of 11.7 percent. The average vacancy rate is 0.9 percent.

There is an insufficient amount of subsidized senior development in the Submarket, on which to base an effective rental rate analysis. It should be noted that The Palms Retirement Center, a Section 8 senior comparable, could not provide actual rents and the property manager stated that tenants just pay 30 percent of their gross annual income. As the remaining surveyed subsidized properties are Public Housing and USDA developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are “flat rents”. The flat

rents at both surveyed subsidized properties are well below the payment standards for Cameron County. According to the Cameron County Housing Authority, the Housing Choice Voucher waiting list is 878 households long, indicating significant demand for very low income affordable housing. We were unable to obtain the number of seniors on the Housing Choice Voucher or Public Housing waiting lists.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the West Cameron County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the West Cameron County Submarket in 2007 is 46,385 and the total number of households in 2012 is projected to be 51,241. The total number of households age 55 and older in the Submarket for 2007 is 18,657, with a 2012 projection of 17,592 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 29.2 percent of the occupied housing unit households in the West Cameron County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 15.9 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum

income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the West Cameron County Submarket (Brownsville-Harlingen, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the West Cameron County Submarket, approximately 26.9 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 1.6 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the West Cameron County Submarket, it is estimated that 16.9 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 24.3 percent.

We were unable to identify any senior LIHTC properties in this Submarket. Therefore, for the purpose of this analysis, we have used the Submarket's average senior subsidized turnover rate of 20 percent.

Unstabilized Rental Units - Existing and Proposed

To our knowledge, there are no proposed or under construction subsidized or LIHTC properties in the West Cameron County Submarket. Therefore, no units were deducted from the senior demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the West Cameron County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter

households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	3,432	1,287	119	182	182	292	261
2 person	2,654	588	186	188	183	337	252
3 person	2,516	608	228	231	189	344	224
4 person	2,222	631	204	196	184	288	195
5+person	2,731	977	301	218	202	331	210
Total	13,555	4,091	1,040	1,016	941	1,593	1,143
Number of Income-Qualified Renter Households		4,091	1,040	1,016	941	1,593	1,143
X	Percentage of Rent-Overburdened (26.9%)	1099	279	273	253	428	307
X	Percentage of Substandard Housing (1.6%)	65	17	16	15	25	18
X	Percentage of Overcrowded Housing (16.9%)	691	176	172	159	269	193
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,856	472	461	427	722	518
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,856	472	461	427	722	518

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	4,016	1,506	140	213	213	342	306
2 person	2,870	636	202	203	198	365	273
3 person	2,812	679	255	258	212	385	250
4 person	2,460	699	226	218	204	319	216
5+person	3,040	1,087	336	243	225	368	234
Total	15,198	4,607	1,159	1,135	1,052	1,779	1,279
Number of Income-Qualified Renter Households		4,607	1,159	1,135	1,052	1,779	1,279
X	Percentage of Rent-Overburdened (26.9%)	1237	311	305	283	478	344
X	Percentage of Substandard Housing (1.6%)	74	19	18	17	28	20
X	Percentage of Overcrowded Housing (16.9%)	779	196	192	178	301	216
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		2,090	526	515	477	807	580
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		2,090	526	515	477	807	580

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	3,432	1,287	119	182	182	292	261
2 person	2,654	588	186	188	183	337	252
3 person	2,516	608	228	231	189	344	224
4 person	2,222	631	204	196	184	288	195
5+person	2,731	977	301	218	202	331	210
Total	13,555	4,091	1,040	1,016	941	1,593	1,143
Number of Income-Qualified Renter Households		4,091	1,040	1,016	941	1,593	1,143
X	Percentage of Rent-Overburdened (26.9%)	1099	279	273	253	428	307
X	Percentage of Substandard Housing (1.6%)	65	17	16	15	25	18
X	Percentage of Overcrowded Housing (16.9%)	691	176	172	159	269	193
X	Percentage of Estimated Turnover (24.3%)	992	252	246	228	386	277
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		2,848	724	707	655	1,109	796
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		2,848	724	707	655	1,109	796

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	4,016	1,506	140	213	213	342	306
2 person	2,870	636	202	203	198	365	273
3 person	2,812	679	255	258	212	385	250
4 person	2,460	699	226	218	204	319	216
5+person	3,040	1,087	336	243	225	368	234
Total	15,198	4,607	1,159	1,135	1,052	1,779	1,279
Number of Income-Qualified Renter Households		4,607	1,159	1,135	1,052	1,779	1,279
X	Percentage of Rent-Overburdened (26.9%)	1237	311	305	283	478	344
X	Percentage of Substandard Housing (1.6%)	74	19	18	17	28	20
X	Percentage of Overcrowded Housing (16.9%)	779	196	192	178	301	216
X	Percentage of Estimated Turnover (24.3%)	1117	281	275	255	431	310
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		3,207	807	790	732	1,238	890
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		3,207	807	790	732	1,238	890

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,614	795	74	96	96	117	85
2 person	788	220	51	51	50	97	68
3 person	313	45	37	38	41	71	16
4 person	129	45	20	12	0	4	10
5+person	187	53	16	17	18	12	15
Total	3,031	1,157	197	214	207	301	195
Number of Income-Qualified Renter Households		1,157	197	214	207	301	195
X	Percentage of Rent-Overburdened (26.9%)	311	53	57	56	81	52
X	Percentage of Substandard Housing (1.6%)	19	3	3	3	5	3
X	Percentage of Overcrowded Housing (16.9%)	195	33	36	35	51	33
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		525	89	97	94	137	88
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		525	89	97	94	137	88

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,899	935	87	113	113	138	100
2 person	889	248	57	58	57	109	76
3 person	366	52	43	44	48	83	19
4 person	156	54	24	14	1	5	12
5+person	225	64	19	20	22	15	19
Total	3,534	1,353	230	249	241	350	226
Number of Income-Qualified Renter Households		1,353	230	249	241	350	226
X	Percentage of Rent-Overburdened (26.9%)	363	62	67	65	94	61
X	Percentage of Substandard Housing (1.6%)	22	4	4	4	6	4
X	Percentage of Overcrowded Housing (16.9%)	229	39	42	41	59	38
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		614	104	113	109	159	103
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		614	104	113	109	159	103

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,614	795	74	96	96	117	85
2 person	788	220	51	51	50	97	68
3 person	313	45	37	38	41	71	16
4 person	129	45	20	12	0	4	10
5+person	187	53	16	17	18	12	15
Total	3,031	1,157	197	214	207	301	195
Number of Income-Qualified Renter Households		1,157	197	214	207	301	195
X	Percentage of Rent-Overburdened (26.9%)	311	53	57	56	81	52
X	Percentage of Substandard Housing (1.6%)	19	3	3	3	5	3
X	Percentage of Overcrowded Housing (16.9%)	195	33	36	35	51	33
X	Percentage of Estimated Turnover (11.7%)	135	23	25	24	35	23
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		660	113	122	118	172	111
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		660	113	122	118	172	111

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,899	935	87	113	113	138	100
2 person	889	248	57	58	57	109	76
3 person	366	52	43	44	48	83	19
4 person	156	54	24	14	1	5	12
5+person	225	64	19	20	22	15	19
Total	3,534	1,353	230	249	241	350	226
Number of Income-Qualified Renter Households		1,353	230	249	241	350	226
X	Percentage of Rent-Overburdened (26.9%)	363	62	67	65	94	61
X	Percentage of Substandard Housing (1.6%)	22	4	4	4	6	4
X	Percentage of Overcrowded Housing (16.9%)	229	39	42	41	59	38
X	Percentage of Estimated Turnover (11.7%)	158	27	29	28	41	26
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		772	131	142	138	200	129
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		772	131	142	138	200	129

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the West Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that nearly 23 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. This may explain why the only vacant LIHTC units in the market are at the 60 percent AMI level. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. This suggests that the higher than vacancy rate among 60 percent AMI units could be due to households that are both over and under income-qualified. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. With no additional LIHTC or subsidized units planned, there is likely an unmet need for additional affordable housing units at the lowest income levels in this Submarket.

Senior Households

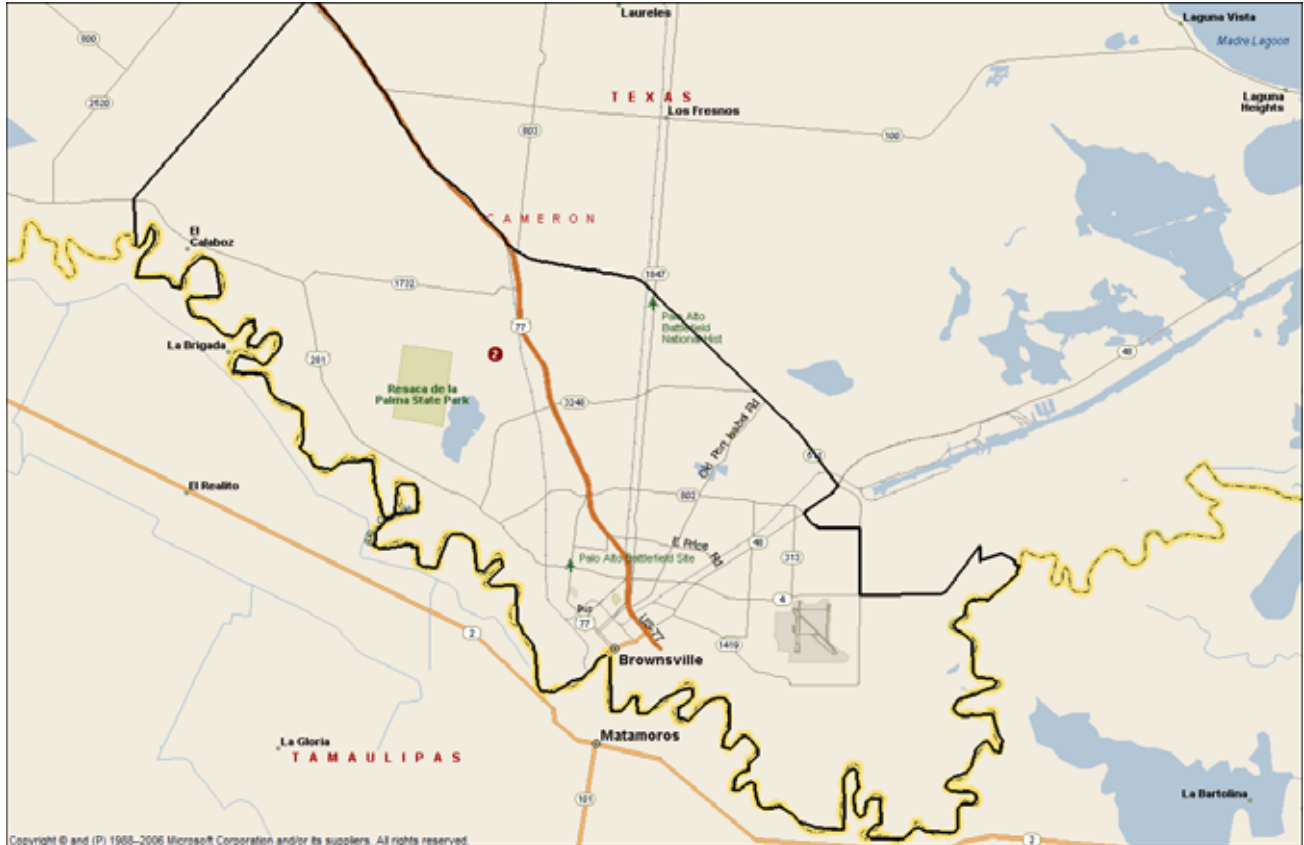
Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Currently, there are only 221 subsidized units serving low-income senior households in the West Cameron County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC or subsidized units planned, there is likely an unmet need for additional affordable senior housing units in this Submarket.

2. SOUTH CAMERON COUNTY SUBMARKET ANALYSIS

SOUTH CAMERON COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the South Cameron County Submarket, which is bounded to the south and east by the Cameron County line, to the west by FM 732 and to the north by US Highway 77 and FM 511. The following map illustrates the boundaries of the Submarket as defined above.

South Cameron County Submarket Map



The South Cameron County Submarket is located in the southernmost portion of Cameron County and includes the cities of Brownsville and Olmito. This Submarket is characterized primarily by limited to extensive development. The predominant form of housing in this Submarket is owner-occupied single-family homes in fair to good condition and less than 5 to 40 years in age.

Local Government

The South Cameron County Submarket includes the cities of Brownsville and Olmito.

Brownsville has a Council-Manager style of government. The Mayor and six City Commissioners, two At-Large and four District, serve staggered four year terms. The 2000 U.S. Census population was 139,722. Brownsville has a total area of 83 square miles.

Olmito, Texas is a census-designated place in Cameron County. The population was 1,198 at the 2000 census. Olmito has a total area of 0.7 square miles.

Employment by Industry

The following table illustrates employment by industry for the South Cameron County Submarket and Brownsville-Harlingen, TX MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	692	1.11%	1,880	1.45%
Mining	172	0.28%	313	0.24%
Construction	5,355	8.62%	10,941	8.43%
Manufacturing	5,605	9.03%	10,172	7.84%
Wholesale Trade	2,013	3.24%	4,016	3.09%
Retail Trade	7,848	12.64%	15,389	11.86%
Transportation/Warehousing	2,828	4.55%	5,516	4.25%
Utilities	408	0.66%	1,059	0.82%
Information	525	0.85%	1,382	1.07%
Finance/Insurance	1,664	2.68%	3,623	2.79%
Real Estate/Rental/Leasing	1,490	2.40%	3,257	2.51%
Prof/Scientific/Tech Services	1,997	3.22%	3,794	2.92%
Mgmt of Companies/Enterprises	0	0.00%	0	0.00%
Admin/Support/Waste Mgmt Svcs	2,000	3.22%	4,438	3.42%
Educational Services	10,009	16.12%	19,838	15.29%
Health Care/Social Assistance	7,631	12.29%	17,690	13.63%
Arts/Entertainment/Recreation	585	0.94%	1,446	1.11%
Accommodation/Food Services	4,795	7.72%	10,434	8.04%
Other Services (excl Publ Adm)	3,505	5.64%	7,728	5.96%
Public Administration	2,971	4.78%	6,849	5.28%
Total Employment	62,093	100.0%	129,765	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the North Hidalgo County Submarket are the educational services, retail trade, health care/social assistance and manufacturing sectors. Approximately 50 percent of people in the Submarket work in these four industries. The South Cameron County Submarket has a larger number of persons employed in the educational services, retail and manufacturing sectors and a smaller number of people employed in the healthcare/social assistance sector, relative to the MSA. Although the educational services and health care/social assistance industries are typically stable sectors of the economy, industries such as retail trade and manufacturing are particularly susceptible to fluctuations in the health of the economy.

The large number of people employed in the retail trade and manufacturing industries could negatively affect employment in the South Cameron County Submarket, due to the current national

economic downturn. However, the presence the educational services and health care/social assistance industries should help bolster the economic stability of the South Cameron County region.

It should be noted, that the health care/social assistance, manufacturing, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create demand for affordable rental housing in the Submarket.

Commute Patterns for the South Cameron County Submarket

The following table shows the commute times for the South Cameron County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	1,103
5-9 min	5,178
10-14 min	9,590
15-19 min	12,380
20-24 min	8,376
25-29 min	2,041
30-34 min	5,890
35-39 min	487
40-44 min	618
45-59 min	1,272
60-89 min	982
90+ min	884
Average Travel Time	20.8 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The average commute time for workers in the South Cameron County Submarket is 20.8 minutes. The largest percentage of employees reports a commute time between 15 and 19 minutes. This is reflective of the location of Brownsville in the Submarket. Workers commuting to Brownsville from the rural northwest portion of the Submarket likely account for the workers reporting commute times in excess of 45 minutes.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the South Cameron County Submarket and Brownsville-Harlingen, TX MSA. Data such as population, households and growth patterns are studied to determine if the Brownsville-Harlingen, TX MSA and the South Cameron County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the South Cameron County Submarket and Brownsville-Harlingen, TX MSA from 1990 through 2012.

Total Population				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	128,232	-	260,120	-
2000	163,961	2.79%	335,227	2.89%
2007	197,686	2.84%	395,867	2.50%
2012	221,242	2.38%	440,440	2.25%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been slightly faster than growth in the MSA in all years of analysis, with the exception of 2000. The majority of population growth in the MSA is located near the U.S. – Mexico border. Both the Submarket and the MSA are showing strong growth from 2007 through 2012, although the MSA is projected to grow at a slower rate than from 2000 through 2007. The strong growth in the Submarket and the MSA is a positive indicator of the need for the affordable housing.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990, 2000, 2007 and 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages not shown.

Population by Age Group				
South Cameron County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	11,829	16,563	21,225	23,657
5-9	13,012	16,431	18,826	20,850
10-14	14,230	15,470	17,459	19,694
15-19	14,394	15,205	16,536	18,463
20-24	10,133	12,463	15,805	17,010
25-29	9,441	12,522	15,520	16,744
30-34	9,320	11,250	14,215	15,046
35-39	8,803	10,883	13,101	14,141
40-44	7,718	10,201	11,662	13,393
45-49	5,717	9,389	11,363	12,430
50-54	4,722	7,901	10,542	11,514
55-59	4,262	5,791	8,601	11,293
60-64	4,190	4,966	5,881	8,306
65-69	3,705	4,464	4,866	5,410
70-74	2,635	4,078	4,171	4,385
75-79	2,029	3,080	3,665	3,617
80-84	1,221	1,765	2,292	2,779
85+	871	1,539	1,956	2,510
Total	128,232	163,961	197,686	221,242
Brownsville-Harlingen, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	23,151	31,744	39,821	44,060
5-9	25,049	32,315	35,155	39,109
10-14	26,812	30,761	33,638	36,880
15-19	26,585	29,914	32,307	35,577
20-24	19,529	23,783	30,033	32,250
25-29	18,911	23,906	29,569	31,634
30-34	18,981	22,498	27,241	29,311
35-39	17,854	22,257	25,412	26,832
40-44	15,504	21,060	23,668	26,198
45-49	11,371	19,220	23,367	25,247
50-54	9,804	16,577	21,725	24,268
55-59	9,290	12,468	18,317	23,730
60-64	9,764	11,349	13,415	18,513
65-69	9,418	10,925	11,705	13,297
70-74	7,168	10,205	10,349	10,866
75-79	5,509	7,889	9,157	9,194
80-84	3,218	4,559	6,040	7,093
85+	2,202	3,797	4,948	6,381
Total	260,120	335,227	395,867	440,440

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	33,411	-	73,278	-
2000	44,267	3.25%	97,267	3.27%
2007	53,806	2.97%	115,756	2.62%
2012	60,471	2.48%	129,335	2.35%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007. Household growth in both the Submarket and MSA is expected to slow slightly from 2007 through 2012. As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.67	-	3.40	-
2007	3.64	-0.11%	3.38	-0.08%
2012	3.63	-0.05%	3.37	-0.06%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly larger than the MSA, but both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket and MSA.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	24,529	-	26,156	-
2007	30,176	3.18%	31,956	3.06%
2012	34,734	3.02%	36,654	2.94%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 5.9 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a faster rate from 2007 through 2012 than the MSA. The lower median income level indicates increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - South Cameron County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	10,379	19.3%	9,596	15.9%
\$10,000-\$14,999	4,929	9.2%	5,422	9.0%
\$15,000-\$19,999	3,942	7.3%	4,197	6.9%
\$20,000-\$24,999	3,841	7.1%	3,629	6.0%
\$25,000-\$29,999	3,669	6.8%	4,175	6.9%
\$30,000-\$34,999	3,535	6.6%	3,375	5.6%
\$35,000-\$39,999	2,990	5.6%	3,717	6.1%
\$40,000-\$44,999	2,669	5.0%	2,822	4.7%
\$45,000-\$49,999	2,278	4.2%	2,250	3.7%
\$50,000-\$59,999	3,899	7.2%	4,972	8.2%
\$60,000-\$74,999	4,094	7.6%	5,073	8.4%
\$75,000-\$99,999	3,276	6.1%	4,823	8.0%
\$100,000-\$124,999	2,101	3.9%	2,595	4.3%
\$125,000-\$149,999	941	1.7%	1,614	2.7%
\$150,000-\$199,999	620	1.2%	1,139	1.9%
\$200,000-\$249,999	280	0.5%	488	0.8%
\$250,000-\$499,999	291	0.5%	435	0.7%
\$500,000+	72	0.1%	149	0.2%
Total	53,806	100%	60,471	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	19,926	17.2%	18,319	14.2%
\$10,000-\$14,999	9,503	8.2%	10,397	8.0%
\$15,000-\$19,999	8,172	7.1%	8,373	6.5%
\$20,000-\$24,999	8,502	7.3%	7,684	5.9%
\$25,000-\$29,999	8,361	7.2%	9,164	7.1%
\$30,000-\$34,999	7,999	6.9%	7,707	6.0%
\$35,000-\$39,999	6,364	5.5%	8,379	6.5%
\$40,000-\$44,999	5,894	5.1%	6,000	4.6%
\$45,000-\$49,999	5,031	4.3%	4,951	3.8%
\$50,000-\$59,999	9,112	7.9%	11,052	8.5%
\$60,000-\$74,999	9,673	8.4%	11,902	9.2%
\$75,000-\$99,999	7,445	6.4%	11,075	8.6%
\$100,000-\$124,999	4,608	4.0%	5,741	4.4%
\$125,000-\$149,999	2,027	1.8%	3,482	2.7%
\$150,000-\$199,999	1,471	1.3%	2,440	1.9%
\$200,000-\$249,999	724	0.6%	1,163	0.9%
\$250,000-\$499,999	785	0.7%	1,144	0.9%
\$500,000+	159	0.1%	362	0.3%
Total	115,756	100%	129,335	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 35.8 percent of the population in the Submarket and 32.5 percent of the population in the MSA earned below \$20,000 in 2007. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 31.8 percent and 28.7 percent, respectively; however, in both instances, a significant portion of the population is projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the Submarket and MSA.

Tenure

The following table is a summary of the tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

TENURE PATTERNS SOUTH CAMERON COUNTY SUBMARKET				
Year	Owner-Occupied Units	Percentage Owner-		Percentage Renter-Occupied
		Occupied	Renter-Occupied Units	
2000	28,048	63.36%	16,219	36.64%
2007	35,300	65.61%	18,506	34.39%
2012	39,765	65.76%	20,706	34.24%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

TENURE PATTERNS BROWNSVILLE-HARLINGEN, TX MSA				
Year	Owner-Occupied Units	Percentage Owner-		Percentage Renter-Occupied
		Occupied	Renter-Occupied Units	
2000	65,875	67.73%	31,392	32.27%
2007	80,004	69.11%	35,752	30.89%
2012	89,234	68.99%	40,101	31.01%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As the above table illustrates, the housing market in the South Cameron County Submarket is dominated by owner-occupied units. The Submarket has a slightly higher percentage of renter-occupied units when compared to the MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 55 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	18,913	-	46,569	-
2000	25,683	3.6%	61,192	3.1%
2007	31,432	3.1%	73,931	2.9%
2012	38,300	4.4%	89,074	4.1%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

As the table illustrates, similar to the general population trends, the senior population in both the Submarket and the MSA increased between 2000 and 2007. Senior population growth in the South Cameron County Submarket increased significantly between 2000 and 2007. The senior population in both the South Cameron County Submarket and the MSA is expected to grow at a faster rate from 2007 through 2012. The senior population growth rate in the MSA in 2012 is projected to be similar to the growth rate in the South Cameron County Submarket.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	South Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	14,448	-	35,359	-
2007	17,493	2.9%	42,259	2.7%
2012	21,370	4.4%	50,724	4.0%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is projected to increase through 2012. However, total household growth rates are expected to decrease, whereas, senior household growth rates are expected to increase. Similarly, in contrast to general household growth rates, senior household growth rates are expected to increase from 2007 through 2012. The strong projected growth in senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	McAllen-Edinburg-Mission, TX MSA		North Hidalgo County Submarket		USA	
	Number	Annual Change	Number	Annual Change	Number	Annual Change
<i>All Ages</i>						
2007	\$31,956	-	\$30,176	-	\$53,154	-
2012	\$36,654	2.94%	\$34,734	3.02%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$28,614	-	\$24,494	-	\$32,710	-
2012	\$34,145	3.87%	\$30,757	5.11%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in all three areas of analysis are well below those of all households. Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. The MSA will experience slightly weaker median household income growth for all households and senior households when compared to the Submarket and the nation.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - South Cameron County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	6,068	34.7%	6,322	29.6%
\$15,000-\$24,999	2,397	13.7%	2,576	12.1%
\$25,000-\$34,999	1,949	11.1%	2,248	10.5%
\$35,000-\$49,999	2,323	13.3%	2,859	13.4%
\$50,000-\$74,999	2,306	13.2%	3,205	15.0%
\$75,000-\$99,999	994	5.7%	1,710	8.0%
100,000-\$149,999	910	5.2%	1,409	6.6%
150,000-\$199,999	262	1.5%	569	2.7%
200,000-\$249,999	127	0.7%	216	1.0%
250,000-\$499,999	127	0.7%	193	0.9%
\$500,000+	30	0.2%	63	0.3%
Total	17,493	100%	21,370	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	12,432	29.4%	12,846	25.3%
\$15,000-\$24,999	5,986	14.2%	6,015	11.9%
\$25,000-\$34,999	5,232	12.4%	5,755	11.3%
\$35,000-\$49,999	5,879	13.9%	7,291	14.4%
\$50,000-\$74,999	6,327	15.0%	8,438	16.6%
\$75,000-\$99,999	2,657	6.3%	4,394	8.7%
100,000-\$149,999	2,386	5.6%	3,640	7.2%
150,000-\$199,999	597	1.4%	1,084	2.1%
200,000-\$249,999	339	0.8%	558	1.1%
250,000-\$499,999	351	0.8%	526	1.0%
\$500,000+	73	0.2%	177	0.3%
Total	42,259	100%	50,724	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. The Submarket has the largest percentage of seniors earning less than \$35,000 annually. Approximately 60 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributed primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually. The Submarket

features slightly more senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 52.2 and 48.5 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the Submarket will be earning less than \$25,000, which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
South Cameron County Submarket					Brownsville-Harlingen, TX MSA			
Year	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	10,888	75.4%	3,560	24.6%	28,551	80.7%	6,808	19.3%
2007	13,183	75.4%	4,310	24.6%	34,122	80.7%	8,137	19.3%
2012	16,104	75.4%	5,266	24.6%	40,958	80.7%	9,766	19.3%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket has a slightly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above) and the MSA.

Senior Demographic Conclusion

Of the three areas of analysis, the median senior household income is lowest in the Submarket and highest nationally. The median senior household income for the Submarket is projected to increase from 2007 to 2012 and growth in the national and Submarket’s median senior household income is projected to outpace growth in the MSA. Both the MSA and Submarket have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Approximately 60 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the PMA’s high percentage of senior households earning below \$15,000 annually. The Submarket features slightly more senior households in these income brackets when compared to the MSA and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

South Cameron County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

The primary major medical providers in the South Cameron County Submarket are the Valley Regional Medical Center and the Valley Baptist Health System. Valley Regional Medical center is a new 214-bed acute care hospital located in Brownsville. Valley Regional is a designated Trauma Center and offers services such as Emergency Care, Neonatal Intensive Care, Neurosurgery, Cardiac Surgery and Orthopedic Surgery. The hospital underwent an expansion during 2004, which added a second Intensive Care Unit and 16 medical and surgical beds. Valley Baptist Health System is one of the largest in South Texas with more than 800 beds. Valley Baptist has locations in Brownsville and Harlingen and offers Cardiovascular Services, Day Surgery, Home Health, Hospice, Intensive Care Units, Emergency Departments, Outpatient Services, Pediatrics and Radiology.

Transportation

The Brownsville/South Padre Island International Airport is located in the South Cameron County Submarket. The airport is used for general aviation and is served by one commercial airline, Continental Airlines, with an average of seven flights a day to Houston-Intercontinental Airport.

Highway access to South Cameron County Submarket can be accomplished via US Highway 281 and US Highway 77/U.S. Highway 83 . US Highway 281 runs north/south from McAllen, Texas to Wichita Falls, Texas. US Highway 77 runs north/south from Sioux City, Iowa to Brownsville, Texas at Veteran’s International Bridge on the U.S. – Mexico border. U.S. Highway 83 runs north/south from Westhope, North Dakota to Brownsville, Texas.

Education

The South Cameron County Submarket is served by the Brownsville Independent School District and the Los Fresnos Consolidated Independent School District. The Brownsville Independent School District includes five high schools, 10 middle schools, 33 elementary schools and four special needs schools. The Los Fresnos Consolidated Independent School District includes one high school, three middle schools and eight elementary schools. The University of Texas at Brownsville (UTB) and Texas Southmost College (TSC) are located in the South Cameron County Submarket. The partnership between UTB and TSC offers Certificates and Associate, Bachelor and Graduate degrees in liberal arts, the sciences and professional programs.

Public Transportation

The Brownsville Urban System (BUS) provides mass transit services to the South Cameron County Submarket. BUS is the largest mass transit system in the Rio Grande Valley and is the only mass transit system in Cameron County. As of Summer 2008, BUS operates 13 fixed routes.

Employment Centers

The majority of employment centers in the South Cameron County Submarket are located in Brownsville. The largest employers in the City of Brownsville include the following:

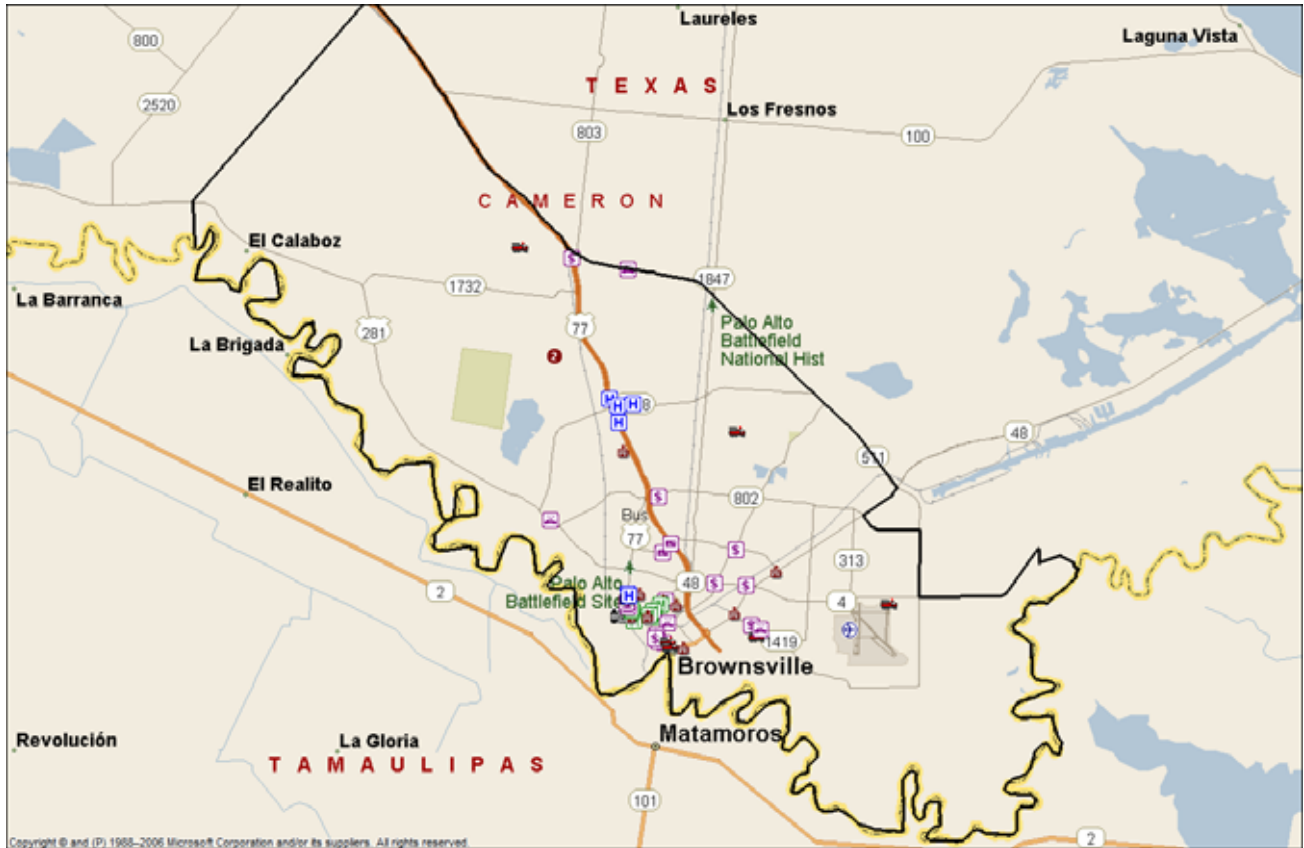
Rank	Company	Industry
1	Brownsville Independent School District	Education
2	AMFELS	Manufacturing
3	University of Texas at Brownsville	Education
4	Cameron County	Government
5	Wal-Mart	Retail
6	City of Brownsville	Government
7	Convergys Corp.	Call Center
8	HEB Food Stores	Retail
9	Valley Regional Medical Center	Healthcare
10	Valley Baptist Medical Center	Healthcare

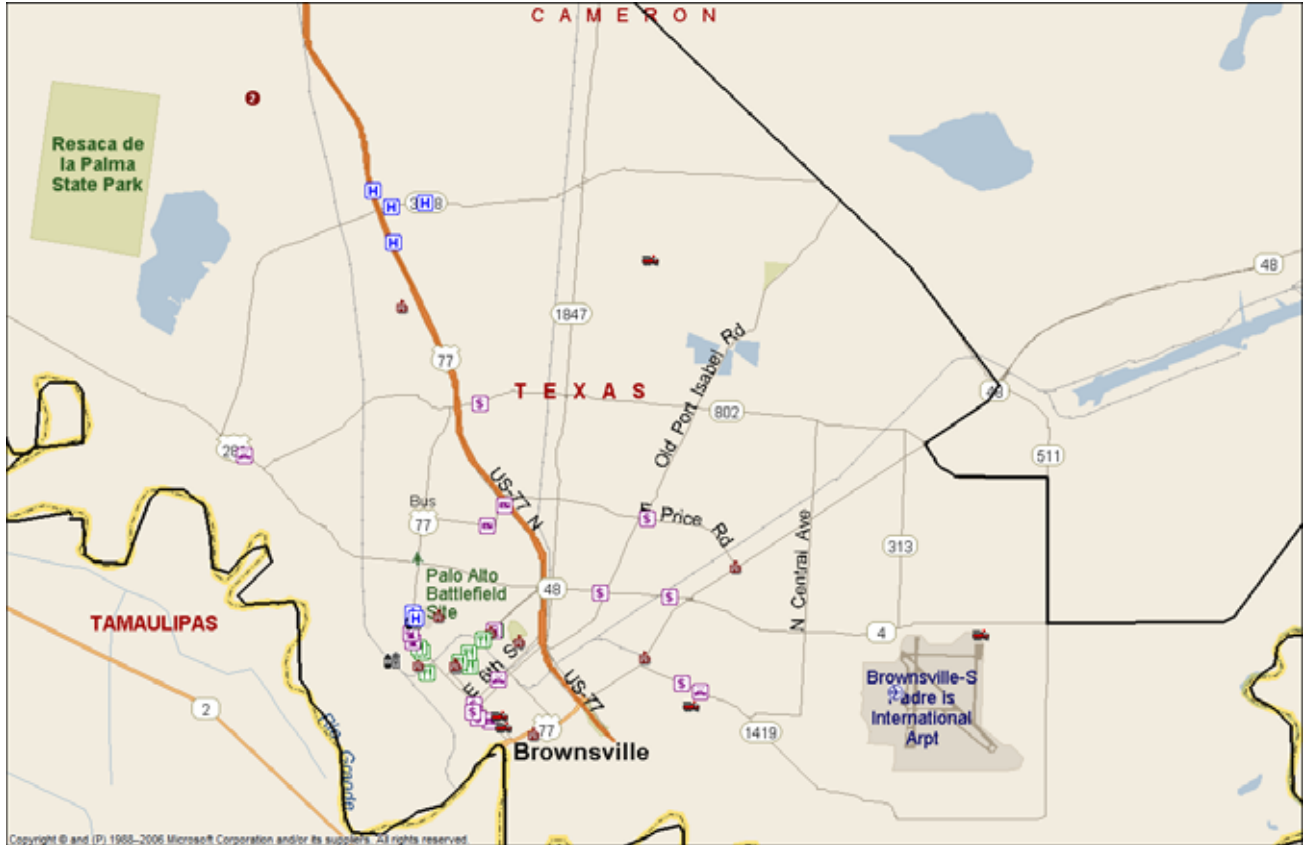
Source: Brownsville Economic Development Corporation, Real Estate Center Market Overview 2008: July 2008


It should be noted that the number of employees for the major employers in Brownsville was not available at the time of this report.

Proximity to Local Services

The majority of locational amenities in the South Cameron County Submarket are located in Brownsville.





	Bank		School
	United States Post Office		Hospital
	Fire Station		Airport
	Restaurant		Police Station
	Hotel/Motel		College/University
	Grocery/Supermarket		Gas Station

HOUSING SUPPLY ANALYSIS

SOUTH CAMERON COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the South Cameron County Submarket.

AGE OF HOUSING STOCK IN SOUTH CAMERON COUNTY SUBMARKET		
Years	Number of Units	Percent of Housing Stock
1999-3/2000	1,660	3.35%
1995-1998	6,034	12.18%
1990-1994	5,177	10.45%
1980-1989	12,820	25.89%
1970-1979	10,994	22.20%
1960-1969	5,340	10.78%
1950-1959	3,669	7.41%
1940-1949	2,140	4.32%
1939 and Before	1,689	3.41%
Total	49,523	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (70.72 percent) in the South Cameron County Submarket was constructed from 1970 through 1998. The South Cameron County Submarket consists primarily of developed land with moderate to extensive single-family housing and multi-family housing. Based upon observations in the field single-family housing in the Submarket typically ranges from fair to good condition and is less than five to 40 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2007 for Cameron County, Texas. Data was not available for 2008. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Cameron County, TX - 1997 to 2007				
Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,601	40	257	1,898
1998	1,400	166	161	1,727
1999	1,058	229	150	1,437
2000	2,086	121	150	2,357
2001	1,595	142	102	1,839
2002	2,211	136	475	2,822
2003	3,200	81	163	3,444
2004	2,203	198	213	2,614
2005	1,981	197	116	2,294
2006	2,670	74	261	3,005
2007	1,800	131	138	2,069
Total	21,805	1,515	2,186	25,506
Average	1,982	138	199	2,319

There were 2,186 “5+ units” building permits issued in Cameron County from 1997 to 2007. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2007, at 85 percent, while “5+ units” building permits constitute approximately 8.6 percent of all permits issued from 1997 through 2007. The small percentage of multifamily permits issued indicates demand for multi-family housing of all kinds.

Interviews

Cameron County Housing Authority

We spoke with Guadalupe Garcia with the Cameron County Housing Authority. According to Ms. Garcia, the Housing Authority is allocated 1,080 Housing Choice Vouchers and 1,006 vouchers are currently in use. Ms. Garcia estimated that there were 878 households on the waiting list as of July 2008 and the waiting list is currently open. The current payment standards for one-, two-, three-, and four-bedroom units are listed below.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

Brownsville Housing Authority

We spoke with Miguel Herrera, Assistant Director of the Brownsville Housing Authority. According to Mr. Herrera, the Housing Authority is allocated 2,015 Housing Choice Vouchers and all vouchers are currently in use. Mr. Herrera estimated that there are 521 households on the waiting list and the waiting list is currently open for elderly and/or disabled households. Approximately 70 percent of the households on the waiting list are senior. The current payment standards for one-, two-, three- and four-bedroom units are listed below.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$537
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$859

We also spoke with Juan Martinez in the Public Housing office of the Brownsville Housing Authority. According to Mr. Martinez, the Housing Authority manages three public housing developments in Brownsville, with a total of 246 units. Mr. Martinez was unable to provide specifics on occupancy or waiting lists.

Planning/Development

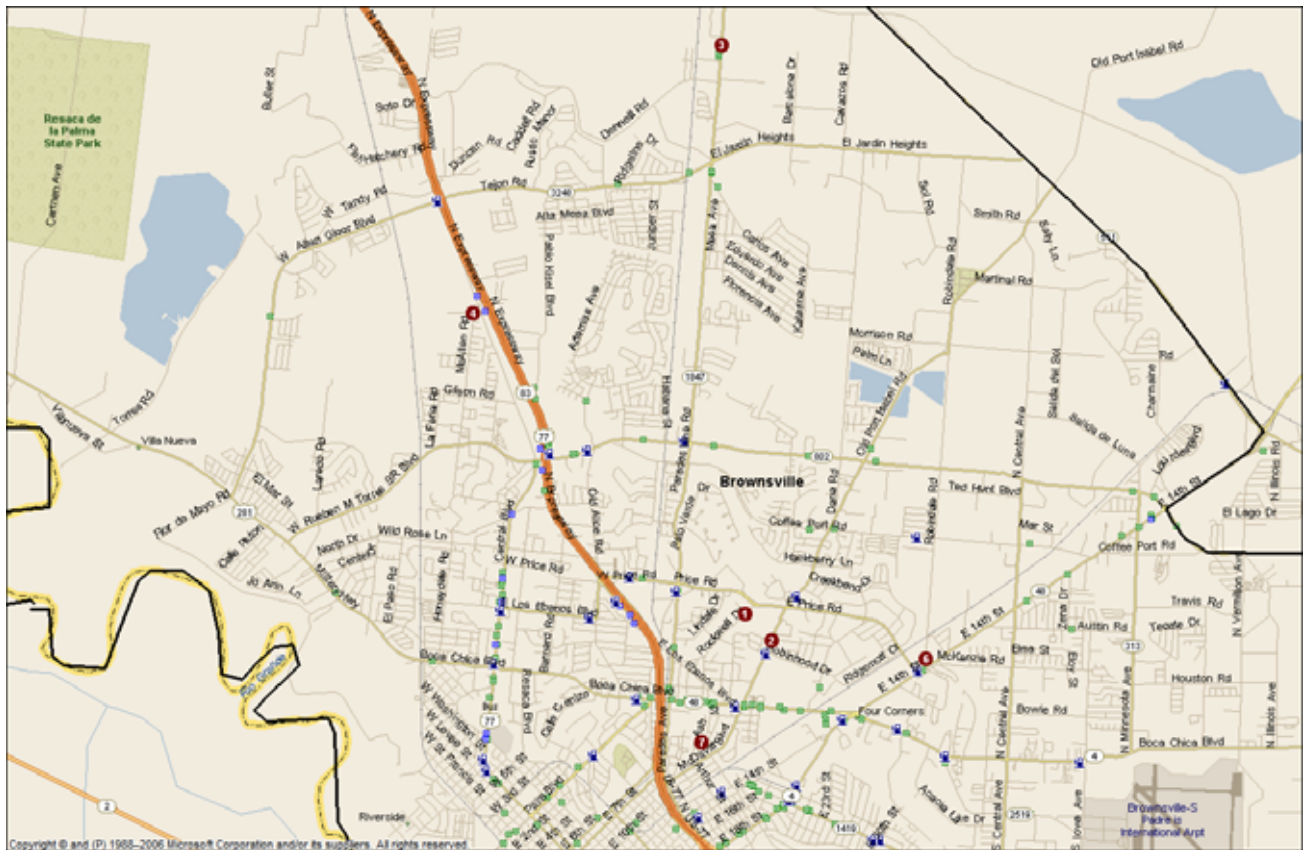
We attempted to contact the Planning Department of the City of Brownsville to obtain information on any multifamily development currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on

our physical inspection of the Submarket, there do not appear to be any multifamily developments currently under construction or in the planning stages.

LIHTC Supply

We attempted to identify all existing, proposed, and under construction LIHTC developments in the Submarket using Novogradac’s online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, and property managers.

Novogradac identified nine LIHTC developments in the South Cameron County Submarket. Of the nine LIHTC developments, seven properties constructed between 1968 and 2008, with a total of 1,050 units, were able to provide current property and market data. The reasons for exclusion of the remaining properties can be found on the excluded properties list on the following pages. A map of the surveyed properties can be found below:



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Cunningham Manor	Brownsville	LIHTC – Family
2	La Villita Phases I & II	Brownsville	LIHTC – Family
3	Paseo Plaza Apartments	Brownsville	LIHTC – Family
4	Rancho Del Cielo	Brownsville	LIHTC – Family
5	Rancho Del Cielo Phase II	Brownsville	LIHTC – Family
6	Rosemont of Eldorado	Brownsville	LIHTC – Family
7	Tropical Gardens at Boca Chica	Brownsville	LIHTC/Market/Section 8/Public Housing - Family

The following pictures identify the surveyed LIHTC family properties in the Submarket:



Cunningham Manor



La Villita Phases I & II



Paseo Plaza Apartments



Rancho Del Cielo



Rancho Del Cielo Phase II



Rosemont of Eldorado



Tropical Gardens at Boca Chica

Excluded Properties

Novogradac has excluded two family LIHTC developments from our analysis. The following table lists the properties in the Submarket that were excluded from this analysis and the basis for their exclusion.

Name	Location	Type	Reason for Exclusion
Villa Del Sol	Brownsville	LIHTC – Family	Could not contact
Sunset Haven	Brownsville	LIHTC – Family	Under construction

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are nine properties in the South Cameron County Submarket, which have received an allocation in the last three years. La Villita Apartments, Cunningham Manor Apartments and Tropical Gardens at Boca Chica received allocations in 2005, 2006 and 2007, and have all been used as LIHTC comparables in the supply analysis. Rockwell Manor Apartments, Candlewick Apartments and Los Ebanos Apartments were all allocated in 2007. Rockwell Manor was utilized as a subsidized comparable property later in this report. Candlewick Apartments and Los Ebanos Apartments received LIHTC allocations but operate as Section 8 family development. Despite numerous attempts to contact the property managers of Candlewick Apartments and Los

Ebanos Apartments both in person and over the phone, our attempts have been unsuccessful as of the date of this report.

We attempted to contact the Planning Department of the City of Brownsville to obtain information on any multifamily development currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical inspection of the Submarket, there do not appear to be any multifamily developments currently under construction or in the planning stages.

Unit Mix

The following table illustrates the unit mix in the family LIHTC rental property market.

Unit Mix - LIHTC Family		
Unit Type	Total Units	Percent
1 BR	186	17.7%
2 BR	431	41.0%
3 BR	337	32.1%
4 BR	96	9.1%
Total	1,050	100%

The majority of the LIHTC units in the Submarket are two-bedroom units, followed by three-bedroom units. Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37.5 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family LIHTC rental property market.

Unit Size - LIHTC Family			
Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	627	750	671
2 BR	713	1,044	885
3 BR	960	1,183	1,081
4 BR	1,219	1,324	1,262

The surveyed one-, two, three- and four-bedroom LIHTC units have an average size of 671, 885, 1,081, and 1,262 square feet, respectively. All of the developments were constructed from 1968 to 2008. It should be noted that Cunningham Manor, built in 1968 and renovated in 2008, is the oldest property in the market and has the smallest units in the market. The remaining LIHTC family comparables are more representative of unit sizes in the South Cameron County Submarket.

Community and In-Unit Amenities

Comp #	Cunningham Manor	La Villita PH I & II	Paseo Plaza Apartments	Rancho Del Cielo	Rancho Del Cielo Phase II	Rosemont Of Eldorado	Tropical Gardens At Boca Chica
1	2	3	4	5	6	7	
Property Information							
Property Type	Garden (2 stories)	Garden	Various	Garden	Garden	One-story	Garden (2 stories)
Year Built / Renovated	1968 / 2008	2005 / n/a	1997 / n/a	1998 / n/a	2000 / n/a	2003 / n/a	2006 / n/a
Market (Conv.)/Subsidy Type	@60%	@30%, @40%, @50%, @60%	@50%, @60%	@50%, @60%	@50%, @60%, Market	@50%, @60%, @80%	@50%, @60%, Market, Section 8 (Public Housing)
In-Unit Amenities							
Balcony/Patio	no	yes	yes	yes	yes	yes	yes
Blinds	yes	yes	yes	yes	yes	yes	yes
Cable/Satellite/Internet	no	yes	yes	yes	yes	yes	yes
Carpeting	no	yes	yes	yes	yes	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes
Coat Closet	yes	no	no	no	no	no	yes
Dishwasher	no	yes	yes	yes	yes	yes	yes
Exterior Storage	yes	yes	yes	no	yes	no	yes
Ceiling Fan	no	yes	yes	yes	no	no	yes
Garbage Disposal	no	yes	yes	yes	yes	yes	yes
Microwave	no	no	no	no	no	yes	yes
Oven	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	no	no	no	no	no	yes
Washer/Dryer hookup	no	yes	yes	yes	yes	yes	yes
Property Amenities							
Business Center/Computer Lab	yes	no	no	no	no	no	yes
Carport	no	no	no	no	no	no	yes
Clubhouse/Meeting Room/Community Room	no	yes	yes	yes	yes	yes	yes
Exercise Facility	no	yes	no	yes	yes	no	yes
Central Laundry	yes	yes	yes	yes	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes
On-Site Management	no	yes	yes	yes	yes	yes	yes
Picnic Area	no	yes	no	no	no	no	yes
Playground	no	yes	yes	yes	yes	yes	yes
Sport Court	no	no	no	no	no	no	yes
Swimming Pool	no	yes	yes	yes	yes	yes	yes
Services							
Afterschool Program	no	no	no	no	no	no	yes
Daycare	no	yes	no	yes	yes	no	no
Security							
Limited Access	no	no	no	no	no	yes	yes
Patrol	yes	no	no	no	no	no	yes
Perimeter Fencing	no	no	no	no	no	yes	yes
Video Surveillance	no	no	no	no	no	no	yes
Premium Amenities							
Other Amenities							
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The existing LIHTC multifamily properties in the South Cameron County Submarket offer an extensive amount of in-unit and community amenities. All of the surveyed LIHTC comparables offer unit amenities that include central air, ovens and refrigerators. Most of the surveyed LIHTC comparables offer dishwashers and balcony/patios. Washer/dryer connections are common in the family LIHTC market. Most of the surveyed LIHTC comparables offer community amenities including a clubhouse, a central laundry facility, playground, and swimming pool. Security features are not common in the Submarket; however, two of the LIHTC properties offer security features of some kind. Daycare services are available at three of the properties.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. It should be noted that Cunningham Manor is currently undergoing renovations and is in the process of converting to a LIHTC property from a market rate property. The property manager could not provide vacancies by unit type; therefore, Cunningham Manor has been excluded from this analysis.

Weighted Vacancy - LIHTC Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	186	0	0.0%
2 BR	431	0	0.0%
3 BR	337	0	0.0%
4 BR	96	0	0.0%
Total	1,050	0	0.0%

All of the surveyed LIHTC comparable properties are reporting zero percent vacancy. This is indicative of a good supply of income qualified tenants.

Absorption

Four of the seven surveyed LIHTC properties were able to provide absorption information. La Villita Phases I and II opened in 2005 and reported an absorption rate of 25 units per month, for an absorption period of approximately eight months. Rancho Del Cielo Phase II opened in 2000 and reported an absorption rate of eight units per month, for an absorption period of 15 months. Rosemont of Eldorado opened in 2003 and reported an absorption rate of 13 units per month, for an absorption period of approximately 11 months. Tropical Gardens at Boca Chica opened in 2006 and reported an absorption rate of 26 units per month, for an absorption period of approximately six months.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Waiting List
Cunningham Manor	104	None
La Villita Phases I & II	208	10 HH for 1BR units, 7 HH for 2BR units, 2 HH for 3BR units
Paseo Plaza Apartments	184	100 HH for all units, but mostly 2BR units
Rancho Del Cielo	130	None
Rancho Del Cielo Phase II	120	None
Rosemont of Eldorado	146	20 HH for all unit types
Tropical Gardens at Boca Chica	158	10 HH for 1BR units @ 60%, 28 HH for 1BR Section 8 units, 9 HH for 2BR units @50%, 8 HH for 2Br units @ 60%, 1 HH for 2BR market rate units, 35 HH for 2BR Section 8 units, 3 HH for 3BR units @50%, 3 HH for 3BR units @60% and 16 HH for 3BR Section 8 units

Five of the seven surveyed family LIHTC properties currently maintain waiting lists. Waiting lists range in size from one household to 100 households for one-, two- and three-bedroom units.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Vacancy – LIHTC Family		
Property Name	Number of Units	Vacancy Rate
Cunningham Manor	104	50.0%
La Villita Phases I & II	208	0.0%
Paseo Plaza Apartments	184	0.0%
Rancho Del Cielo	130	0.0%
Rancho Del Cielo Phase II	120	0.0%
Rosemont of Eldorado	146	0.0%
Tropical Gardens at Boca Chica	158	0.0%
AVERAGE	1,050	7.14

It should be noted that Cunningham Manor is currently undergoing renovations and is in the process of converting to a LIHTC property from a market rate property and some residents have been displaced during renovations. If Cunningham Manor is taken out of the analysis, the overall average vacancy rate for the surveyed LIHTC comparables is zero percent, which is considered excellent.

Concessions

None of the LIHTC family properties in the market are offering concessions. Concessions do not appear to be prevalent in the family LIHTC market.

Turnover

The following table summarizes turnover rates at the surveyed properties.

Turnover – LIHTC Family		
Property Name	Number of Units	Turnover
Cunningham Manor	104	N/A
La Villita Phases I & II	208	14%
Paseo Plaza Apartments	184	15%
Rancho Del Cielo	130	12%
Rancho Del Cielo Phase II	120	15%
Rosemont of Eldorado	146	35%
Tropical Gardens at Boca Chica	158	9%
AVERAGE	1,050	16.7%

The range of turnover rates at the surveyed family LIHTC properties in the Submarket appears to be well within range of typical turnover rates for multifamily properties.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Cunningham Manor 2835 Rockwell Drive Brownsville, TX 78521 Cameron County	Garden (2 stories) 1968 / 2008	@60%	1BR / 1BA	20	19.20%	@60%	\$424	627	n/a	No	N/A	N/A
				2BR / 1BA	38	36.50%	@60%	\$506	713	n/a	No	N/A	N/A
				3BR / 1BA	36	34.60%	@60%	\$581	960	n/a	No	N/A	N/A
				4BR / 2BA	10	9.60%	@60%	\$635	1,219	n/a	No	N/A	N/A
					104	100%							
2	La Villita PH I & II 529 Old Port Isabel Road Brownsville, TX 78520 Cameron County	Garden 2005 / n/a	@30%, @40%, @50%, @60%	1BR / 1BA	1	0.50%	@30%	\$184	750	yes	10 HH Total	0	0.00%
				1BR / 1BA	63	30.30%	@60%	\$429	725	yes	10 HH Total	0	0.00%
				2BR / 1BA	5	2.40%	@30%	\$222	940	yes	7 HH Total	0	0.00%
				2BR / 1BA	4	1.90%	@40%	\$319	940	yes	7 HH Total	0	0.00%
				2BR / 1BA	5	2.40%	@50%	\$417	940	yes	7 HH Total	0	0.00%
				2BR / 1BA	18	8.70%	@60%	\$515	940	yes	7 HH Total	0	0.00%
				2BR / 2BA	1	0.50%	@30%	\$222	970	yes	7 HH Total	0	0.00%
				2BR / 2BA	63	30.30%	@60%	\$515	940	yes	7 HH Total	0	0.00%
				3BR / 2BA	6	2.90%	@30%	\$255	1,183	yes	2 HH Total	0	0.00%
				3BR / 2BA	42	20.20%	@60%	\$595	1,125	yes	2 HH Total	0	0.00%
	208	100%								0	0.00%		
3	Paseo Plaza Apartments 2701 Paredes Line Road Brownsville, TX 78526 Cameron County	Various 1997 / n/a	@50%, @60%	2BR / 1BA (Garden)	5	2.70%	@50%	\$414	1,044	yes	6 to 12 months	0	0.00%
				2BR / 1BA (Garden)	11	6.00%	@60%	\$512	1,044	yes	6 to 12 months	0	0.00%
				2BR / 1BA (Townhouse)	7	3.80%	@50%	\$414	880	yes	6 to 12 months	0	0.00%
				2BR / 1BA (Townhouse)	17	9.20%	@60%	\$512	880	yes	6 to 12 months	0	0.00%
				3BR / 2BA (Garden)	3	1.60%	@50%	\$474	1,032	yes	6 to 12 months	0	0.00%
				3BR / 2BA (Garden)	9	4.90%	@60%	\$588	1,032	yes	6 to 12 months	0	0.00%
				3BR / 2BA (Townhouse)	18	9.80%	@50%	\$474	1,046	yes	6 to 12 months	0	0.00%
				3BR / 2BA (Townhouse)	42	22.80%	@60%	\$588	1,046	yes	6 to 12 months	0	0.00%
				4BR / 2BA (Townhouse)	12	6.50%	@50%	\$529	1,242	yes	6 to 12 months	0	0.00%
				4BR / 2BA (Townhouse)	11	6.00%	@50%	\$529	1,324	yes	6 to 12 months	0	0.00%
				4BR / 2BA (Townhouse)	28	15.20%	@60%	\$656	1,242	yes	6 to 12 months	0	0.00%
4BR / 2BA (Townhouse)	21	11.40%	@60%	\$656	1,324	yes	6 to 12 months	0	0.00%				
	184	100%								0	0.00%		

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate				
4	Rancho Del Cielo 3375 Mcallen Road Brownsville, TX 78520 Cameron County	Garden 1998 / n/a	@50%, @60%	1BR / 1BA	12	9.20%	@50%	\$339	642	yes	No	0	0.00%				
				1BR / 1BA	18	13.80%	@60%	\$421	642	yes	No	0	0.00%				
				2BR / 1BA	8	6.20%	@50%	\$407	793	yes	No	0	0.00%				
				2BR / 1BA	12	9.20%	@60%	\$505	793	yes	No	0	0.00%				
				2BR / 2BA	14	10.80%	@50%	\$407	869	yes	No	0	0.00%				
				2BR / 2BA	24	18.50%	@60%	\$505	869	yes	No	0	0.00%				
				3BR / 2BA	14	10.80%	@50%	\$467	1,074	yes	No	0	0.00%				
				3BR / 2BA	28	21.50%	@60%	\$581	1,074	yes	No	0	0.00%				
									130	100%						0	0.00%
5	Rancho Del Cielo Phase II 3385 Mcallen Road Brownsville, TX 78520 Cameron County	Garden 2000 / n/a	@50%, @60%, Market	1BR / 1BA	9	7.50%	@50%	\$347	642	yes	No	0	0.00%				
				1BR / 1BA	18	15.00%	@60%	\$429	642	yes	No	0	0.00%				
				1BR / 1BA	9	7.50%	Market	\$460	642	n/a	No	0	0.00%				
				2BR / 1BA	8	6.70%	@50%	\$417	793	yes	No	0	0.00%				
				2BR / 1BA	8	6.70%	@60%	\$515	793	yes	No	0	0.00%				
				2BR / 2BA	8	6.70%	@50%	\$417	869	yes	No	0	0.00%				
				2BR / 2BA	12	10.00%	@60%	\$515	869	yes	No	0	0.00%				
				2BR / 2BA	20	16.70%	Market	\$585	869	n/a	No	0	0.00%				
				3BR / 2BA	8	6.70%	@50%	\$481	1,074	yes	No	0	0.00%				
				3BR / 2BA	20	16.70%	@60%	\$595	1,074	yes	No	0	0.00%				
					120	100%						0	0.00%				
6	Rosemont Of Eldorado 185 Robindale #305 Brownsville, TX 78521 Cameron County	One-story 2003 / n/a	@50%, @60%, @80%	2BR / 1BA	31	21.20%	@50%	\$378	902	n/a	Yes	0	0.00%				
				2BR / 1BA	35	24.00%	@60%	\$476	902	n/a	Yes	0	0.00%				
				2BR / 1BA	10	6.80%	@80%	\$600	902	n/a	Yes	0	0.00%				
				3BR / 2BA	25	17.10%	@50%	\$428	1,112	n/a	Yes	0	0.00%				
				3BR / 2BA	21	14.40%	@60%	\$542	1,112	n/a	Yes	0	0.00%				
				3BR / 2BA	10	6.80%	@80%	\$699	1,112	n/a	Yes	0	0.00%				
				4BR / 2BA	6	4.10%	@50%	\$477	1,263	n/a	Yes	0	0.00%				
				4BR / 2BA	6	4.10%	@60%	\$604	1,263	n/a	Yes	0	0.00%				
				4BR / 2BA	2	1.40%	@80%	\$750	1,263	n/a	Yes	0	0.00%				
									146	100%						0	0.00%
7	Tropical Gardens At Boca Chica 250 Ash Street Brownsville, TX 78521 Cameron County	Garden (2 stories) 2006 / n/a	@50%, @60%, Market, Section 8 (Public Housing)	1BR / 1BA	24	15.20%	@60%	\$400	638	yes	10 HH	0	0.00%				
				1BR / 1BA	2	1.30%	Market	\$557	638	n/a	No	0	0.00%				
				1BR / 1BA	10	6.30%	Section 8	\$300	638	n/a	28 HH	0	0.00%				
				2BR / 2BA	7	4.40%	@50%	\$380	960	yes	9 HH	0	0.00%				
				2BR / 2BA	33	20.90%	@60%	\$478	960	yes	8 HH	0	0.00%				
				2BR / 2BA	3	1.90%	Market	\$650	960	n/a	1 HH	0	0.00%				
				2BR / 2BA	24	15.20%	Section 8	\$325	960	n/a	35 HH	0	0.00%				
				3BR / 2BA	7	4.40%	@50%	\$434	1,120	yes	3 HH	0	0.00%				
				3BR / 2BA	21	13.30%	@60%	\$548	1,120	yes	3 HH	0	0.00%				
				3BR / 2BA	3	1.90%	Market	\$790	1,120	n/a	No	0	0.00%				
3BR / 2BA	24	15.20%	Section 8	\$350	1,120	n/a	16 HH	0	0.00%								
					158	100%						0	0.00%				

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$423
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$488
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$559
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$691
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$781
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

According to the property managers, most of the surveyed LIHTC comparables are achieving maximum allowable rents. The surveyed family LIHTC properties were constructed from 1968 through 2006 and all offer some units at 30, 40, 50 and/or 60 percent of AMI. It should be noted that Cunningham Manor is currently undergoing renovations and is in the process of converting to a LIHTC property from a market rate property and some residents have been displaced during renovations. If Cunningham Manor is taken out of the analysis, the overall average vacancy rate for the surveyed LIHTC comparables is zero percent, which is considered excellent. Five of the seven surveyed family LIHTC properties currently maintain waiting lists, specifically for one-, two- and three-bedroom units.

LIHTC Supply Conclusion

Novogradac identified nine LIHTC developments in the West Cameron County Submarket. Of the seven LIHTC developments, four properties constructed between 1968 and 2008, with a total of 1,050 units, were able to provide current property and market data.

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are nine properties in the South Cameron County Submarket, which have received an allocation in the last three years. La Villita Apartments, Cunningham Manor Apartments and Tropical Gardens at Boca Chica received allocations in 2005, 2006 and 2007, and have all been used as LIHTC comparables in the supply analysis. Rockwell Manor Apartments, Candlewick Apartments and Los Ebanos Apartments were all allocated in 2007. Rockwell Manor was utilized as a subsidized comparable property later in this report. Candlewick Apartments and Los Ebanos Apartments received LIHTC allocations but operate as Section 8 family development. Despite numerous attempts to contact the property managers of Candlewick Apartments and Los Ebanos Apartments both in person and over the phone, our attempts have been unsuccessful as of the date of this report.

We attempted to contact the Planning Department of the City of Brownsville to obtain information on any multifamily development currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical inspection of the Submarket, there do not appear to be any multifamily developments currently under construction or in the planning stages.

Larger unit types are prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37.5 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Demographic projections and anecdotal evidence indicate demand for larger bedroom types.

The existing LIHTC multifamily properties in the South Cameron County Submarket offer an extensive amount of in-unit and community amenities. All of the surveyed LIHTC comparables offer unit amenities that include central air, ovens and refrigerators. Most of the surveyed LIHTC comparables offer dishwashers and balcony/patios. Washer/dryer connections are common in the family LIHTC market. Most of the surveyed LIHTC comparables offer community amenities including a clubhouse, a central laundry facility, playground, and swimming pool. Security features are not common in the Submarket; however, two of the comparable LIHTC properties offer security features of some kind. No premium amenities or services are offered by the surveyed LIHTC properties in the Submarket.

None of surveyed comparables is offering concessions and five of the seven surveyed family LIHTC properties currently maintain waiting lists. Waiting lists range in size from one household to 100 households for one-, two- and three-bedroom units. Four of the seven surveyed LIHTC properties were able to provide absorption information. La Villita Phases I and II opened in 2005 and reported an absorption rate of 25 units per month, for an absorption period of approximately eight months. Rancho Del Cielo Phase II opened in 2000 and reported an absorption rate of eight units per month, for an absorption period of 15 months. Rosemont of Eldorado opened in 2003 and reported an absorption rate of 13 units per month, for an absorption period of approximately 11 months. Tropical Gardens at Boca Chica opened in 2006 and reported an absorption rate of 26 units per month, for an absorption period of approximately six months. The range of turnover rates at the surveyed family LIHTC properties in the Submarket appears to be well within range of typical turnover rates for multifamily properties, with an average turnover rate of 16.7 percent.

According to the property managers, most of the surveyed LIHTC comparables are achieving maximum allowable rents. The surveyed family LIHTC properties were constructed from 1968 through 2006 and all offer some units at 30, 40, 50 and/or 60 percent of AMI. It should be noted that Cunningham Manor is currently undergoing renovations and is in the process of converting to a LIHTC property from a market rate property and some residents have been displaced during renovations. If Cunningham Manor is taken out of the analysis, the overall average vacancy rate for the surveyed LIHTC comparables is zero percent, which is considered excellent. Five of the seven surveyed family LIHTC properties currently maintain waiting lists, specifically for one-, two- and three-bedroom units.

LIHTC Senior Supply

We attempted to identify all existing, proposed, and under construction senior LIHTC developments in the Submarket using Novogradac's online database, LIHTC property inventories published by the Texas Department of Housing and Community Affairs, observations in the field, various Internet search methods, and interviews with local housing authorities, providers, and property managers. There are three existing senior LIHTC developments located in the South Cameron County Submarket. Sunset Haven is a senior-targeted LIHTC development located in Brownsville. The property was allocated in 2006 and consists of 100-units. As of the date of this report, our attempts to contact Sunset Haven both in person and over the phone have been unsuccessful. Villa del Sol is a senior-targeted LIHTC development located in Brownsville. The property was allocated in 2007 and consists of 199 units, 189 of which are LIHTC senior units. As of the date of this report, our attempts to contact Villa del Sol both in person and over the phone have been unsuccessful. Valley Resaca Palms is a senior-targeted LIHTC development located in Brownsville. The property was allocated in 1995 and consists of 250 units. As of the date of this report, our attempts to contact Valley Resaca Palms both in person and over the phone have been unsuccessful; however, it is possible that the property is out of the 15 year compliance period for LIHTC properties. There are no other existing senior LIHTC developments in this Submarket. Based on the lack of available data, we did not complete a LIHTC senior market analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no proposed or under construction senior LIHTC properties in the South Cameron County Submarket.

MARKET RATE FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction market rate developments in the Submarket using Novogradac’s online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials.

Novogradac was able to identify 34 market rate multifamily developments in the South Cameron County Submarket, but were only able to survey 18 of the properties.

The following map illustrates the location of the surveyed market rate family comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Bonaventure Apartments	Brownsville	Market – Family
2	Borders Apartments	Brownsville	Market – Family
3	Brazos on Colony Apartments	Brownsville	Market – Family
4	Casa Grande Apartments	Brownsville	Market – Family
5	La Hacienda Apartments	Brownsville	Market – Family
6	La Mansion Del Paseo	Brownsville	Market – Family
7	La Residencia Apartments	Brownsville	Market - Family
8	Landing Apartments	Brownsville	Market – Family
9	Las Brisas Apartments	Brownsville	Market – Family
10	Las Palmas Apartments	Brownsville	Market – Family
11	Las Resacas Apartments	Brownsville	Market – Family
12	Los Cedros Apartments	Brownsville	Market – Family
13	Marr Apartments	Brownsville	Market – Family
14	Resaca Jardin	Brownsville	Market – Family
15	Towne East Apartments	Brownsville	Market – Family
16	Tulane Apartments	Brownsville	Market – Family
17	Villa Madrid Apartments	Brownsville	Market – Family
18	Villas De San Miguel	Brownsville	Market – Family

The following pictures identify a sampling of the surveyed market rate family properties in the Submarket:



Villa Madrid Apartments



Borders Apartments



Las Resacas Apartments



La Residencia Apartments

Excluded Properties

The following table illustrates excluded market rate properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments.

Name	Location	Type	Reason for Exclusion
Reypres Square Apartments	Brownsville	Market – Family	Could not contact
Jefferson Square Apartments	Brownsville	Market – Family	Could not contact
Lakeside 600 Apartments	Brownsville	Market – Family	Could not contact
SF Apartments	Brownsville	Market – Family	Could not contact
Courtyard Apartments	Brownsville	Market – Family	Could not contact
Brandywyne Apartments	Brownsville	Market – Family	Would not participate
Posada De Las Palmas	Brownsville	Market – Family	Could not contact
Conquistador Apartments	Brownsville	Market – Family	Could not contact
Waterside Apartments	Brownsville	Market – Family	Could not contact
Los Arboles Apartments	Brownsville	Market – Family	Could not contact
Central Avenue Apartments	Brownsville	Market – Family	Could not contact
Morningside Plaza Apartments	Brownsville	Market – Family	Could not contact
Travis Apartments	Brownsville	Market – Family	Could not contact
Olmito Garden Apartments	Olmito	Market – Family	Could not contact
Rancho Viejo Rentals	Brownsville	Market – Family	Could not contact

Proposed Construction

We attempted to contact the Planning Department of the City of Brownsville to obtain information on any multifamily development currently under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful. However, based on our physical inspection of the Submarket, there do not appear to be any multifamily developments currently under construction or in the planning stages.

Unit Mix

The following table illustrates the unit mix in the family market rate rental property market. It should be noted that La Residencia Apartments and Resaca Jardin were unable to provide unit mixes and have been excluded from this analysis.

Unit Mix - Market Family		
Unit Type	Total Units	Percent
Studio	48	2.7%
1 BR	734	41.6%
2 BR	822	46.5%
3 BR	158	8.9%
4 BR	4	0.2%
Total	1,766	100%

The majority of the market rate units in the Submarket are two-bedroom units, followed by one-bedroom units and three-bedroom units. Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Market data, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the family market rate rental property market.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
Studio	498	498	498
1 BR	528	814	668
2 BR	724	1,300	1,004
3 BR	1,000	1,600	1,257
4 BR	1,989	1,989	1,989

The surveyed market rate properties in the Submarket had a studio-bedroom average unit size of 498 square feet, a one-bedroom average unit size of 668 square feet, a two-bedroom average unit size of 1,004 square feet, a three-bedroom average unit size of 1,257 and a four-bedroom average unit size of 1,989 square feet.

Unit Matrix Report

Comp #	Bonaventure Apartments 1	Borders Apartments 2	Brazos On Colony Apartments 3	Casa Grande Apartments 4	La Hacienda Apartments 5	La Mansion Del Paseo 6	La Residencia Apartments 7	Landing Apartments 8	Las Brisas Apartments 9
Property Information									
Property Type	Various	Garden (2 stories)	Garden	Various (2 stories)	Various (2 stories)	Garden	Various	Garden	Garden
Year Built / Renovated	1973 / n/a	1973 / n/a	1984 / n/a	1970's / n/a	1965 / n/a	2001 / n/a	1987 / n/a	n/a / n/a	1979 / n/a
Market (Conv./)Subsidy Type	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	no	yes	no	yes	yes	no	yes	no	yes
Blinds	yes	yes	yes	yes	yes	yes	yes	yes	yes
Cable/Satellite/Internet	no	yes	yes	no	yes	yes	no	yes	no
Carpeting	yes	yes	yes	yes	yes	yes	yes	no	no
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes
Coat Closet	no	yes	no	yes	yes	no	no	no	no
Dishwasher	yes	yes	yes	yes	yes	yes	yes	yes	no
Exterior Storage	no	yes	no	no	no	no	no	no	no
Ceiling Fan	no	yes	yes	no	yes	yes	no	yes	no
Garbage Disposal	yes	yes	yes	yes	yes	yes	no	yes	no
Microwave	no	no	no	no	no	yes	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	yes	no	yes	yes	yes	no	no	no
Washer/Dryer	no	no	no	no	no	no	no	no	no
Washer/Dryer hookup	no	no	no	no	no	yes	no	no	no
Property Amenities									
Basketball Court	no	yes	yes	no	no	no	no	no	no
Carport	no	no	no	no	yes	yes	no	no	no
Clubhouse/Meeting Room/Community Room	no	no	yes	no	no	yes	no	no	no
Courtyard	no	no	no	no	yes	no	no	no	no
Exercise Facility	no	no	yes	no	no	no	no	no	no
Garage	no	no	no	no	no	no	no	no	no
Jacuzzi	no	no	no	no	no	no	no	no	no
Central Laundry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Off-Street Parking	yes	yes	yes	yes	yes	yes	yes	yes	yes
On-Site Management	yes	yes	yes	yes	yes	yes	yes	no	yes
Picnic Area	no	no	no	no	yes	yes	no	yes	no
Playground	no	yes	yes	no	no	yes	yes	no	yes
Recreation Areas	no	no	yes	no	yes	no	no	no	no
Service Coordination	no	no	no	no	yes	no	no	no	no
Swimming Pool	yes	yes	yes	yes	no	yes	yes	no	no
Tennis Court	no	yes	yes	no	no	no	no	no	no
Volleyball Court	no	yes	no	no	no	yes	no	no	no
Carport Fee	--	--	--	--	--	\$15.00	--	--	--
Garage Fee	--	--	--	--	--	--	--	--	--
Services									
Security									
Limited Access	no	no	no	no	no	no	no	no	no
Patrol	no	yes	no	yes	no	yes	no	no	no
Perimeter Fencing	no	no	no	no	no	no	no	no	no
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	bookshelves and dry bar	n/a	n/a	n/a

Unit Matrix Report

Comp #	Las Palmas Apartments	Las Resacas Apartments	Los Cedros Apartments	Marr Apartments	Resaca Jardin	Towne East Apartments	Tulane Apartments	Villa Madrid Apartments	Villas De San Miguel
	10	11	12	13	14	15	16	17	18
Property Information									
Property Type	Garden (2 stories)	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Various
Year Built / Renovated	2002 / n/a	1982 / n/a	1979 / 1988	2007 / n/a	1960's / n/a	1970's / n/a	1966 / n/a	1974 / n/a	n/a / n/a
Market (Conv.)/Subsidy Type	Market	Market	Market	Market	Market	Market	Market	Market	Market
In-Unit Amenities									
Balcony/Patio	yes	yes	yes	no	no	yes	no	yes	no
Blinds	yes	yes	yes	no	no	yes	no	yes	yes
Cable/Satellite/Internet	yes	no	no	no	no	no	no	yes	no
Carpeting	yes	yes	yes	no	yes	no	no	yes	yes
Central A/C	yes	yes	yes	yes	yes	yes	yes	yes	yes
Coat Closet	no	no	no	no	no	no	no	no	no
Dishwasher	yes	no	no	no	yes	yes	no	yes	yes
Exterior Storage	no	no	yes	no	no	no	no	no	no
Ceiling Fan	yes	no	yes	no	no	no	no	yes	no
Garbage Disposal	yes	no	yes	no	yes	yes	no	yes	yes
Microwave	yes	no	no	no	no	no	no	no	no
Oven	yes	yes	yes	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	no	no	no	no	no	no	yes	no
Washer/Dryer	yes	no	yes	no	no	no	no	no	no
Washer/Dryer hookup	no	yes	no	yes	no	yes	no	no	no
Property Amenities									
Basketball Court	no	no	yes	no	no	no	no	no	no
Carport	yes	no	no	no	no	yes	no	yes	no
Clubhouse/Meeting Room/Community Room	yes	no	no	no	no	no	no	no	no
Courtyard	no	no	no	no	no	no	no	no	no
Exercise Facility	yes	no	no	no	no	no	no	no	no
Garage	yes	no	no	no	no	no	no	no	no
Jacuzzi	no	no	no	no	no	no	no	yes	no
Central Laundry	no	yes	no	no	yes	no	yes	yes	yes
Off-Street Parking	yes	yes	no	yes	yes	yes	yes	no	no
On-Site Management	yes	yes	no	no	no	yes	no	no	yes
Picnic Area	no	no	no	no	no	no	no	no	no
Playground	no	no	no	no	no	no	no	no	no
Recreation Areas	no	no	no	no	no	no	no	no	no
Service Coordination	no	no	no	no	no	no	no	no	no
Swimming Pool	yes	yes	yes	no	no	no	no	yes	yes
Tennis Court	no	no	yes	no	no	no	no	yes	no
Volleyball Court	no	no	no	no	no	no	no	no	no
Carport Fee	\$15.00	--	--	--	--	--	--	--	--
Garage Fee	\$75.00	--	--	--	--	--	--	--	--
Services									
Security									
Limited Access	yes	no	no	no	no	no	no	no	no
Patrol	no	no	no	no	no	no	no	no	no
Perimeter Fencing	yes	no	no	no	no	no	no	no	no
Premium Amenities									
Other Amenities									
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Cable is included with rent	n/a

The surveyed market rate properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Four of the 18 surveyed properties offer security features of some kind.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. It should be noted that La Residencia Apartments and Resaca Jardin were unable to provide vacancy by unit type and have been excluded from this analysis.

Weighted Vacancy - Market Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
Studio	48	4	8.3%
1 BR	734	10	1.4%
2 BR	822	29	3.5%
3 BR	158	3	1.9%
4 BR	4	0	0.0%
Total	1,766	46	2.6%

It should be noted that the average at La Residencia Apartments and Resaca Jardin is 1.9 percent.

Absorption

Two of the surveyed market rate comparables were able to provided absorption information. La Mansion Del Paseo opened in 2001 and reported an absorption pace of 12 units per month, for an absorption period of seven months. Las Palmas Apartments opened in 2002 and reported an absorption pace of 10 units per month, for an absorption period of approximately 14 months.

Waiting Lists

The following table lists the number of households on the waiting lists for the surveyed properties.

Waiting Lists – LIHTC Family		
Property Name	Number of Units	Waiting List
Bonaventure Apartments	100	15 HH for all unit types
Borders Apartments	296	None
Brazos on Colony Apartments	152	None
Casa Grande Apartments	116	None
La Hacienda Apartments	132	None
La Mansion Del Paseo	84	14 HH for 1BR and 3BR units
La Residencia Apartments	244	Yes, for 1BR and 3BR units
Landing Apartments	32	None
Las Brisas Apartments	72	None
Las Palmas Apartments	144	None
Las Resacas Apartments	92	None
Los Cedros	136	None
Marr Apartments	66	None
Resaca Jardin	52	None
Towne East Apartments	76	None
Tulane Apartments	64	3 HH for 1BR units
Villa Madrid Apartments	172	10 HH 3BR units
Villas De San Miguel	32	Yes for 2 BR units

Six of the 18 surveyed family market rate properties currently maintain waiting lists. Waiting lists range in size from three households to 15 households for one-, two- and three-bedroom units.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Bonaventure Apartments	Market	100	0	0.0%
Borders Apartments	Market	296	9	3.0%
Brazos On Colony Apartments	Market	152	12	7.9%
Casa Grande Apartments	Market	116	3	2.6%
La Hacienda Apartments	Market	132	3	2.3%
La Mansion Del Paseo	Market	84	0	0.0%
La Residencia Apartments	Market	244	5	2.0%
Landing Apartments	Market	32	0	0.0%
Las Brisas Apartments	Market	72	2	2.8%
Las Palmas Apartments	Market	144	1	0.7%
Las Resacas Apartments	Market	92	8	8.7%
Los Cedros Apartments	Market	136	2	1.5%
Marr Apartments	Market	66	0	0.0%
Resaca Jardin	Market	52	0	0.0%
Towne East Apartments	Market	76	2	2.6%
Tulane Apartments	Market	64	0	0.0%
Villa Madrid Apartments	Market	172	0	0.0%
Villas De San Miguel	Market	32	0	0.0%
Total		2,062	47	2.3%

Vacancy rates range from zero percent to 8.7 percent, with an average vacancy rate of 2.3 percent, which is considered excellent.

Concessions

One of the market rate comparables is currently offering concessions. Brazos on Colony Apartments is offering \$100 off the first month's rent for all units. Concessions do not appear to be common in the market, which is indicative of a strong rental housing market.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Bonaventure Apartments	Market	20%
Borders Apartments	Market	28%
Brazos on Colony Apartments	Market	40%
Casa Grande Apartments	Market	9%
La Hacienda Apartments	Market	27%
La Mansion Del Paseo	Market	40%
La Residencia Apartments	Market	30%
Landing Apartments	Market	40%
Las Brisas Apartments	Market	33%
Las Palmas Apartments	Market	12%
Las Resacas Apartments	Market	25%
Los Cedros Apartments	Market	31%
Marr Apartments	Market	18%
Resaca Jardin	Market	23%
Towne East Apartments	Market	31%
Tulane Apartments	Market	20%
Villa Madrid Apartments	Market	24%
Villas De San Miguel	Market	25%
Total		26.4%

Annual turnover rates reported range from nine percent to 40 percent, with an average of 26.4 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
1	Bonaventure Apartments 2313 Shidler Drive Brownsville, TX 78521 Cameron County	Various 1973 / n/a	Market	1BR / 1BA (Garden)	18	18.00%	Market	\$459	704	n/a	15 HH	0	0.00%
				1BR / 1BA (Garden)	18	18.00%	Market	\$479	704	n/a	15 HH	0	0.00%
				2BR / 1BA (Townhouse)	20	20.00%	Market	\$594	1,119	n/a	15 HH	0	0.00%
				2BR / 2BA (Garden)	20	20.00%	Market	\$574	990	n/a	15 HH	0	0.00%
				2BR / 2BA (Garden)	10	10.00%	Market	\$604	1,136	n/a	15 HH	0	0.00%
				2BR / 2BA (Garden)	10	10.00%	Market	\$629	1,136	n/a	15 HH	0	0.00%
				3BR / 2BA (Garden)	2	2.00%	Market	\$734	1,324	n/a	15 HH	0	0.00%
				3BR / 2BA (Garden)	2	2.00%	Market	\$759	1,324	n/a	15 HH	0	0.00%
				100	100%						0	0.00%	
2	Borders Apartments 375 Media Luna Rd Brownsville, TX 78521 Cameron County	Garden (2 stories) 1973 / n/a	Market	Studio / 1BA	48	16.20%	Market	\$409	498	n/a	No	4	8.30%
				1BR / 1BA	72	24.30%	Market	\$509	669	n/a	No	1	1.40%
				1BR / 1BA	56	18.90%	Market	\$519	768	n/a	No	3	5.40%
				2BR / 1BA	48	16.20%	Market	\$579	912	n/a	No	0	0.00%
				2BR / 2BA	40	13.50%	Market	\$689	1,168	n/a	No	1	2.50%
				3BR / 2BA	32	10.80%	Market	\$729	1,212	n/a	No	0	0.00%
				296	100%						9	3.00%	
3	Brazos On Colony Apartments 1900 Coffeepport Road Brownsville, TX 78521 Cameron County	Garden 1984 / n/a	Market	1BR / 1BA	88	57.90%	Market	\$627	690	n/a	No	3	3.40%
				2BR / 1.5BA	48	31.60%	Market	\$727	890	n/a	No	8	16.70%
				3BR / 2BA	16	10.50%	Market	\$827	1,120	n/a	No	1	6.20%
				152	100%						12	7.90%	

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
4	Casa Grande Apartments 2425 Barnard Rd Brownsville, TX 78520 Cameron County	Various (2 stories) 1970's / n/a	Market	1BR / 1BA (Garden)	16	13.80%	Market	\$415	653	n/a	No	0	0.00%
				2BR / 1.5BA (Townhouse)	12	10.30%	Market	\$525	1,300	n/a	No	0	0.00%
				2BR / 2BA (Garden)	76	65.50%	Market	\$515	1,137	n/a	No	3	3.90%
				3BR / 2BA (Garden)	4	3.40%	Market	\$565	1,337	n/a	No	0	0.00%
				3BR / 2.5BA (Townhouse)	4	3.40%	Market	\$595	1,600	n/a	No	0	0.00%
				4BR / 2.5BA (Townhouse)	4	3.40%	Market	\$650	1,989	n/a	No	0	0.00%
								116	100%				
5	La Hacienda Apartments 1405 Boca Chica Boulevard Brownsville, TX 78520 Cameron County	Various (2 stories) 1965 / n/a	Market	1BR / 1BA (Garden)	30	22.70%	Market	\$410	528	n/a	No	1	3.30%
				1BR / 1BA (Garden)	12	9.10%	Market	\$420	693	n/a	No	0	0.00%
				1BR / 1BA (Garden)	8	6.10%	Market	\$430	739	n/a	No	0	0.00%
				2BR / 1BA (Garden)	28	21.20%	Market	\$460	756	n/a	No	0	0.00%
				2BR / 1.5BA (Garden)	12	9.10%	Market	\$475	835	n/a	No	0	0.00%
				2BR / 1.5BA (Garden)	4	3.00%	Market	\$525	1,150	n/a	No	0	0.00%
				2BR / 2BA (Garden)	4	3.00%	Market	\$520	930	n/a	No	0	0.00%
				2BR / 2BA (Garden)	12	9.10%	Market	\$525	1,005	n/a	No	0	0.00%
				2BR / 2.5BA (Townhouse)	4	3.00%	Market	\$545	1,200	n/a	No	0	0.00%
				3BR / 2BA (Garden)	14	10.60%	Market	\$565	1,120	n/a	No	2	14.30%
				4	3.00%	Market	\$645	1,463	n/a	No	0	0.00%	
				132	100%						3	2.30%	
6	La Mansion Del Paseo 2700 FM 802 Brownsville, TX 78526 Cameron County	Garden 2001 / n/a	Market	1BR / 1BA	12	14.30%	Market	\$630	654	n/a	Yes	0	0.00%
				1BR / 1BA	24	28.60%	Market	\$710	814	n/a	Yes	0	0.00%
				2BR / 2BA	12	14.30%	Market	\$865	1,043	n/a	No	0	0.00%
				2BR / 2BA	24	28.60%	Market	\$910	1,114	n/a	No	0	0.00%
				3BR / 2BA	12	14.30%	Market	\$1,010	1,326	n/a	Yes	0	0.00%
				84	100%						0	0.00%	

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
7	La Residencia Apartments 2454 E. Price Road Brownsville, TX 78521 Cameron County	Various 1987 / n/a	Market	1BR / 1BA (Garden)	N/A	N/A	Market	\$499	704	n/a	Yes	0	N/A
				2BR / 1BA (Garden)	N/A	N/A	Market	\$599	910	n/a	No	2	N/A
				2BR / 2BA (Garden)	N/A	N/A	Market	\$629	1,136	n/a	No	2	N/A
				2BR / 2BA (Townhouse)	N/A	N/A	Market	\$621	1,119	n/a	No	1	N/A
				3BR / 2BA (Garden)	N/A	N/A	Market	\$759	1,324	n/a	Yes	0	N/A
					244	100%						5	2.00%
8	Landing Apartments 64 Lindale Drive Brownsville, TX 78521 Cameron County	Garden n/a / n/a	Market	1BR / 1BA	16	50.00%	Market	\$430	650	n/a	No	0	0.00%
				2BR / 1BA	16	50.00%	Market	\$485	950	n/a	No	0	0.00%
					32	100%						0	0.00%
9	Las Brisas Apartments 5570 FM 802 Brownsville, TX 78526 Cameron County	Garden 1979 / n/a	Market	1BR / 1BA	36	50.00%	Market	\$395	580	n/a	No	0	0.00%
				2BR / 1BA	36	50.00%	Market	\$445	724	n/a	No	2	5.60%
					72	100%						2	2.80%
10	Las Palmas Apartments 4200 Las Palmas Brownsville, TX 78521 Cameron County	Garden (2 stories) 2002 / n/a	Market	1BR / 1BA	20	13.90%	Market	\$667	618	n/a	No	0	0.00%
				1BR / 1BA	20	13.90%	Market	\$677	618	n/a	No	0	0.00%
				1BR / 1BA	20	13.90%	Market	\$769	739	n/a	No	0	0.00%
				1BR / 1BA	20	13.90%	Market	\$779	739	n/a	No	0	0.00%
				2BR / 1BA	8	5.60%	Market	\$882	969	n/a	No	0	0.00%
				2BR / 1BA	8	5.60%	Market	\$902	969	n/a	No	1	12.50%
				2BR / 1BA	8	5.60%	Market	\$882	1,005	n/a	No	0	0.00%
				2BR / 1BA	8	5.60%	Market	\$902	1,005	n/a	No	0	0.00%
				2BR / 2BA	8	5.60%	Market	\$939	1,037	n/a	No	0	0.00%
				2BR / 2BA	8	5.60%	Market	\$964	1,037	n/a	No	0	0.00%
				2BR / 2BA	16	11.10%	Market	\$959	1,075	n/a	No	0	0.00%
					144	100%						1	0.70%
11	Las Resacas Apartments 275 Morningside Road Brownsville, TX 78521 Cameron County	Garden 1982 / n/a	Market	2BR / 1BA	92	100.00%	Market	\$495	822	n/a	No	8	8.70%
					92	100%						8	8.70%

Market Analysis – McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs, TX

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size	Max	Wait	Units Vacant	Vacancy Rate
									(SF)	Rent?	List?		
12	Los Cedros Apartments 1025 Wildrose Lane Brownsville, TX 78520 Cameron County	Garden 1979 / 1988	Market	1BR / 1BA	72	52.90%	Market	\$522	600	n/a	No	0	0.00%
				2BR / 1BA	34	25.00%	Market	\$622	760	n/a	No	1	2.90%
				2BR / 1BA	30	22.10%	Market	\$632	835	n/a	No	1	3.30%
					136	100%							2
13	Marr Apartments 7675 Southmost Road Brownsville, TX 78521 Cameron County	Garden 2007 / n/a	Market	3BR / 1BA	66	100.00%	Market	\$600	1,000	n/a	No	0	0.00%
					66	100%						0	0.00%
14	Resaca Jardin 3801 Boca Chica Boulevard Brownsville, TX 78521 Cameron County	Garden 1960's / n/a	Market	1BR / 1BA	N/A	N/A	Market	\$415	650	n/a	No	0	N/A
				2BR / 1BA	N/A	N/A	Market	\$465	875	n/a	No	0	N/A
				3BR / 1BA	N/A	N/A	Market	\$525	1,025	n/a	No	0	N/A
					52	100%							0
15	Towne East Apartments 4200 Boca Chica Boulevard Brownsville, TX 78521 Cameron County	Garden 1970's / n/a	Market	1BR / 1BA	44	57.90%	Market	\$440	638	n/a	No	2	4.50%
				2BR / 1BA	32	42.10%	Market	\$540	934	n/a	No	0	0.00%
					76	100%							2
16	Tulane Apartments 425 North Expressway Brownsville, TX 78520 Cameron County	Garden 1966 / n/a	Market	1BR / 1BA	64	100.00%	Market	\$450	600	n/a	Yes-3HH	0	0.00%
					64	100%							0
17	Villa Madrid Apartments 2727 Old Alice Road Brownsville, TX 78521 Cameron County	Garden 1974 / n/a	Market	1BR / 1BA	68	39.50%	Market	\$475	666	n/a	No	0	0.00%
				2BR / 1BA	36	20.90%	Market	\$550	895	n/a	No	0	0.00%
				2BR / 1.5BA	36	20.90%	Market	\$550	875	n/a	No	0	0.00%
				2BR / 2BA	30	17.40%	Market	\$595	975	n/a	No	0	0.00%
				3BR / 2BA	2	1.20%	Market	\$650	1,235	n/a	Yes	0	0.00%
					172	100%							0
18	Villas De San Miguel 628 Lindale Drive Brownsville, TX 78521 Cameron County	Various n/a / n/a	Market	2BR / 1.5BA (Townhouse)	8	25.00%	Market	\$675	1,200	n/a	Yes	0	0.00%
				2BR / 2BA (Garden)	24	75.00%	Market	\$600	1,000	n/a	Yes	0	0.00%
					32	100%							0

Rent and Square Footage Ranking

Rent and Square Footage Ranking

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$423
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$488
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$559
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$691
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$781
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

The average studio-bedroom market rate rent for the surveyed comparables is \$409. The one-bedroom market rate rents for the surveyed comparables range from \$395 to \$779, with an average rent of \$527. The two-bedroom market rate rents for the surveyed comparables range from \$445 to \$964, with an average rent of \$646. The three-bedroom market rate rents for the surveyed comparables range from \$525 to \$1,010, with an average rent of \$689. The average four-bedroom market rate rents for the surveyed comparables is \$650. The studio-bedroom average market rent of \$409 is above the LIHTC maximum allowable rent limits at 30, 40 and 50 percent AMI, but below the maximum allowable rent limits at 60, 80 and 100 percent of AMI, as well as the fair market rent. The one-bedroom average market rent of \$527 is above the LIHTC maximum allowable rent limits at 30, 40, 50 and 60 percent of AMI, as well as the fair market rent but below the maximum allowable rent limits at 80 and 100 percent of AMI. The two-bedroom average market rent of \$646 is above the LIHTC maximum allowable rent limits at 30, 40, 50 and 60 percent of AMI, as well as the fair market rent, but is below the LIHTC maximum allowable rents at 80 and 100 percent of AMI. The three-bedroom average market rent of \$689 is above the LIHTC maximum allowable rents at 30, 40, 50 and 60 percent of AMI, but is below the maximum allowable rent limits at 80 and 100 percent of AMI, as well as the fair market rent. The four-bedroom average market rent of \$650 is above the LIHTC maximum allowable rents at 30, 40 and 50 percent AMI, but below the maximum allowable rent limits at 60, 80 and 100 percent of AMI, as well as the fair market rent.

Market Supply Conclusion

We identified 34 market rate multifamily developments in the South Cameron County Submarket, but were only able to interview 18 of the properties.

The majority of the market rate units in the Submarket are two-bedroom units, followed by one-bedroom units and three-bedroom units. Small unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Market data, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The surveyed market rate properties in the West Cameron County Submarket offer a moderate amount of in-unit and community amenities. Four of the 18 surveyed properties offer security features of some kind.

One of the market rate comparables is currently offering concessions. Brazos on Colony Apartments is offering \$100 off the first month's rent for all units. Concessions do not appear to be common in the market. Six of the 18 surveyed family LIHTC properties currently maintain waiting lists. Waiting lists range in size from three households to 15 households for one-, two- and three-bedroom units. Two of the surveyed market rate comparables were able to provide absorption information. La Mansion Del Paseo opened in 2001 and reported an absorption pace of 12 units per month, for an absorption period of seven months. Las Palmas Apartments opened in 2002 and reported an absorption pace of 10 units per month, for an absorption period of approximately 14 months. Annual turnover rates reported range from nine percent to 40 percent, with an average of 26.4 percent. Vacancy rates range from zero percent to 8.7 percent, with an average vacancy rate of 2.3 percent, which is considered excellent.

MARKET RATE SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior-oriented market rate developments in the Submarket using Novogradac's online database, observations in the field, various Internet search methods, and interviews with local housing providers, property managers, and city and county planning and development officials. There were no identifiable senior market rate properties in the West Cameron County Submarket. Based on the lack of available data, we did not complete a market rate senior market analysis. There are no proposed or under construction market rate properties in the South Cameron County Submarket.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

We identified 11 family subsidized properties and one family LIHTC/subsidized property in the Submarket, but were only able to interview six properties.

The following map illustrates the location of the surveyed subsidized comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Ancira Apartments	Brownsville	Public Housing – Family
2	Bougainvillea Apartments	Brownsville	Public Housing – Family
3	Buena Vida Apartments	Brownsville	Public Housing – Family
4	Tropical Gardens at Boca Chica	Brownsville	LIHTC/Section 8 - Family
5	Victoria Gardens	Brownsville	Public Housing – Family
6	Rockwell Manor Apartments	Brownsville	Section 8 - Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



Ancira Apartments



Bougainvillea Apartments



Buena Vida Apartments



Tropical Gardens at Boca Chica



Victoria Gardens



Rockwell Manor Apartments

Excluded Properties

The following table illustrates excluded family subsidized properties in the Submarket. We have only excluded properties that we were unable to contact either in person or over the phone or properties that are fully furnished and/or corporate apartments.

Name	Location	Type	Reason for Exclusion
Candlewick Townhomes	Brownsville	Section 8 – Family	Could not contact
El Santander	Brownsville	Section 8 – Family	Could not contact
Los Ebanos Apartments	Brownsville	Section 8 – Family	Could not contact

Proposed/Under Construction

We attempted to contact Yolanda Santa Maria in the Public Housing office of the Cameron County Housing Authority both in person and over the phone to determine if there are any public housing developments under construction or in the planning stages in the Submarket. As of the date of this report, our attempts have been unsuccessful.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market. It should be noted that Ancira Apartments, Buena Vida Apartments and Victoria Gardens were unable to provide complete unit mixes and have been excluded from this analysis.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	48	20.5%
2 BR	80	34.2%
3 BR	90	38.5%
4 BR	16	6.8%
Total	234	100%

The majority of the subsidized units in the Submarket are three-bedroom units, followed by two-bedroom units. Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized family developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

There is an insufficient amount of subsidized multi-family development in the Submarket, on which to base an effective analysis of unit size. It should be noted that Bougainvillea Apartments and Victoria Gardens were unable to provide unit sizes. However, the following table illustrates the existing unit sizes in the subsidized rental property market.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	559	1,096	723
2 BR	682	1,450	961
3 BR	950	1,664	1,174
4 BR	1,142	1,142	1,142

The surveyed subsidized properties in the Submarket had a one-bedroom average unit size of 723 square feet, a two-bedroom average unit size of 961 square feet, a three-bedroom average unit size of 1,174 and a four-bedroom average unit size of 1,142 square feet.

Common and In-Unit Amenities

	Ancira Apartments	Bougainvillea	Buena Vida	Tropical Gardens At Boca Chica	Victoria Gardens	Rockwell Manor Apartments
Comp #	1	2	3	4	5	6
Property Information						
Property Type	Garden	Garden	Duplex	Garden (2 stories)	Garden	Garden
Year Built / Renovated	1960's / n/a	1930's / n/a	1930's / n/a	2006 / n/a	1930's / n/a	1972 / 2008
Market (Conv./Subsidy Type)	@30% (Public Housing)	@30% (Public Housing)	@30% (Public Housing)	@50%, @60%, Market, Section 8 (Public Housing)	@30% (Public Housing)	Section 8
In-Unit Amenities						
Balcony/Patio	no	no	no	yes	no	no
Blinds	yes	no	no	yes	no	yes
Cable/Satellite/Internet	no	no	no	yes	no	no
Carpeting	no	no	no	yes	no	no
Central A/C	no	no	no	yes	no	yes
Coat Closet	no	no	no	yes	no	no
Dishwasher	no	no	no	yes	no	yes
Exterior Storage	no	no	no	yes	no	no
Ceiling Fan	no	no	no	yes	no	no
Garbage Disposal	no	no	no	yes	no	yes
Microwave	no	no	no	yes	no	no
Oven	yes	yes	yes	yes	yes	yes
Refrigerator	yes	yes	yes	yes	yes	yes
Walk-In Closet	no	no	no	yes	no	no
Window A/C	yes	yes	no	no	yes	no
Washer/Dryer hookup	no	yes	yes	yes	yes	no
Property Amenities						
Business Center/Computer Lab	no	no	no	yes	no	no
Carport	no	no	no	yes	no	yes
Clubhouse/Meeting Room/Community Room	no	no	no	yes	no	no
Exercise Facility	no	no	no	yes	no	yes
Central Laundry	yes	no	no	yes	no	yes
Off-Street Parking	yes	no	no	yes	no	yes
On-Site Management	no	no	no	yes	no	yes
Picnic Area	no	no	no	yes	no	no
Playground	no	no	no	yes	no	yes
Sport Court	no	no	no	yes	no	no
Swimming Pool	no	no	no	yes	no	no
Services						
Afterschool Program	no	no	no	yes	no	no
Security						
Limited Access	no	no	no	yes	no	no
Patrol	no	no	no	yes	no	no
Perimeter Fencing	no	no	no	yes	no	no
Video Surveillance	no	no	no	yes	no	no
Premium Amenities						
Other Amenities						
Other	n/a	n/a	n/a	n/a	n/a	n/a

The existing subsidized family properties in the South Cameron County Submarket offer limited in-unit and community amenities. The surveyed subsidized comparables offer no services, no security features and no premium amenities, with the exception of Tropical Gardens at Boca Chica, a LIHTC/Section 8/Market property. A basic appliance package is provided at all properties, with washer/dryer connections offered at four properties.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties. It should be noted that Ancira Apartments, Buena Vida Apartments and Victoria Gardens were unable to provide vacancy by unit type and have been excluded from this analysis.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	48	0	0.0%
2 BR	80	1	1.3%
3 BR	90	0	0.0%
4 BR	16	0	0.0%
Total	234	1	0.4%

Absorption

Tropical Gardens at Boca Chica opened in 2006 and reported an absorption rate of 26 units per month, for an absorption period of approximately six months.

Waiting List

Tropical Gardens at Boca Chica maintains a waiting list of 28 households for the one-bedroom Section 8 units, 35 households for the two-bedroom Section 8 units and 16 households for the three-bedroom Section 8 units. The remaining surveyed subsidized developments draw tenants from the Brownsville Housing Authority Public Housing and Section 8 waiting list, which currently has 521 households on it and is between 6 months and a year in wait time. Based on the extensive waiting list for Public Housing and Section 8, we anticipate significant future demand for very low income affordable housing.

Vacancy Levels

The following table summarizes overall vacancy levels at the surveyed properties.

Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Ancira Apartments	Public Housing	45	0	0.0%
Bougainvillea Apartments	Public Housing	50	1	2.0%
Buena Vida Apartments	Public Housing	N/A	1	N/A
Tropical Gardens at Boca Chica	LIHTC/Section 8	58	0	0.0%
Victoria Gardens	Public Housing	46	2	4.3%
Rockwell Manor Apartments	Section 8	126	0	0.0%
Total		267	4	1.5%

Vacancy rates range from zero percent to 4.3 percent, with an average vacancy rate of 1.5 percent, which is considered excellent.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Ancira Apartments	Public Housing	N/A
Bougainvillea Apartments	Public Housing	24%
Buena Vida Apartments	Public Housing	16%
Tropical Gardens at Boca Chica	LIHTC/Section 8	9%
Victoria Gardens	Public Housing	15%
Rockwell Manor	Section 8	N/A
Total		16.0%

Annual turnover rates reported range from nine percent to 24 percent, with an average of 16.0 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Ancira Apartments 24 E. Washington Street Brownsville, TX 78520 Cameron County	Garden 1960's / n/a	@30% (Public Housing)	1BR / 1BA	N/A	N/A	@30%	\$335	600	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	@30%	\$472	750	n/a	Yes	0	N/A
				3BR / 1BA	N/A	N/A	@30%	\$535	950	n/a	Yes	0	N/A
					45	100%							0
2	Bougainvillea 753 W. Washington Brownsville, TX 78520 Cameron County	Garden 1930's / n/a	@30% (Public Housing)	1BR / 1BA	20	40.00%	@30%	\$300	N/A	n/a	Yes	0	0.00%
				2BR / 1BA	24	48.00%	@30%	\$365	N/A	n/a	Yes	1	4.20%
				3BR / 1BA	6	12.00%	@30%	\$425	N/A	n/a	Yes	0	0.00%
					50	100%							1
3	Buena Vida 1419 E. Tyler Brownsville, TX 78520 Cameron County	Duplex 1930's / n/a	@30% (Public Housing)	1BR / 1BA	N/A	N/A	@30%	\$300	1,096	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	@30%	\$365	1,450	n/a	Yes	1	N/A
				3BR / 1BA	N/A	N/A	@30%	\$425	1,664	n/a	Yes	0	N/A
						100%							1
4	Tropical Gardens At Boca Chica 250 Ash Street Brownsville, TX 78521 Cameron County	Garden (2 stories) 2006 / n/a	@50%, @60%, Market, Section 8 (Public Housing)	1BR / 1BA	24	15.20%	@60%	\$400	638	yes	10 HH	0	0.00%
				1BR / 1BA	2	1.30%	Market	\$557	638	n/a	No	0	0.00%
				1BR / 1BA	10	6.30%	Section 8	\$300	638	n/a	28 HH	0	0.00%
				2BR / 2BA	7	4.40%	@50%	\$380	960	yes	9 HH	0	0.00%
				2BR / 2BA	33	20.90%	@60%	\$478	960	yes	8 HH	0	0.00%
				2BR / 2BA	3	1.90%	Market	\$650	960	n/a	1 HH	0	0.00%
				2BR / 2BA	24	15.20%	Section 8	\$325	960	n/a	35 HH	0	0.00%
				3BR / 2BA	7	4.40%	@50%	\$434	1,120	yes	3 HH	0	0.00%
				3BR / 2BA	21	13.30%	@60%	\$548	1,120	yes	3 HH	0	0.00%
				3BR / 2BA	3	1.90%	Market	\$790	1,120	n/a	No	0	0.00%
				3BR / 2BA	24	15.20%	Section 8	\$350	1,120	n/a	16 HH	0	0.00%
					158	100%							
5	Victoria Gardens 1809 Grant Street Brownsville, TX 78521 Cameron County	Garden 1930's / n/a	@30% (Public Housing)	1BR / 1BA	N/A	N/A	@30%	\$300	N/A	n/a	Yes	0	N/A
				2BR / 1BA	N/A	N/A	@30%	\$365	N/A	n/a	Yes	1	N/A
				3BR / 1BA	N/A	N/A	@30%	\$425	N/A	n/a	Yes	1	N/A
					46	100%							2
6	Rockwell Manor Apartments 2735 Rockwell Circle Brownsville, TX 78521 Cameron County	Garden 1972 / 2008	Section 8	1BR / 1BA	18	14.30%	Section 8	N/A	559	n/a	Yes	0	0.00%
				2BR / 1BA	32	25.40%	Section 8	N/A	682	n/a	Yes	0	0.00%
				3BR / 2BA	60	47.60%	Section 8	N/A	961	n/a	Yes	0	0.00%
				4BR / 2BA	16	12.70%	Section 8	N/A	1,142	n/a	Yes	0	0.00%
					126	100%							0

Rent and Square Footage Ranking

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

There is an insufficient amount of subsidized multifamily developments in the Submarket, on which to base an effective rental rate analysis. As the surveyed subsidized properties are Public Housing and Section 8 developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The rental rates quoted above are “flat rents”. The flat rents at the surveyed subsidized properties are well below the payment standards for Cameron County. According to the Housing Authority of Brownsville, the Public Housing and Section 8 waiting list is 521 households long, indicating significant demand for very low income affordable housing.

Subsidized Family Supply Conclusion

We identified 11 family subsidized properties and one family LIHTC/subsidized property in the Submarket, but were only able to interview six properties.

The majority of the subsidized units in the Submarket are three-bedroom units, followed by two-bedroom units. Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.64 and is projected to decrease slightly by 2012 to 3.63. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Additionally, there are a large number of schools in the Submarket, suggesting that there is a high concentration of families in the area. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized family developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The existing subsidized family properties in the South Cameron County Submarket offer limited in-unit and community amenities. The surveyed subsidized properties offer no security features and no premium amenities, with the exception of Tropical Gardens at Boca Chica, a LIHTC/Section 8/Market property. A basic appliance package is provided at all properties, with washer/dryer connections offered at four properties.

None of the surveyed comparables are offering concessions. Tropical Gardens at Boca Chica reported an absorption rate of 26 units per month, for an absorption period of approximately six months. Tropical Gardens at Boca Chica maintains a waiting list of 28 households for the one-bedroom Section 8 units, 35 households for the two-bedroom Section 8 units and 16 households for the three-bedroom Section 8 units. The remaining surveyed subsidized developments draw tenants from the Brownsville Housing Authority Public Housing and Section 8 waiting list, which currently has 521 households on it and is between 6 months and a year in wait time. Based on the extensive waiting list for Public Housing and Section 8, we anticipate significant future demand for very low income affordable housing. Annual turnover rates reported range from nine percent to 24 percent,

with an average of 16.0 percent. Vacancy rates range from zero percent to 4.3 percent, with an average vacancy rate of 1.5 percent, which is considered excellent.

There is an insufficient amount of subsidized multi-family development in the Submarket, on which to base an effective rental rate analysis. As the surveyed subsidized properties are Public Housing and Section 8 developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. The flat rents at the surveyed subsidized properties are well below the payment standards for Cameron County. According to the Housing Authority of Brownsville, the Public Housing and Section 8 waiting list is 521 households long, indicating significant demand for very low income affordable housing.

SUBSIDIZED SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac's online database, HUD's online rental housing search database, the USDA's online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

There are three existing senior Section 8 subsidized developments located in the South Cameron County Submarket. Casa de Amigos I is a senior targeted subsidized development which consists of one- and two-bedroom units and is located in Brownsville. Casa Del Mar Apartments is a senior targeted subsidized development which consists of one-bedroom units and is located in Brownsville. Lindale Village Apartments is a senior targeted subsidized development which consists of one-bedroom units and is located in Brownsville. Despite numerous attempts to contact these properties both in person and over the phone, our attempts have been unsuccessful as of the date of this report. There are no other existing senior targeted subsidized developments in this Submarket. Based on the lack of available data, no analysis was made of the senior subsidized market as the single subsidized senior development was unavailable.

There are no proposed or under construction subsidized senior properties in the South Cameron County Submarket.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the South Cameron County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the South Cameron County Submarket in 2007 is 53,806 and the total number of households in 2012 is projected to be 60,471. The total number of households age 55 and older in the Submarket for 2007 is 17,493, with a 2012 projection of 21,370 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 34.4 percent of the occupied housing unit households in the South Cameron County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 23.0 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum

income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the South Cameron County Submarket (Brownsville-Harlingen, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the South Cameron County Submarket, approximately 33.8 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 2.0 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the South Cameron County Submarket, it is estimated that 26.3 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 16.7 percent.

Attempts to contact the three identified senior LIHTC properties in this Submarket were unsuccessful as of the date of this report. Additionally, despite several attempts, we have been unable to contact the one senior subsidized property identified in the Submarket. Therefore, for the purpose of this analysis, we have used the average of all senior LIHTC and subsidized properties identified and surveyed in the MSA. This average turnover rate is 24 percent.

Unstabilized Rental Units - Existing and Proposed

To our knowledge, there are no proposed or under construction subsidized or LIHTC properties in the South Cameron County Submarket. Therefore, no units were deducted from the senior demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the South Cameron County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed

households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	3,522	1,637	152	178	178	230	180
2 person	3,158	943	304	306	259	262	192
3 person	3,272	1,143	343	347	234	408	244
4 person	3,548	1,175	351	305	238	412	308
5+person	5,007	1,897	615	464	439	595	308
Total	18,506	6,796	1,765	1,601	1,348	1,907	1,232
Number of Income-Qualified Renter Households		6,796	1,765	1,601	1,348	1,907	1,232
X	Percentage of Rent-Overburdened (33.8%)	2298	597	541	456	645	417
X	Percentage of Substandard Housing (2%)	136	35	32	27	38	25
X	Percentage of Overcrowded Housing (26.3%)	1787	464	421	355	502	324
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		4,221	1,097	994	837	1,185	765
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		4,221	1,097	994	837	1,185	765

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	4,094	1,903	177	207	207	267	209
2 person	3,431	1,025	330	333	281	285	208
3 person	3,577	1,250	375	379	256	446	266
4 person	4,044	1,339	400	348	271	469	351
5+person	5,560	2,107	683	515	487	661	342
Total	20,706	7,624	1,965	1,782	1,502	2,128	1,376
Number of Income-Qualified Renter Households		7,624	1,965	1,782	1,502	2,128	1,376
X	Percentage of Rent-Overburdened (33.8%)	2578	665	603	508	720	465
X	Percentage of Substandard Housing (2%)	152	39	36	30	43	28
X	Percentage of Overcrowded Housing (26.3%)	2005	517	469	395	560	362
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		4,736	1,221	1,107	933	1,322	855
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		4,736	1,221	1,107	933	1,322	855

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	3,522	1,637	152	178	178	230	180
2 person	3,158	943	304	306	259	262	192
3 person	3,272	1,143	343	347	234	408	244
4 person	3,548	1,175	351	305	238	412	308
5+person	5,007	1,897	615	464	439	595	308
Total	18,506	6,796	1,765	1,601	1,348	1,907	1,232
Number of Income-Qualified Renter Households		6,796	1,765	1,601	1,348	1,907	1,232
X	Percentage of Rent-Overburdened (33.8%)	2298	597	541	456	645	417
X	Percentage of Substandard Housing (2%)	136	35	32	27	38	25
X	Percentage of Overcrowded Housing (26.3%)	1787	464	421	355	502	324
X	Percentage of Estimated Turnover (16.7%)	1135	295	267	225	319	206
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		5,356	1,391	1,262	1,062	1,503	971
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		5,356	1,391	1,262	1,062	1,503	971

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	4,094	1,903	177	207	207	267	209
2 person	3,431	1,025	330	333	281	285	208
3 person	3,577	1,250	375	379	256	446	266
4 person	4,044	1,339	400	348	271	469	351
5+person	5,560	2,107	683	515	487	661	342
Total	20,706	7,624	1,965	1,782	1,502	2,128	1,376
Number of Income-Qualified Renter Households		7,624	1,965	1,782	1,502	2,128	1,376
X	Percentage of Rent-Overburdened (33.8%)	2578	665	603	508	720	465
X	Percentage of Substandard Housing (2%)	152	39	36	30	43	28
X	Percentage of Overcrowded Housing (26.3%)	2005	517	469	395	560	362
X	Percentage of Estimated Turnover (16.7%)	1273	328	298	251	355	230
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		6,009	1,549	1,405	1,184	1,677	1,085
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		6,009	1,549	1,405	1,184	1,677	1,085

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,935	1,281	119	82	82	71	34
2 person	1,065	423	126	127	102	68	43
3 person	454	115	47	47	35	64	48
4 person	351	73	34	29	21	32	29
5+person	418	91	37	42	45	45	36
Total	4,223	1,984	363	326	285	280	190
Number of Income-Qualified Renter Households		1,984	363	326	285	280	190
X	Percentage of Rent-Overburdened (33.8%)	671	123	110	97	95	64
X	Percentage of Substandard Housing (2%)	40	7	7	6	6	4
X	Percentage of Overcrowded Housing (26.3%)	522	95	86	75	74	50
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,232	225	203	177	174	118
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,232	225	203	177	174	118

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,255	1,493	139	95	95	82	40
2 person	1,194	474	141	142	114	76	48
3 person	562	143	58	58	43	79	59
4 person	511	106	50	42	31	46	42
5+person	577	126	51	57	63	63	49
Total	5,099	2,342	439	394	346	346	238
Number of Income-Qualified Renter Households		2,342	439	394	346	346	238
X	Percentage of Rent-Overburdened (33.8%)	792	148	133	117	117	80
X	Percentage of Substandard Housing (2%)	47	9	8	7	7	5
X	Percentage of Overcrowded Housing (26.3%)	616	115	104	91	91	63
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		1,455	273	245	215	215	148
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		1,455	273	245	215	215	148

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	1,935	1,281	119	82	82	71	34
2 person	1,065	423	126	127	102	68	43
3 person	454	115	47	47	35	64	48
4 person	351	73	34	29	21	32	29
5+person	418	91	37	42	45	45	36
Total	4,223	1,984	363	326	285	280	190
Number of Income-Qualified Renter Households		1,984	363	326	285	280	190
X	Percentage of Rent-Overburdened (33.8%)	671	123	110	97	95	64
X	Percentage of Substandard Housing (2%)	40	7	7	6	6	4
X	Percentage of Overcrowded Housing (26.3%)	522	95	86	75	74	50
X	Percentage of Estimated Turnover (24%)	476	87	78	69	67	46
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		1,708	313	281	246	241	163
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		1,708	313	281	246	241	163

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	2,255	1,493	139	95	95	82	40
2 person	1,194	474	141	142	114	76	48
3 person	562	143	58	58	43	79	59
4 person	511	106	50	42	31	46	42
5+person	577	126	51	57	63	63	49
Total	5,099	2,342	439	394	346	346	238
Number of Income-Qualified Renter Households		2,342	439	394	346	346	238
X	Percentage of Rent-Overburdened (33.8%)	792	148	133	117	117	80
X	Percentage of Substandard Housing (2%)	47	9	8	7	7	5
X	Percentage of Overcrowded Housing (26.3%)	616	115	104	91	91	63
X	Percentage of Estimated Turnover (24%)	562	105	95	83	83	57
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		2,017	378	339	298	298	205
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		2,017	378	339	298	298	205

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the South Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. It is estimated that by 2012, there will be an additional 828 renter households earning below 30 percent of the AMI. When this number is refined to account for households paying more than 35 percent of income as rent, households living in substandard units, households living in overcrowded conditions and turnover, there is potential demand from 653 of these households. With no additional planned subsidized or LIHTC units, and near 100 percent occupancy of existing affordable units, it is highly likely that there will be a continuing need for affordable housing in the Submarket.

Senior Households

Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. In fact, senior households account for nearly 30 percent of the potential demand in the Submarket for units at less than 30 percent of the AMI. With no additional LIHTC or subsidized units for seniors planned, there is likely a continuing need for additional affordable senior housing units in this Submarket.

3. CENTRAL CAMERON COUNTY SUBMARKET ANALYSIS

CENTRAL CAMERON COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the Central Cameron County Submarket, which is bounded to the north by Fresnol Road, FM 1561 and General Brant Road; to the east by San Roman Road and Old Port Isabel Road; to the south by US Highway 77 and FM 511; and to the west by Nelson Road/Cosey Road. The following map illustrates the boundaries of the Submarket as defined above.

Central Cameron County Submarket Map



The Central Cameron County Submarket includes the cities of Los Fresnos, Laureles and Rio Hondo. This Submarket is characterized primarily by vacant land and small communities proximate to limited locational amenities and essential services. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to very good condition and less than 5 to 40 years in age. There is limited multi-family development in fair to very good condition and five to 20 years in age.

Local Government

As previously mentioned, the West Hidalgo County Submarket includes the cities of Los Fresnos, Laureles and Rio Hondo.

Los Fresnos, Texas is a city in Cameron County and operates under a mayor-council form of government with four elected council members. According to the U.S. Census, Los Fresnos is comprised of a land area of 2.5 square miles and had a 2000 population of 4,512.

Rio Hondo, Texas is a city in Cameron County and operates under a mayor-council form of government. According to the U.S. Census, Rio Hondo is comprised of a land area of 1.5 square miles and had a 2000 population of 1,942.

Laureles, Texas is a census-designated place (CDP) in Cameron County. According to the U.S. Census, Laureles is comprised of a land area of 4.9 square miles and had a 2000 population of 3,285.

Employment by Industry

The table on the following page illustrates employment by industry for the Central Cameron County Submarket and Brownsville-Harlingen, TX MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	Central Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	321	3.25%	1,880	1.45%
Mining	8	0.08%	313	0.24%
Construction	961	9.72%	10,941	8.43%
Manufacturing	722	7.30%	10,172	7.84%
Wholesale Trade	233	2.36%	4,016	3.09%
Retail Trade	1,084	10.96%	15,389	11.86%
Transportation/Warehousing	329	3.33%	5,516	4.25%
Utilities	141	1.43%	1,059	0.82%
Information	64	0.65%	1,382	1.07%
Finance/Insurance	235	2.38%	3,623	2.79%
Real Estate/Rental/Leasing	186	1.88%	3,257	2.51%
Prof/Scientific/Tech Services	227	2.30%	3,794	2.92%
Mgmt of Companies/Enterprises	0	0.00%	0	0.00%
Admin/Support/Waste Mgmt Svcs	384	3.88%	4,438	3.42%
Educational Services	1,769	17.88%	19,838	15.29%
Health Care/Social Assistance	1,125	11.37%	17,690	13.63%
Arts/Entertainment/Recreation	94	0.95%	1,446	1.11%
Accommodation/Food Services	1,002	10.13%	10,434	8.04%
Other Services (excl Publ Adm)	508	5.14%	7,728	5.96%
Public Administration	498	5.03%	6,849	5.28%
Total Employment	9,891	100.0%	129,765	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the Central Cameron County Submarket are the educational services, health care/social assistance, retail trade and construction sectors. Approximately 50 percent of people in Central Cameron County work in these four industries. The Central Cameron County Submarket has a larger number of persons employed in the health care/social assistance, construction and educational services sectors and a smaller number of people employed in the retail trade sectors, relative to the MSA. Although, educational services and health care/social services are typically stable sectors of the economy, industries such as retail trade and construction are particularly susceptible to fluctuations in the health of the economy. The large number of people employed in the retail trade and construction industries could negatively impact employment in the Central Cameron County Submarket, due to the current national economic downturn. However, the strong presence of the educational services and health care/social assistance industries should help bolster the economic stability of the Central Cameron County Submarket.

It should be noted, that the health care/social assistance, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the Submarket.

Commute Patterns for the Central Cameron County Submarket

The following table shows the commute times for the Central Cameron County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	295
5-9 min	746
10-14 min	684
15-19 min	998
20-24 min	1,389
25-29 min	590
30-34 min	1,918
35-39 min	126
40-44 min	205
45-59 min	429
60-89 min	160
90+ min	123
Average Travel Time	24.4 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The average reported commute time of 24.4 minutes is the highest of the four Submarkets in the MSA. This submarket encompasses the rural area between Harlingen and Brownsville. Local workers commuting to jobs in either city are likely responsible for the longer than average commute times.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the Central Cameron County Submarket and Brownsville-Harlingen, TX MSA. Data such as population, households and growth patterns are studied, to determine if the Brownsville-Harlingen, TX MSA and the Central Cameron County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the Central Cameron County Submarket and Brownsville-Harlingen, TX MSA from 1990 through 2012.

Year	Total Population			
	Central Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	14,325	-	260,120	-
2000	23,481	6.39%	335,227	2.89%
2007	28,236	2.79%	395,867	2.50%
2012	31,693	2.45%	440,440	2.25%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

Growth in the Submarket has been slightly faster than growth in the MSA in all years of analysis. This is likely due to the largely undeveloped nature of the Central Cameron County Submarket. The majority of population growth in the MSA is located near the U.S. – Mexico border. However, both the Submarket and the MSA are showing strong growth from 2007 through 2012, although the MSA will grow at a slightly slower rate than the Submarket from 2007 through 2012. The strong growth in the Submarket and the MSA is a positive indicator of the need for the affordable housing and likely why so many individuals are employed in the construction sector in the Submarket.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
Central Cameron County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	1,205	2,100	2,731	3,038
5-9	1,439	2,408	2,446	2,855
10-14	1,519	2,501	2,559	2,667
15-19	1,512	2,268	2,613	2,652
20-24	943	1,483	2,199	2,415
25-29	908	1,556	1,922	2,326
30-34	972	1,599	1,919	2,010
35-39	989	1,630	1,876	1,915
40-44	864	1,548	1,760	1,946
45-49	728	1,337	1,814	1,899
50-54	610	1,133	1,516	1,889
55-59	507	896	1,314	1,745
60-64	550	807	928	1,313
65-69	547	698	846	905
70-74	434	599	657	765
75-79	326	478	541	607
80-84	167	273	347	408
85+	105	169	247	339
Total	14,325	23,483	28,235	31,694
Brownsville-Harlingen, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	23,151	31,744	39,821	44,060
5-9	25,049	32,315	35,155	39,109
10-14	26,812	30,761	33,638	36,880
15-19	26,585	29,914	32,307	35,577
20-24	19,529	23,783	30,033	32,250
25-29	18,911	23,906	29,569	31,634
30-34	18,981	22,498	27,241	29,311
35-39	17,854	22,257	25,412	26,832
40-44	15,504	21,060	23,668	26,198
45-49	11,371	19,220	23,367	25,247
50-54	9,804	16,577	21,725	24,268
55-59	9,290	12,468	18,317	23,730
60-64	9,764	11,349	13,415	18,513
65-69	9,418	10,925	11,705	13,297
70-74	7,168	10,205	10,349	10,866
75-79	5,509	7,889	9,157	9,194
80-84	3,218	4,559	6,040	7,093
85+	2,202	3,797	4,948	6,381
Total	260,120	335,227	395,867	440,440

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	Central Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	4,031	-	73,278	-
2000	6,573	6.31%	97,267	3.27%
2007	7,955	2.90%	115,756	2.62%
2012	8,956	2.52%	129,335	2.35%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007; however, household growth in the Submarket slowed significantly from 2000 to 2007. Household growth in the MSA and Submarket is expected to slow slightly from 2007 through 2012.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	Central Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	3.57	-	3.40	-
2007	3.55	-0.08%	3.38	-0.08%
2012	3.54	-0.06%	3.37	-0.06%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The average household size in the Submarket is slightly larger than the MSA, and both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, but especially the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	Central Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	23,773	-	26,156	-
2007	28,616	2.81%	31,956	3.06%
2012	32,818	2.94%	36,654	2.94%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The median household income in the Submarket was approximately 11.7 percent lower than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slightly faster rate from 2007 through 2012 than the previous seven years. The lower median income level indicates increasing need for affordable housing in the Submarket.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - Central Cameron County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	1,518	19.1%	1,420	15.9%
\$10,000-\$14,999	614	7.7%	710	7.9%
\$15,000-\$19,999	646	8.1%	645	7.2%
\$20,000-\$24,999	648	8.1%	603	6.7%
\$25,000-\$29,999	728	9.2%	695	7.8%
\$30,000-\$34,999	624	7.8%	673	7.5%
\$35,000-\$39,999	465	5.8%	666	7.4%
\$40,000-\$44,999	328	4.1%	443	4.9%
\$45,000-\$49,999	294	3.7%	286	3.2%
\$50,000-\$59,999	603	7.6%	695	7.8%
\$60,000-\$74,999	567	7.1%	766	8.6%
\$75,000-\$99,999	507	6.4%	686	7.7%
\$100,000-	245	3.1%	345	3.9%
\$125,000-	94	1.2%	173	1.9%
\$150,000-	58	0.7%	104	1.2%
\$200,000-	12	0.2%	34	0.4%
\$250,000-	4	0.1%	9	0.1%
\$500,000+	0	0.0%	1	0.0%
Total	7,955	100%	8,954	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	19,926	17.2%	18,319	14.2%
\$10,000-\$14,999	9,503	8.2%	10,397	8.0%
\$15,000-\$19,999	8,172	7.1%	8,373	6.5%
\$20,000-\$24,999	8,502	7.3%	7,684	5.9%
\$25,000-\$29,999	8,361	7.2%	9,164	7.1%
\$30,000-\$34,999	7,999	6.9%	7,707	6.0%
\$35,000-\$39,999	6,364	5.5%	8,379	6.5%
\$40,000-\$44,999	5,894	5.1%	6,000	4.6%
\$45,000-\$49,999	5,031	4.3%	4,951	3.8%
\$50,000-\$59,999	9,112	7.9%	11,052	8.5%
\$60,000-\$74,999	9,673	8.4%	11,902	9.2%
\$75,000-\$99,999	7,445	6.4%	11,075	8.6%
\$100,000-	4,608	4.0%	5,741	4.4%
\$125,000-	2,027	1.8%	3,482	2.7%
\$150,000-	1,471	1.3%	2,440	1.9%
\$200,000-	724	0.6%	1,163	0.9%
\$250,000-	785	0.7%	1,144	0.9%
\$500,000+	159	0.1%	362	0.3%
Total	115,756	100%	129,335	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

As illustrated, approximately 35 percent of the population in the Submarket and 32.5 percent of the population in the MSA earned below \$20,000 in 2007. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 31 percent and 28.7 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 65 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	Central Cameron County Submarket		Brownsville - Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	2,636	-	46,569	-
2000	3,920	4.9%	61,192	3.1%
2007	4,880	3.4%	73,931	2.9%
2012	6,082	4.9%	89,074	4.1%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

As the table illustrates, similar to the general population trends, the senior population in both the Submarket and the MSA increased between 2000 and 2007. Senior population growth in the Central Cameron County Submarket increased at a faster rate than the MSA from 2000 and 2007. Senior population growth in both the Central Cameron County Submarket and the MSA is expected to grow at a similar rate from 2007 through 2012.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	Central Cameron County Submarket		Brownsville - Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	2,315	-	35,359	-
2007	2,825	3.0%	42,259	2.7%
2012	3,451	4.4%	50,724	4.0%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is expected to be positive through 2012. However in contrast to senior population estimates, the household growth rate is expected to increase significantly through 2012. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	Brownsville-Harlingen, TX MSA		Central Cameron County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
<i>All Ages</i>						
2007	\$31,956	-	\$28,616	-	\$53,154	-
2012	\$36,654	2.94%	\$32,818	2.94%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$28,614	-	\$28,748	-	\$32,710	-
2012	\$34,145	3.87%	\$32,901	2.89%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in the MSA and USA are below those of all households. However, in the Central Cameron County Submarket, the median senior household income is above that of all households in both 2007 and 2012. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - Central Cameron County Submarket (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	739	26.2%	819	23.7%
\$15,000-\$24,999	449	15.9%	452	13.1%
\$25,000-\$34,999	512	18.1%	550	15.9%
\$35,000-\$49,999	364	12.9%	507	14.7%
\$50,000-\$74,999	478	16.9%	637	18.5%
\$75,000-\$99,999	116	4.1%	186	5.4%
100,000-\$149,999	139	4.9%	236	6.8%
150,000-\$199,999	25	0.9%	48	1.4%
200,000-\$249,999	3	0.1%	11	0.3%
250,000-\$499,999	0	0.0%	4	0.1%
\$500,000+	0	0.0%	1	0.0%
Total	2,825	100%	3,451	100%

Household Income Distribution - Brownsville - Harlingen, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	12,432	29.4%	12,846	25.3%
\$15,000-\$24,999	5,986	14.2%	6,015	11.9%
\$25,000-\$34,999	5,232	12.4%	5,755	11.3%
\$35,000-\$49,999	5,879	13.9%	7,291	14.4%
\$50,000-\$74,999	6,327	15.0%	8,438	16.6%
\$75,000-\$99,999	2,657	6.3%	4,394	8.7%
100,000-\$149,999	2,386	5.6%	3,640	7.2%
150,000-\$199,999	597	1.4%	1,084	2.1%
200,000-\$249,999	339	0.8%	558	1.1%
250,000-\$499,999	351	0.8%	526	1.0%
\$500,000+	73	0.2%	177	0.3%
Total	42,259	100%	50,724	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Among these locations, the Submarket has the largest percentage of seniors earning less than \$35,000 annually. Approximately 60.2 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually and the rural nature of the submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 52.7 and 48.5 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the PMA will be earning less than \$25,000, which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Year	Central Cameron County Submarket				Brownsville-Harlingen, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	2,048	88.5%	267	11.5%	28,551	80.7%	6,808	19.3%
2007	2,499	88.5%	326	11.5%	34,122	80.7%	8,137	19.3%
2012	3,053	88.5%	398	11.5%	40,958	80.7%	9,766	19.3%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket has a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above) and the MSA. The small percentage of renter-occupied senior households is not unusual in rural submarkets, where owner-occupied housing is predominant among a reduced population

Senior Demographic Conclusion

The median senior household incomes in the MSA and USA are below those of all households. However, in the Central Cameron County Submarket, the median senior household income is above that of all households in both 2007 and 2012. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. Both the MSA and Submarket significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Approximately 60.2 percent of those 55 and older in the Submarket are earning under \$35,000 per year. This is attributable primarily to the Submarket’s high percentage of senior households earning below \$15,000 annually and the rural nature of the Submarket. The Submarket features significantly more senior households in these income brackets when compared to the MSA and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

Central Cameron County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There are no hospitals or urgent care clinics located in the in the Central Cameron County Submarket. The primary major medical providers within proximity to the Central Cameron County Submarket are the Valley Baptist Medical Center and the Harlingen Medical Center, both in Harlingen. The closest hospital to the Central Cameron County Submarket is the Valley Baptist Medical Center, located approximately 5.8 miles east of the Submarket.

Transportation

The Central Cameron County Submarket is served by the Valley International Airport, which is located approximately 5.7 miles east of the Submarket, in Harlingen, Texas. The Valley International Airport provides non-stop flights to Dallas-Love Field, Houston-Hobby, Houston-Intercontinental and Austin via Continental Airlines, ExpressJet Airlines and Southwest Airlines.

Highway access to the West Hidalgo County Submarket can be accomplished via US Highway 77. US Highway 77 runs north/south from Sioux City, Iowa to Brownsville, Texas.

Education

The Central Cameron County Submarket is served by the Los Fresnos Consolidated Independent School District and the Rio Hondo Independent School District. The Los Fresnos Consolidated Independent School District has eight elementary schools, three middle schools and one high school. The Rio Hondo Independent School District has one elementary school (Grades PreK-2), one intermediate school (Grades 3-5), one middle school and one high school. The nearest universities are located in Brownsville and Harlingen. The University of Texas at Brownsville (UTB) and Texas Southmost College (TSC) are located in Brownsville, approximately 7.0 miles east of the Central Cameron County Submarket. The partnership between UTB and TSC offers Certificates and Associate, Bachelor and Graduate degrees in liberal arts, the sciences and professional programs.

Public Transportation

The Central Cameron County Submarket does not offer public transportation.

Employment Centers

There are a limited number of employment centers in the Central Cameron County Submarket. The majority of employment centers are located in Brownsville and Harlingen. It should be noted that the number of employees for the Brownsville major employers was not available at the time of this report. The largest employers in the cities of Brownsville and Harlingen include the following:

Brownsville Top Ten Employers

Rank	Company	Industry
1	Brownsville Independent School District	Education
2	AMFELS	Manufacturing
3	University of Texas at Brownsville	Education
4	Cameron County	Government
5	Wal-Mart	Retail
6	City of Brownsville	Government
7	Convergys Corp.	Call Center
8	HEB Food Stores	Retail
9	Valley Regional Medical Center	Healthcare
10	Valley Baptist Medical Center	Healthcare

Source: Brownsville Economic Development Corporation, Real Estate Center Market Overview 2008: July2008

Harlingen Top Ten Employers

Rank	Company	Industry	Employees
1	Harlingen CISD	Education	2,582
2	Valley Baptist Medical Center	Healthcare	1,962
3	Vicki Roy Home Health	Healthcare	978
4	Advanced Call Center Technologies	Call center	865
5	Dish Network	Call center	842
6	City of Harlingen	Government	555
7	Texas State Technical College	Education	534
8	Harlingen Medical Center	Healthcare	463
9	West Corporation	Call Center	425
10	HEB	Grocery/Retail	363

Source: Harlingen Economic Development Corporation, Real Estate Center Market Overview 2008: July2008

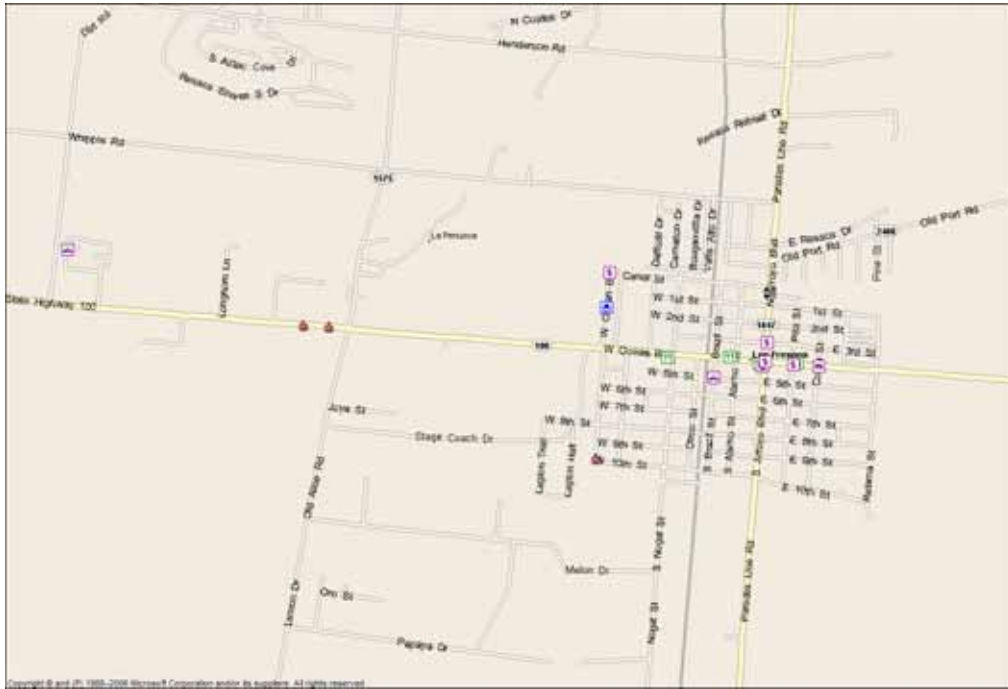
Identifiable employers within the Submarket include the Los Fresnos Consolidated Independent School District, City of Los Fresnos, Rio Hondo Independent School District, City of Rio Hondo, Subway, Dairy Queen, Jalisco’s Mexican Restaurant, Los Fresnos Police Departments, Diamond Shamrock and Julia’s Restaurant.

Proximity to Local Services

There are a moderate number of locational amenities in the Central Cameron County Submarket. The majority of locational amenities are located in and surrounding the City of Los Fresnos and Rio Hondo, Texas.



Source: Novogradac and Company LLP, July 2008.



	Bank		School
	United States Post Office		Hospital
	Fire Station		Airport
	Restaurant		Police Station
	Hotel/Motel		College/University
	Grocery/Supermarket		Gas Station

HOUSING SUPPLY ANALYSIS

CENTRAL CAMERON COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the Central Cameron County Submarket.

AGE OF HOUSING STOCK IN THE CENTRAL CAMERON COUNTY SUBMARKET		
Years	Number of Units	Percent of Housing Stock
1999-3/2000	455	5.64%
1995-1998	1,219	15.12%
1990-1994	941	11.67%
1980-1989	2,166	26.87%
1970-1979	1,565	19.41%
1960-1969	729	9.04%
1950-1959	357	4.43%
1940-1949	280	3.47%
1939 and Before	349	4.33%
Total	8,061	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

The majority of the housing stock (73.07 percent) in the Central Cameron County Submarket was constructed from 1970 through 1998. This Submarket is characterized primarily by vacant land and small communities proximate to limited locational amenities and essential services. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to very good condition and less than 5 to 40 years in age. There is limited multi-family development in fair to very good condition and five to 20 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2007 for Cameron County, Texas. Data was not available for 2008. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Cameron County, TX - 1997 to 2007				
Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,601	40	257	1,898
1998	1,400	166	161	1,727
1999	1,058	229	150	1,437
2000	2,086	121	150	2,357
2001	1,595	142	102	1,839
2002	2,211	136	475	2,822
2003	3,200	81	163	3,444
2004	2,203	198	213	2,614
2005	1,981	197	116	2,294
2006	2,670	74	261	3,005
2007	1,800	131	138	2,069
Total	21,805	1,515	2,186	25,506
Average	1,982	138	199	2,319

There were 2,186 “5+ units” building permits issued in Cameron County from 1997 to 2007. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2007, at 85 percent, while “5+ units” building permits constitute approximately 8.6 percent of all permits issued from 1997 through 2007. The small percentage of multifamily permits issued indicates demand for multi-family housing of all kinds.

Interviews

Cameron County Housing Authority

We spoke with Guadalupe Garcia with the Cameron County Housing Authority. According to Ms. Garcia, the Housing Authority is allocated 1,080 Housing Choice Vouchers and 1,006 vouchers are currently in use. Ms. Garcia estimated that there were 878 households on the waiting list as of July 2008 and the waiting list is currently open. The current payment standards for one-, two-, three-, and four-bedroom units are listed below.

PAYMENT STANDARDS

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

Los Fresnos Housing Authority

We spoke with Carmen Silva, Director of the Los Fresnos Housing Authority. According to Ms. Silva, the housing authority has 102 Housing Choice Vouchers designated for the city of Los Fresnos. All 102 vouchers are currently in use. The waiting list is currently closed and has approximately 100 households on it. There are approximately six senior households on the waiting list. The housing authority owns three public housing developments in Los Fresnos, for a total of 38 units. These developments are discussed in detail in the subsidized supply analysis section later in this report. The payment standards for the Los Fresnos Housing Authority are below:

PAYMENT STANDARDS	
Units	Payment Standards
Studio	\$423
One-bedroom	\$488
Two-bedroom	\$559
Three-bedroom	\$691
Four-bedroom	\$781

Los Fresnos and Rio Hondo Planning and Development

We attempted to contact the planning departments of the cities of Los Fresnos and Rio Hondo to determine if there are any multifamily developments under construction or coming down the pipeline in the Submarket. Despite numerous attempts to contact the planning departments both in person and over the phone, our attempts have been unsuccessful as of the date of this report. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages in the Submarket at this time.

LIHTC SUPPLY

There are no existing LIHTC developments in this Submarket. Based on the lack of available data, we did not complete a LIHTC family or senior supply analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no LIHTC family or senior properties that have received an allocation in the Submarket.

MARKET RATE SUPPLY

There are no existing market rate developments in the Submarket. Based on the lack of available data, we did not complete a market rate family or senior supply analysis.

Proposed/Under Construction

We attempted to contact the planning departments of the cities of Los Fresnos and Rio Hondo to determine if there are any multifamily developments under construction or coming down the pipeline in the Submarket. Despite numerous attempts to contact the planning departments both in person and over the phone, our attempts have been unsuccessful as of the date of this report. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages in the Submarket at this time.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac's online database, HUD's online rental housing search database, the USDA's online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

We identified and interviewed three family subsidized properties in the Submarket, Loma Linda Apartments, Villa de Carmen and Rio Hondo Village.

The following map illustrates the location of the surveyed subsidized family comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Loma Linda Apartments	Los Fresnos	Public Housing – Family
2	Villa De Carmen	Los Fresnos	Public Housing – Family
3	Rio Hondo Village	Rio Hondo	Section 8 - Family

Subsidized Multifamily Market

The following pictures identify the surveyed subsidized family properties in the Submarket.



Loma Linda Apartments



Villa De Carmen



Rio Hondo Village

Excluded Properties

We were able to interview all identified family subsidized properties in the Submarket and have not excluded any properties.

Proposed/Under Construction

According to Carmen Silva, Director of the Los Fresnos Housing Authority, there are not public housing units under construction or in the planning stages in the Submarket.

Unit Mix

The following table illustrates the unit mix in the family subsidized rental property market.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	8	9.9%
2 BR	26	32.1%
3 BR	41	50.6%
4 BR	6	7.4%
Total	81	100%

The majority of the subsidized units in the Submarket are three-bedroom units, followed by two-bedroom units. Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.55 and is projected to decrease slightly by 2012 to 3.54. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized family developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

Unit Size

The following table illustrates the existing unit sizes in the subsidized family rental property market.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	725	725	725
2 BR	800	824	812
3 BR	987	1,100	1,029
4 BR	1,200	1,788	1,494

The surveyed family subsidized properties in the Submarket had a one-bedroom average unit size of 725 square feet, a two-bedroom average unit size of 812 square feet, a three-bedroom average unit size of 1,029 and a four-bedroom average unit size of 1,494 square feet.

Common and In-Unit Amenities

	Loma Linda Apartments	Villa De Carmen	Rio Hondo Village
Comp #	1	2	3
Property Information			
Property Type	Garden		Various
Year Built / Renovated	1964 / n/a	1988 / n/a	1977 / n/a
Market (Conv.)/Subsidy Type	@30% (Public Housing)	@30% (Public Housing)	Section 8
In-Unit Amenities			
Balcony/Patio	no	no	yes
Blinds	no	no	yes
Carpeting	yes	yes	no
Central A/C	no	yes	yes
Coat Closet	no	no	yes
Exterior Storage	no	no	yes
Ceiling Fan	no	no	yes
Oven	yes	yes	yes
Refrigerator	yes	yes	yes
Washer/Dryer hookup	yes	yes	yes
Property Amenities			
Central Laundry	no	no	yes
Off-Street Parking	yes	yes	yes
On-Site Management	no	no	yes
Playground	no	no	yes
Services			
Security			
Perimeter Fencing	no	no	yes
Premium Amenities			
Other Amenities			
Other	n/a	n/a	n/a

The existing subsidized family properties in the South Cameron County Submarket offer limited in-unit and community amenities. Washer/dryer hookups are common in the market. A basic appliance package is provided at all properties.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties.

Weighted Vacancy - Subsidized Family			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	8	0	0.0%
2 BR	26	0	0.0%
3 BR	41	0	0.0%
4 BR	6	0	0.0%
Total	81	0	0.0%

Absorption

None of the surveyed subsidized family comparables were able to provide absorption information.

Waiting List

Loma Linda Apartments and Villa De Carmen draw tenants from the Los Fresnos Housing Authority Public Housing waiting list, which currently has 25 households on it. Rio Hondo Village maintains a waiting list of approximately 20 households for all unit types. Based on the waiting lists for Public Housing and Section 8 units, we anticipate significant future demand for very low income affordable housing.

Vacancy Levels

All surveyed subsidized family properties have a vacancy rate of zero percent, which is indicative of significant demand for very low income affordable housing.

Concessions

None of the subsidized family properties in the market are offering concessions.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Loma Linda Apartments	Public Housing	10%
Villa De Carmen	Public Housing	12%
Rio Hondo Village	Section 8	24%
Total		15.3%

Annual turnover rates reported range from 10 percent to 24 percent, with an average of 15.3 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Loma Linda Apartments 500 N. Arroyo Los Fresnos, TX 78566 Cameron County	Garden 1964 / n/a	@30% (Public Housing)	2BR / 1BA	6	33.30%	@30%	N/A	800	n/a	Yes	0	0.00%
				3BR / 1BA	12	66.70%	@30%	N/A	1,100	n/a	Yes	0	0.00%
					18	100%						0	0.00%
2	Villa De Carmen 2nd Street @ Arroyo Los Fresnos, TX 78566 Cameron County	n/a 1988 / n/a	@30% (Public Housing)	3BR / 1BA	10	71.40%	@30%	N/A	1,000	n/a	Yes	0	0.00%
				4BR / 2BA	4	28.60%	@30%	N/A	1,200	n/a	Yes	0	0.00%
					14	100%						0	0.00%
3	Rio Hondo Village 901 S Reynolds Street Rio Hondo, TX 78583 Cameron County	Various 1977 / n/a	Section 8	1BR / 1BA (Duplex)	8	16.30%	Section 8	\$491	725	n/a	20HH Total	0	0.00%
				2BR / 1BA (Duplex)	20	40.80%	Section 8	\$542	824	n/a	20HH Total	0	0.00%
				3BR / 1BA (Duplex)	19	38.80%	Section 8	\$675	987	n/a	20HH Total	0	0.00%
				4BR / 1.5BA (Single)	2	4.10%	Section 8	\$790	1,788	n/a	20HH Total	0	0.00%
					49	100%						0	0.00%

Rent and Square Footage Ranking

**CAMERON COUNTY HOUSING
AUTHORITY PAYMENT STANDARDS**

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

There is an insufficient amount of subsidized family development in the Submarket, on which to base an effective rental rate analysis. Loma Linda and Villa De Carmen were unable to provide rents; however, as they are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. Rio Hondo Village was able to provide “flat rents”. The flat rents at Rio Hondo Village are well below the payment standards for Cameron County.

Subsidized Family Supply Conclusion

We identified and interviewed three family subsidized properties in the Submarket, Loma Linda Apartments, Villa de Carmen and Rio Hondo Village.

The majority of the subsidized units in the Submarket are three-bedroom units, followed by two-bedroom units. Large unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.55 and is projected to decrease slightly by 2012 to 3.54. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 37 percent of the population in 2007 was age 19 years or younger. This trend is expected to remain stable through 2012. Though there is a lack of sufficient subsidized family developments on which to base an effective analysis, demographic projections and anecdotal evidence indicate a possible unmet demand for larger bedroom types.

The existing subsidized family properties in the South Cameron County Submarket offer limited in-unit and community amenities. Washer/dryer hookups are common in the market. A basic appliance package is provided at all properties.

None of surveyed comparables are offering concessions. None of the surveyed subsidized family comparables were able to provide absorption information. Loma Linda Apartments and Villa De Carmen draw tenants from the Los Fresnos Housing Authority Public Housing waiting list, which currently has 25 households on it. Rio Hondo Village maintains a waiting list of approximately 20 households for all unit types. Based on the waiting lists for Public Housing and Section 8 units, we anticipate significant future demand for very low income affordable housing. Annual turnover rates reported range from 10 percent to 24 percent, with an average of 15.3 percent. All surveyed subsidized family properties have a vacancy rate of zero percent, which is indicative of significant demand for very low income affordable housing.

There is an insufficient amount of subsidized family development in the Submarket, on which to base an effective rental rate analysis. Loma Linda and Villa De Carmen were unable to provide

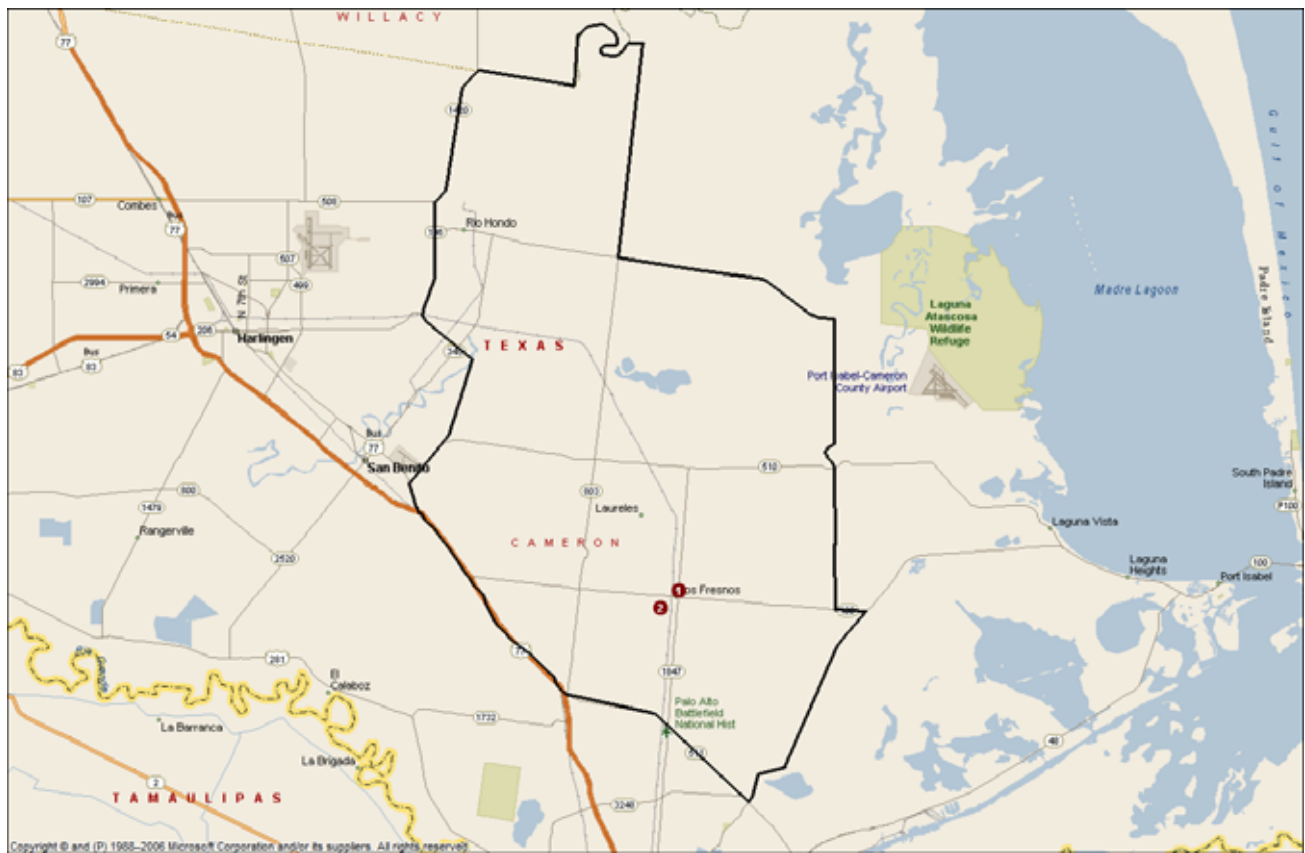
rents; however, as they are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent. Rio Hondo Village was able to provide “flat rents”. The flat rents at Rio Hondo Village are well below the payment standards for Cameron County.

SUBSIDIZED SENIOR SUPPLY

We attempted to identify all existing, proposed, and under construction senior subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

We identified and interviewed two senior subsidized properties in the Submarket, Hibiscus Apartments and Raintree Apartments.

The following map illustrates the location of the surveyed subsidized senior comparables in the Submarket.



SURVEYED PROPERTIES			
Number	Name	Location	Type
1	Hibiscus Apartments	Los Fresnos	Public Housing – Senior
2	Raintree Apartments	Los Fresnos	USDA - Senior

Subsidized Senior Market

The following pictures identify the surveyed subsidized senior properties in the Submarket.



Hibiscus Apartments



Raintree Apartments

Excluded Properties

We were able to interview all identified senior subsidized properties in the Submarket and have not excluded any properties.

Proposed/Under Construction

According to Carmen Silva, Director of the Los Fresnos Housing Authority, there are no public housing units under construction or in the planning stages in the Submarket.

Unit Mix

The following table illustrates the unit mix in the senior subsidized rental property market.

Unit Mix - Subsidized Family		
Unit Type	Total Units	Percent
1 BR	28	73.7%
2 BR	10	26.3%
Total	38	100%

The majority of the subsidized units in the Submarket are one-bedroom units, followed by two-bedroom units. Smaller unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.55 and is projected to decrease slightly by 2012 to 3.54. However, the Submarket’s household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 17 percent of the population in 2007 was age 55 years or older. This trend is expected to remain stable through 2012.

Unit Size

The following table illustrates the existing unit sizes in the subsidized senior rental property market.

Unit Type	Surveyed Min	Surveyed Max	Surveyed Average
1 BR	500	500	500
2 BR	700	750	725

The surveyed senior subsidized properties in the Submarket had a one-bedroom average unit size of 500 square feet and a two-bedroom average unit size of 725 square feet.

Common and In-Unit Amenities

	Hibiscus Apartments	Raintree Apartments
Comp #	1	2
Property Information		
Property Type	(age-restricted)	Garden (age-restricted)
Year Built / Renovated	1964 / n/a	1987 / n/a
Market (Conv.)/Subsidy Type	@30% (Public Housing)	Rural Development
In-Unit Amenities		
Blinds	no	yes
Carpeting	yes	no
Oven	yes	yes
Refrigerator	yes	yes
Window A/C	yes	yes
Washer/Dryer hookup	yes	no
Property Amenities		
Central Laundry	no	yes
Off-Street Parking	no	yes
Services		
Security		
Premium Amenities		
Other Amenities		
Other	n/a	n/a

The existing subsidized senior properties in the Central Cameron County Submarket offer limited in-unit and community amenities. A basic appliance package is provided at all properties.

By-Unit Weighted Vacancy

The following table illustrates vacancy by unit type, for the surveyed properties.

Weighted Vacancy - Subsidized Senior			
Unit Type	Total Units	Vacant Units	Percent Vacant
1 BR	28	0	0.0%
2 BR	10	0	0.0%
Total	38	0	0.0%

Absorption

None of the surveyed subsidized senior comparables were able to provide absorption information.

Waiting List

Hibiscus Apartments draws tenants from the Los Fresnos Housing Authority Public Housing waiting list, which currently has 25 households on it. Raintree Apartments maintains a waiting list of approximately 15 households for all unit types. Based on the waiting lists for Public Housing and Section 8 units, we anticipate significant future demand for very low income affordable housing.

Vacancy Levels

All surveyed subsidized senior properties have a vacancy rate of zero percent, which is indicative of significant demand for very low income affordable housing.

Concessions

None of the subsidized senior properties in the market are offering concessions.

Turnover

The following table illustrates turnover information in the market.

Property Name	Rent Structure	Turnover
Hibiscus Apartments	Public Housing	50%
Raintree Apartments	USDA	10%
Total		30%

Annual turnover rates reported range from 10 percent to 50 percent, with an average of 30 percent.

Rental Rate Analysis

The rental rates displayed below have been adjusted for concessions.

Comp #	Project	Type / Built / Renovated	Market / Subsidy	Units	#	%	Restriction	Rent (Adj.)	Size (SF)	Max Rent?	Wait List?	Units Vacant	Vacancy Rate
1	Hibiscus Apartments	n/a (age-restricted) 1964 / n/a	@30% (Public Housing)	2BR / 1BA	6	100.00%	@30%	N/A	750	n/a	Yes	0	0.00%
	Hibiscus @ Arroyo Los Fresnos, TX 78566 Cameron County				6	100%						0	0.00%
2	Raintree Apartments	Garden (age-restricted) 1987 / n/a	Rural Development	1BR / 1BA	28	87.50%	Rural Development	N/A	500	n/a	Yes	0	0.00%
	801 S. Mesquite Los Fresnos, TX 78566 Cameron County			2BR / 0BA	4	12.50%	Rural Development	N/A	700	n/a	Yes	0	0.00%
					32	100%						0	0.00%

Rent and Square Footage Ranking

**CAMERON COUNTY HOUSING
AUTHORITY PAYMENT STANDARDS**

Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

There is an insufficient amount of subsidized senior development in the Submarket on which to base an effective rental rate analysis. Hibiscus Apartments and Raintree Apartments were unable to provide rents; however, as they are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent.

Subsidized Family Supply Conclusion

We identified and interviewed two senior subsidized properties in the Submarket, Hibiscus Apartments and Raintree Apartments.

The majority of the subsidized units in the Submarket are one-bedroom units, followed by two-bedroom units. Smaller unit types are currently prevalent in the Submarket. Demographic projections show that the average household size in the Submarket in 2007 was 3.55 and is projected to decrease slightly by 2012 to 3.54. However, the Submarket's household size is still significantly larger than the national average of 2.59 and just slightly larger than that of the MSA. Demographic estimates show that approximately 17 percent of the population in 2007 was age 55 years or older. This trend is expected to remain stable through 2012.

The existing subsidized senior properties in the Central Cameron County Submarket offer limited in-unit and community amenities. A basic appliance package is provided at all properties.

None of surveyed comparables are offering concessions. None of the surveyed subsidized family comparables were able to provide absorption information. Hibiscus Apartments draws tenants from the Los Fresnos Housing Authority Public Housing waiting list, which currently has 25 households on it. Raintree Apartments maintains a waiting list of approximately 15 households for all unit types. Based on the waiting lists for Public Housing and Section 8 units, we anticipate significant future demand for very low income affordable housing. Annual turnover rates reported range from 10 percent to 50 percent, with an average of 30 percent. All surveyed subsidized senior properties have a vacancy rate of zero percent, which is indicative of significant demand for very low income affordable housing.

There is an insufficient amount of subsidized senior development in the Submarket on which to base an effective rental rate analysis. Hibiscus Apartments and Raintree Apartments were unable to provide rents; however, as they are Public Housing developments, tenants can pay from zero up to 30 percent of their gross annual income towards rent.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the Central Cameron County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the Central Cameron County Submarket in 2007 is 7,955 and the total number of households in 2012 is projected to be 8,956. The total number of households age 55 and older in the Submarket for 2007 is 2,825, with a 2012 projection of 3,451 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 17.1 percent of the occupied housing unit households in the Central Cameron County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 11.5 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a

one-person household in the income range between 31 percent and 40 percent of AMI. A minimum income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the Central Cameron County Submarket (Brownsville-Harlingen, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the Central Cameron County Submarket, approximately 24.1 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 3.9 percent of units in the Submarket are determined to be substandard. Of the four Cameron County Submarkets, the Central Cameron County Submarket has the highest percentage of substandard units.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the Central Cameron County Submarket, it is estimated that 23.7 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. There are no family LIHTC properties identified in the Submarket. Therefore, we have used the average annual turnover rate for the subsidized family properties surveyed in the Submarket, which is 15.3 percent.

We were unable to identify any senior LIHTC properties in this Submarket. Therefore, for the purpose of this analysis, we have used the Submarket's average subsidized turnover rate of 30 percent.

Unstabilized Rental Units - Existing and Proposed

To our knowledge, there are no proposed or under construction subsidized or LIHTC properties in the Central Cameron County Submarket. Therefore, no units were deducted from the demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the Central Cameron County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	267	137	13	13	13	11	6
2 person	193	49	22	22	19	25	24
3 person	241	82	21	21	18	33	18
4 person	287	102	23	24	25	52	34
5+person	373	159	44	30	27	32	46
Total	1,361	528	122	110	103	153	128
Number of Income-Qualified Renter Households		528	122	110	103	153	128
X	Percentage of Rent-Overburdened (24.1%)	127	30	27	25	37	31
X	Percentage of Substandard Housing (3.9%)	21	5	4	4	6	5
X	Percentage of Overcrowded Housing (23.7%)	125	29	26	24	36	30
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		273	63	57	53	79	66
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		273	63	57	53	79	66

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	324	166	15	16	16	14	8
2 person	209	53	23	24	21	28	26
3 person	274	93	24	24	21	37	21
4 person	320	113	26	27	28	58	38
5+person	441	187	52	36	32	37	54
Total	1,567	612	140	127	118	174	147
Number of Income-Qualified Renter Households		612	140	127	118	174	147
X	Percentage of Rent-Overburdened (24.1%)	147	34	31	28	42	35
X	Percentage of Substandard Housing (3.9%)	24	5	5	5	7	6
X	Percentage of Overcrowded Housing (23.7%)	145	33	30	28	41	35
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		316	72	66	61	90	76
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		316	72	66	61	90	76

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	267	137	13	13	13	11	6
2 person	193	49	22	22	19	25	24
3 person	241	82	21	21	18	33	18
4 person	287	102	23	24	25	52	34
5+person	373	159	44	30	27	32	46
Total	1,361	528	122	110	103	153	128
Number of Income-Qualified Renter Households		528	122	110	103	153	128
X	Percentage of Rent-Overburdened (24.1%)	127	30	27	25	37	31
X	Percentage of Substandard Housing (3.9%)	21	5	4	4	6	5
X	Percentage of Overcrowded Housing (23.7%)	125	29	26	24	36	30
X	Percentage of Estimated Turnover (15.3%)	81	19	17	16	23	20
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		354	82	74	69	103	86
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		354	82	74	69	103	86

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	324	166	15	16	16	14	8
2 person	209	53	23	24	21	28	26
3 person	274	93	24	24	21	37	21
4 person	320	113	26	27	28	58	38
5+person	441	187	52	36	32	37	54
Total	1,567	612	140	127	118	174	147
Number of Income-Qualified Renter Households		612	140	127	118	174	147
X	Percentage of Rent-Overburdened (24.1%)	147	34	31	28	42	35
X	Percentage of Substandard Housing (3.9%)	24	5	5	5	7	6
X	Percentage of Overcrowded Housing (23.7%)	145	33	30	28	41	35
X	Percentage of Estimated Turnover (15.3%)	94	21	19	18	27	22
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		410	94	85	79	117	98
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		410	94	85	79	117	98

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	174	110	10	7	7	8	5
2 person	64	34	7	7	5	3	3
3 person	31	10	5	5	2	2	0
4 person	19	0	0	0	0	2	4
5+person	7	0	0	2	2	1	1
Total	294	154	22	21	17	16	13
Number of Income-Qualified Renter Households		154	22	21	17	16	13
X	Percentage of Rent-Overburdened (24.1%)	37	5	5	4	4	3
X	Percentage of Substandard Housing (3.9%)	6	1	1	1	1	1
X	Percentage of Overcrowded Housing (23.7%)	36	5	5	4	4	3
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		80	11	11	9	8	7
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		80	11	11	9	8	7

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	221	140	13	9	9	10	7
2 person	70	37	8	8	6	3	3
3 person	38	12	6	6	2	3	0
4 person	23	0	0	0	0	2	5
5+person	8	0	0	2	3	1	1
Total	361	189	27	25	20	19	16
Number of Income-Qualified Renter Households		189	27	25	20	19	16
X	Percentage of Rent-Overburdened (24.1%)	46	7	6	5	5	4
X	Percentage of Substandard Housing (3.9%)	7	1	1	1	1	1
X	Percentage of Overcrowded Housing (23.7%)	45	6	6	5	5	4
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		98	14	13	10	10	8
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		98	14	13	10	10	8

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	174	110	10	7	7	8	5
2 person	64	34	7	7	5	3	3
3 person	31	10	5	5	2	2	0
4 person	19	0	0	0	0	2	4
5+person	7	0	0	2	2	1	1
Total	294	154	22	21	17	16	13
Number of Income-Qualified Renter Households		154	22	21	17	16	13
X	Percentage of Rent-Overburdened (24.1%)	37	5	5	4	4	3
X	Percentage of Substandard Housing (3.9%)	6	1	1	1	1	1
X	Percentage of Overcrowded Housing (23.7%)	36	5	5	4	4	3
X	Percentage of Estimated Turnover (30%)	46	7	6	5	5	4
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		126	18	17	14	13	11
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		126	18	17	14	13	11

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	221	140	13	9	9	10	7
2 person	70	37	8	8	6	3	3
3 person	38	12	6	6	2	3	0
4 person	23	0	0	0	0	2	5
5+person	8	0	0	2	3	1	1
Total	361	189	27	25	20	19	16
Number of Income-Qualified Renter Households		189	27	25	20	19	16
X	Percentage of Rent-Overburdened (24.1%)	46	7	6	5	5	4
X	Percentage of Substandard Housing (3.9%)	7	1	1	1	1	1
X	Percentage of Overcrowded Housing (23.7%)	45	6	6	5	5	4
X	Percentage of Estimated Turnover (30%)	57	8	8	6	6	5
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		154	22	20	16	16	13
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		154	22	20	16	16	13

Demand Analysis Conclusions

All Households

As will the other Submarkets, the analysis of income-qualified renter households in the Central Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that over 26 percent of households in the Submarket earn less than \$15,000 annually. Currently, there are no LIHTC units serving the affordable housing needs of residents in the Submarket. The 81 units of subsidized housing for families in the Submarket are 100 percent occupied, with waiting lists reported. This evidence, along with the analysis of income-qualified renter households, indicates that there is a persistent need in the Submarket for additional affordable housing units targeting families. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households.

Senior Households

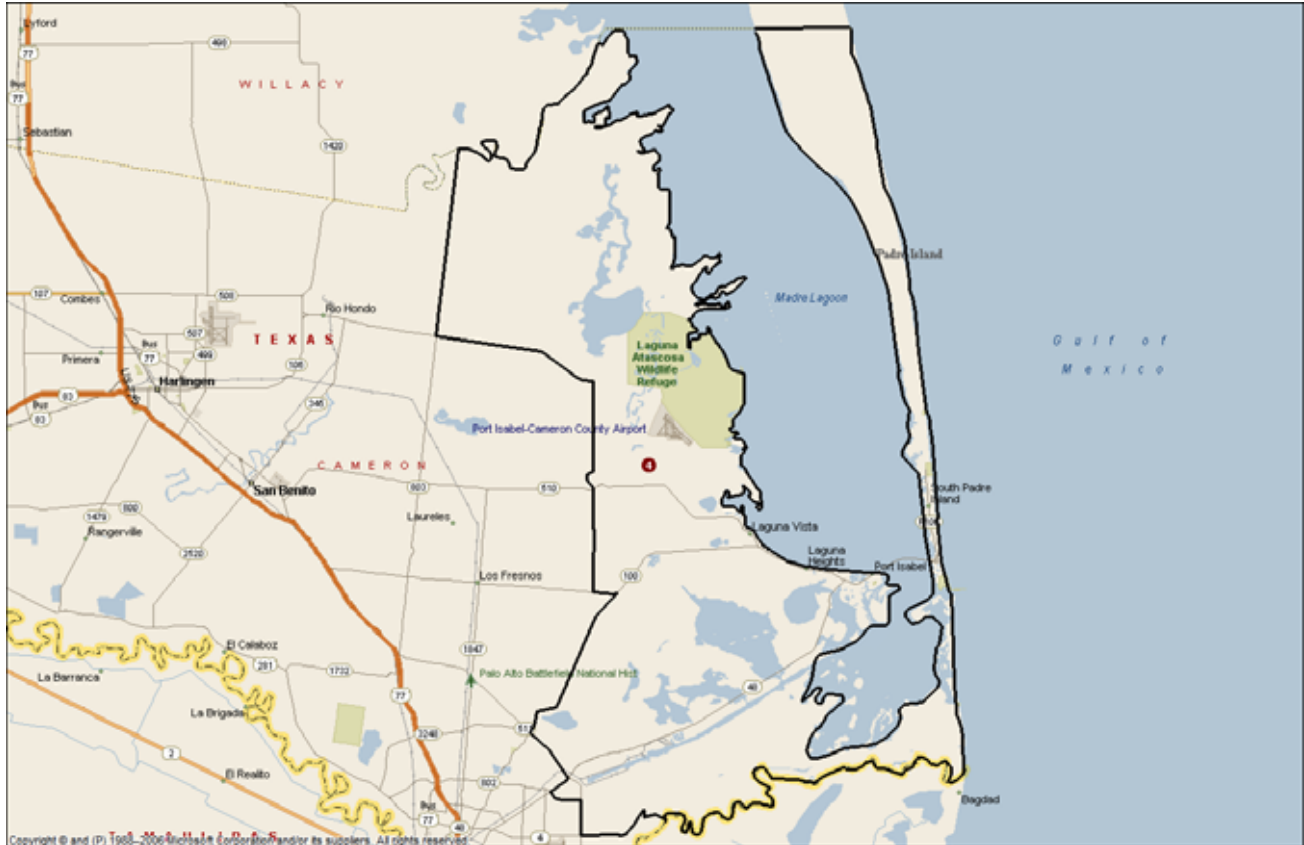
Demand from income-qualified senior renter households generally mirrors that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI. Similarly, there are no LIHTC units and only 38 subsidized units serving low-income senior households in the Central Cameron County Submarket and an increase in income-qualified senior renter households projected through 2012. With no additional LIHTC units planned, and waiting lists reported at the two existing subsidized senior developments, there is likely an unmet need for additional affordable senior housing units in this Submarket.

4. EAST CAMERON COUNTY SUBMARKET ANALYSIS

EAST CAMERON COUNTY SUBMARKET DEMOGRAPHIC CHARACTERISTICS AND TRENDS

The primary market area is defined as the East Cameron County Submarket, which is bounded to the north by General Brant Road; to the east by the Gulf of Mexico; to the south by the Cameron County line and to the west by San Roman Road and Old Port Isabel Road. The following map illustrates the boundaries of the Submarket as defined above.

East Cameron County Submarket Map



The East Cameron County Submarket includes the communities/cities of Laguna Vista, Laguna Heights, Port Isabel and South Padre Island. This Submarket is characterized primarily by areas of limited development proximate to limited locational amenities and essential. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to very good condition and less than five to 40 years in age. There is a limited amount of multi-family development in fair to good condition and less than five to 30 years in age.

Local Government

As previously mentioned, the East Cameron County Submarket includes the communities/cities of Laguna Vista, Laguna Heights, Port Isabel and South Padre Island.

Laguna Vista, Texas is a town in Cameron County. According to the U.S. Census, Laguna Vista is comprised of a land area of 2.2 square miles and had a 2000 population of 1,658.

Laguna Heights, Texas is a census-designated place in Cameron County. According to the U.S. Census, Laguna Heights is comprised of a land area of 0.3 square miles and had a 2000 population of 1,990.

Port Isabel, Texas is a city in Cameron County. According to the U.S. Census, Port Isabel is comprised of a land area of 2.9 square miles and had a 2000 population of 4,865.

South Padre Island, Texas is a resort community in Cameron County. According to the U.S. Census, South Padre Island is comprised of a land area of 1.9 square miles and had a 2000 population of 2,422.

Employment by Industry

The table on the following table illustrates employment by industry for the East Cameron County Submarket and Brownsville-Harlingen, TX MSA in 2007.

2007 EMPLOYMENT BY INDUSTRY				
Occupation	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Percent Employed	Number Employed	Percent Employed
Agric/Forestry/Fishing/Hunting	219	2.70%	1,880	1.45%
Mining	30	0.37%	313	0.24%
Construction	610	7.52%	10,941	8.43%
Manufacturing	421	5.19%	10,172	7.84%
Wholesale Trade	260	3.20%	4,016	3.09%
Retail Trade	891	10.98%	15,389	11.86%
Transportation/Warehousing	358	4.41%	5,516	4.25%
Utilities	88	1.08%	1,059	0.82%
Information	44	0.54%	1,382	1.07%
Finance/Insurance	231	2.85%	3,623	2.79%
Real Estate/Rental/Leasing	399	4.92%	3,257	2.51%
Prof/Scientific/Tech Services	230	2.83%	3,794	2.92%
Mgmt of Companies/Enterprises	0	0.00%	0	0.00%
Admin/Support/Waste Mgmt Svcs	328	4.04%	4,438	3.42%
Educational Services	973	11.99%	19,838	15.29%
Health Care/Social Assistance	603	7.43%	17,690	13.63%
Arts/Entertainment/Recreation	248	3.06%	1,446	1.11%
Accommodation/Food Services	1,334	16.44%	10,434	8.04%
Other Services (excl Publ Adm)	519	6.40%	7,728	5.96%
Public Administration	328	4.04%	6,849	5.28%
Total Employment	8,114	100.0%	129,765	100.0%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The top four employment sectors in the East Cameron County Submarket are the accommodation/food services, educational services, retail trade and construction industries. Approximately 46.9 percent of people in East Cameron County work in these four industries. The East Cameron County Submarket has a larger number of persons employed in the accommodation/food services industry and a smaller number of people employed in the educational services, retail trade and construction industries, relative to the MSA. Although, educational services is a typically stable sector of the economy, industries such as accommodation/food services, retail trade and construction are particularly susceptible to fluctuations in the health of the economy. The large number of people employed in the accommodation/food services, retail trade and construction industries could negatively impact employment in the East Cameron County Submarket, due to the current national economic downturn. However, the strong presence of the educational services industry should help bolster the economic stability of the East Cameron County Submarket.

It should be noted, that the accommodation/food services, construction, retail trade and educational services sectors all tend to provide lower paying jobs, as well as a broad range of incomes. Thus, these industries should create an abundance of demand for affordable rental housing in the Submarket.

Commute Patterns for the East Cameron County Submarket

The following table shows the commute times for the East Cameron County Submarket.

TRAVEL TIME TO WORK

Travel Time	Workers age 16+
< 5 min	450
5-9 min	906
10-14 min	1,137
15-19 min	1,235
20-24 min	744
25-29 min	174
30-34 min	706
35-39 min	147
40-44 min	170
45-59 min	188
60-89 min	113
90+ min	141
Average Travel Time	20.6 minutes

Source: ESRI Demographics, 2007; Novogradac & Company LLP, August 2008

Although this Submarket is quite rural and located away from major employment centers in Harlingen and Brownsville, a large share of workers report commute times between 10 and 19 minutes. This indicates that people may be living and working close to jobs in Post Isabel and South Padre Island.

POPULATION, HOUSEHOLD, AND INCOME TRENDS – SUBMARKET AND MSA

The following section provides an analysis of the demographic characteristics within the East Cameron County Submarket and Brownsville-Harlingen, TX MSA. Data such as population, households and growth patterns are studied, to determine if the Brownsville-Harlingen, TX MSA and the East Cameron County Submarket are areas of growth or contraction. Note that data provided by ESRI is effective as of July 1, 2007. Data from the U.S. Census has an effective date of March 1, 2000. Therefore, an adjustment of 7.25 years has been made between the 2000 and 2007 demographics to account for the four month difference.

Population

The table below illustrates population in the East Cameron County Submarket and Brownsville-Harlingen, TX MSA from 1990 through 2012.

Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	12,151	-	260,120	-
2000	18,603	5.31%	335,227	2.89%
2007	23,328	3.50%	395,867	2.50%
2012	26,591	2.80%	440,440	2.25%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Growth in the Submarket has been faster than growth in the MSA in all years of analysis. The majority of population growth in the MSA is located near the U.S. – Mexico border. However, both the Submarket and the MSA are showing strong growth from 2007 through 2012, although the Submarket will grow at a faster rate than from 2007 through 2012. The strong growth in the Submarket and the MSA is a positive indicator of the need for the affordable housing.

Population by Age

The following graph illustrates population by age in the Submarket and MSA for 1990 through 2012. It should be noted that the current population by age distribution in the MSA is similar to national averages.

Population by Age Group				
East Cameron County Submarket				
Age Cohort	1990	2000	2007	2012
0-4	947	1,491	1,982	2,238
5-9	953	1,599	1,761	2,032
10-14	923	1,499	1,769	1,912
15-19	900	1,456	1,665	1,950
20-24	1,191	1,279	1,592	1,739
25-29	1,211	1,269	1,510	1,613
30-34	1,171	1,370	1,514	1,610
35-39	844	1,228	1,646	1,497
40-44	680	1,179	1,388	1,802
45-49	523	1,117	1,416	1,579
50-54	474	1,013	1,343	1,537
55-59	526	922	1,321	1,697
60-64	558	920	1,179	1,484
65-69	520	841	1,114	1,266
70-74	379	691	851	1,038
75-79	189	447	689	748
80-84	107	189	380	521
85+	55	91	209	327
Total	12,151	18,601	23,329	26,590
Brownsville-Harlingen, TX MSA				
Age Cohort	1990	2000	2007	2012
0-4	23,151	31,744	39,821	44,060
5-9	25,049	32,315	35,155	39,109
10-14	26,812	30,761	33,638	36,880
15-19	26,585	29,914	32,307	35,577
20-24	19,529	23,783	30,033	32,250
25-29	18,911	23,906	29,569	31,634
30-34	18,981	22,498	27,241	29,311
35-39	17,854	22,257	25,412	26,832
40-44	15,504	21,060	23,668	26,198
45-49	11,371	19,220	23,367	25,247
50-54	9,804	16,577	21,725	24,268
55-59	9,290	12,468	18,317	23,730
60-64	9,764	11,349	13,415	18,513
65-69	9,418	10,925	11,705	13,297
70-74	7,168	10,205	10,349	10,866
75-79	5,509	7,889	9,157	9,194
80-84	3,218	4,559	6,040	7,093
85+	2,202	3,797	4,948	6,381
Total	260,120	335,227	395,867	440,440

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Households

The following table is a summary of the total households in the Submarket and MSA from 1990 to 2012.

Total Number of Households				
Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	3,685	-	73,278	-
2000	6,112	6.59%	97,267	3.27%
2007	7,610	3.38%	115,756	2.62%
2012	8,667	2.78%	129,335	2.35%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

Similar to the rate of population growth, the household growth rates of the Submarket and MSA have both been strong through 2007; however, household growth in the Submarket slowed significantly from 2000 to 2007. Household growth in the MSA and Submarket is expected to slow slightly from 2007 through 2012.

Average Household Size

The following table illustrates the average household size for the Submarket and MSA from 2000 to 2012.

Average Household Size				
Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	2.95	-	3.40	-
2007	2.99	0.19%	3.38	-0.08%
2012	3.00	0.07%	3.37	-0.06%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The average household size in the Submarket is slightly smaller than the MSA, but both are larger than the national average size of 2.59. The large average household size is anticipated to remain relatively stable through the 2012, which will keep demand high for larger unit types in the Submarket, but especially the MSA as a whole.

Median Household Income Levels

The table below illustrates Median Household Income in the Submarket and MSA.

Median Household Income				
Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	27,920	-	26,156	-
2007	34,255	3.13%	31,956	3.06%
2012	38,978	2.76%	36,654	2.94%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The median household income in the Submarket was approximately 6.7 percent higher than the median household income in the MSA in 2007. The median household income in the Submarket is projected to grow at a slower rate from 2007 through 2012 than the previous seven years, as in the MSA. The lower median income level indicates increasing need for affordable housing.

Household Income

The following tables illustrate household income distribution in both the Submarket and MSA.

Household Income Distribution - East Cameron County Submarket				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	978	12.9%	893	10.3%
\$10,000-\$14,999	530	7.0%	593	6.8%
\$15,000-\$19,999	529	7.0%	519	6.0%
\$20,000-\$24,999	600	7.9%	508	5.9%
\$25,000-\$29,999	570	7.5%	658	7.6%
\$30,000-\$34,999	687	9.0%	571	6.6%
\$35,000-\$39,999	432	5.7%	724	8.4%
\$40,000-\$44,999	359	4.7%	416	4.8%
\$45,000-\$49,999	289	3.8%	315	3.6%
\$50,000-\$59,999	541	7.1%	626	7.2%
\$60,000-\$74,999	672	8.8%	761	8.8%
\$75,000-\$99,999	592	7.8%	817	9.4%
\$100,000-	378	5.0%	491	5.7%
\$125,000-	107	1.4%	291	3.4%
\$150,000-	119	1.6%	154	1.8%
\$200,000-	104	1.4%	118	1.4%
\$250,000-	107	1.4%	165	1.9%
\$500,000+	16	0.2%	49	0.6%
Total	7,610	100%	8,669	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$10,000	19,926	17.2%	18,319	14.2%
\$10,000-\$14,999	9,503	8.2%	10,397	8.0%
\$15,000-\$19,999	8,172	7.1%	8,373	6.5%
\$20,000-\$24,999	8,502	7.3%	7,684	5.9%
\$25,000-\$29,999	8,361	7.2%	9,164	7.1%
\$30,000-\$34,999	7,999	6.9%	7,707	6.0%
\$35,000-\$39,999	6,364	5.5%	8,379	6.5%
\$40,000-\$44,999	5,894	5.1%	6,000	4.6%
\$45,000-\$49,999	5,031	4.3%	4,951	3.8%
\$50,000-\$59,999	9,112	7.9%	11,052	8.5%
\$60,000-\$74,999	9,673	8.4%	11,902	9.2%
\$75,000-\$99,999	7,445	6.4%	11,075	8.6%
\$100,000-	4,608	4.0%	5,741	4.4%
\$125,000-	2,027	1.8%	3,482	2.7%
\$150,000-	1,471	1.3%	2,440	1.9%
\$200,000-	724	0.6%	1,163	0.9%
\$250,000-	785	0.7%	1,144	0.9%
\$500,000+	159	0.1%	362	0.3%
Total	115,756	100%	129,335	100%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

As illustrated, approximately 26.9 percent of the population in the Submarket and 32.5 percent of the population in the MSA earned below \$20,000 in 2007. By 2012, the population earning below \$20,000 in the Submarket and MSA is expected to decrease slightly to approximately 23.1 percent and 28.7 percent, respectively, but in both instances, a significant portion of the population are projected to earn less than \$20,000. This data provides strong support for affordable rental housing in the Submarket and MSA.

Senior Demographic Trends

Among those demographics discussed are trends in population, number of households, age, and income. In addition to analyzing overall demographic trends, we have also separately analyzed and discussed trends specific to the senior subpopulation, which includes those 65 years of age and older. The majority of age-restricted properties offer units to seniors ages 55, 62, or 65 and older. Despite the varying age restrictions at senior properties, property managers typically report that the average age of residents to be over 55 years of age. Therefore, for the purposes of this analysis, we have included demographic characteristics of the senior population ages 55 and over.

Senior Population

The table below illustrates senior population trends in the Submarket and MSA from 2000 through 2012.

Total Senior Population (55+)				
Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
1990	2,334	-	46,569	-
2000	4,101	7.6%	61,192	3.1%
2007	5,743	5.5%	73,931	2.9%
2012	7,081	4.7%	89,074	4.1%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

As the table illustrates, similar to the general population trends, the senior population in both the Submarket and the MSA increased between 2000 and 2007. Senior population growth in the East Cameron County Submarket increased at a significantly faster rate the MSA from 2000 and 2007. Senior population growth in both the East Cameron County Submarket and the MSA is expected to grow at a similar rate from 2007 through 2012.

The strong projected growth in the senior population in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years. Additionally, the increasing senior populations, (typically one- and two-person households) may be a contributing factor to the projected decline in the average household size within the Submarket from 2007 to 2012.

Senior Households

The table below illustrates senior household trends in the Submarket and MSA from 2000 through 2012.

Total Number of Senior Households (55 +)				
Year	East Cameron County Submarket		Brownsville-Harlingen, TX MSA	
	Number	Annual Change	Number	Annual Change
2000	2,416	-	35,359	-
2007	3,284	5.0%	42,259	2.7%
2012	4,026	4.5%	50,724	4.0%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Similar to senior population estimates and projections, senior household growth is expected to be positive through 2012. The strong projected growth in the senior households in all areas of analysis is an indicator that age-restricted housing will be in strong demand in upcoming years.

Senior Median Household Income

The following table illustrates the median household incomes in the Submarket, MSA, and nation from 2007 to 2012 for both all households and specifically for senior households.

MEDIAN HOUSEHOLD INCOME						
Year	Brownsville-Harlingen, TX MSA		East Cameron County Submarket		USA	
	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>	<i>Number</i>	<i>Annual Change</i>
<i>All Ages</i>						
2007	\$31,956	-	\$34,255	-	\$53,154	-
2012	\$36,654	2.94%	\$38,978	2.76%	\$62,503	3.52%
<i>Age 55+</i>						
2007	\$28,614	-	\$38,216	-	\$32,710	-
2012	\$34,145	3.87%	\$47,315	4.76%	\$41,086	5.12%

Source: ESRI Business Demographics 2007; Novogradac and Company LLP, July, 2008

As the above table illustrates, the median senior household incomes in the MSA and USA are below those of all households. However, in the East Cameron County Submarket, the median senior household income is above that of all households in both 2007 and 2012. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally.

Senior Household Income

The tables below illustrate senior household income in the Submarket and MSA for 2007 and 2012.

Household Income Distribution - East Cameron County (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	652	19.9%	667	16.6%
\$15,000-\$24,999	429	13.1%	384	9.5%
\$25,000-\$34,999	388	11.8%	398	9.9%
\$35,000-\$49,999	437	13.3%	654	16.2%
\$50,000-\$74,999	608	18.5%	739	18.4%
\$75,000-\$99,999	289	8.8%	413	10.3%
100,000-\$149,999	287	8.7%	485	12.0%
150,000-\$199,999	59	1.8%	79	2.0%
200,000-\$249,999	58	1.8%	70	1.7%
250,000-\$499,999	65	2.0%	99	2.5%
\$500,000+	12	0.4%	38	0.9%
Total	3,284	100%	4,026	100%

Household Income Distribution - Brownsville-Harlingen, TX MSA (Age 55+)				
Income Cohort	2007		2012	
	Number	Percentage	Number	Percentage
<\$15,000	12,432	29.4%	12,846	25.3%
\$15,000-\$24,999	5,986	14.2%	6,015	11.9%
\$25,000-\$34,999	5,232	12.4%	5,755	11.3%
\$35,000-\$49,999	5,879	13.9%	7,291	14.4%
\$50,000-\$74,999	6,327	15.0%	8,438	16.6%
\$75,000-\$99,999	2,657	6.3%	4,394	8.7%
100,000-\$149,999	2,386	5.6%	3,640	7.2%
150,000-\$199,999	597	1.4%	1,084	2.1%
200,000-\$249,999	339	0.8%	558	1.1%
250,000-\$499,999	351	0.8%	526	1.0%
\$500,000+	73	0.2%	177	0.3%
Total	42,259	100%	50,724	100%

Source: ESRI Demographics 2007; Novogradac & Company LLP, July 2008

Both the Submarket and MSA have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Among these locations, the MSA has the largest percentage of seniors earning less than \$35,000 annually. Approximately 56 percent of those 55 and older in the MSA are earning under \$35,000 per year. This is attributable primarily to the MSA's high percentage of senior households earning below \$15,000 annually. The MSA features significantly more senior households in these income brackets when compared to the Submarket. By 2012, all areas of analysis will have seen decreases in the number of seniors earning less than \$35,000 annually. However, within the Submarket and MSA, it is estimated that 36 and 48.5 percent of seniors will still be earning less than \$35,000 annually for these two areas, respectively. It should be noted that these estimates are most likely a function of inflation rather than a demographic trend. Furthermore, the majority of senior households within the MSA will be earning less than \$25,000, which is below the current AMI. This indicates that affordable housing for the senior population will remain in demand.

Tenure

The following table is a summary of the senior tenure patterns of the housing stock in the Submarket and MSA for 2000 through 2012.

Tenure Patterns - Elderly Population (Age 55+)								
Year	East Cameron County Submarket				Brownsville-Harlingen, TX MSA			
	Owner-Occupied Units		Renter-Occupied Units		Owner-Occupied Units		Renter-Occupied Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
2000	2,014	83.4%	402	16.6%	28,551	80.7%	6,808	19.3%
2007	2,738	83.4%	546	16.6%	34,122	80.7%	8,137	19.3%
2012	3,356	83.4%	670	16.6%	40,958	80.7%	9,766	19.3%

Source: ESRI Demographics 2007; Novogradac & Company LLP, August 2008

As the above table illustrates, the senior housing market is dominated by owner-occupied units. The Submarket has a significantly smaller percentage of senior renter-occupied units when compared to the national average (28 percent, not shown above) and the MSA. The small percentage of renter-occupied senior households is not unusual in rural submarkets, where owner-occupied housing is predominant among a reduced population.

Senior Demographic Conclusion

The median senior household incomes in the MSA and USA are below those of all households. However, in the East Cameron County Submarket, the median senior household income is above that of all households in both 2007 and 2012. Of the three areas of analysis, the median senior household income is lowest in the MSA and highest nationally. Similar to projected median household income growth for all households, the median household income growth for senior households is expected to be strongest nationally. Both the MSA and Submarket have significant portions of the senior population with household incomes lower than the Area Median Income (AMI) of \$31,000. Approximately 56 percent of those 55 and older in the MSA are earning under \$35,000 per year. This is attributable primarily to the MSA’s high percentage of senior households earning below \$15,000 annually. The MSA features significantly more senior households in these income brackets when compared to the Submarket and national averages. The national average of senior households earning below \$50,000 annually is 64 percent.

LOCAL MARKET INFORMATION

East Cameron County Submarket

The following sections will provide an analysis of the local market characteristics within the Submarket.

Healthcare

There are no hospitals or urgent care clinics located in the East Cameron County Submarket. The primary major medical providers within proximity to the Central Cameron County Submarket are the Valley Regional Medical center and the Valley Baptist Health System. Valley Regional Medical center is a new 214-bed acute care hospital located in Brownsville. Valley Regional is a designated Trauma Center and offers services such as Emergency Care, Neonatal Intensive Care, Neurosurgery, Cardiac Surgery and Orthopedic Surgery. The hospital underwent an expansion during 2004, which added a second Intensive Care Unit and 16 medical and surgical beds. Valley Baptist Health System is one of the largest in South Texas with more than 800 beds. Valley Baptist has locations in Brownsville and Harlingen and offers Cardiovascular Services, Day Surgery, Home Health, Hospice, Intensive Care Units, Emergency Departments, Outpatient Services, Pediatrics and Radiology.

Transportation

The East Cameron County Submarket is served by the Brownsville South Padre International Airport, which is located approximately 17 miles east of the City of Port Isabel, in Brownsville, Texas. The Brownsville South Padre International Airport provides non-stop flights to Houston-Intercontinental via Continental Airlines.

Education

The East Cameron County Submarket is served by the Port Isabel School District. The Port Isabel School District has two elementary schools, one middle school and one high school. The University of Texas at Brownsville (UTB) and Texas Southmost College (TSC) are located in close proximity to the East Cameron County Submarket. The partnership between UTB and TSC offers Certificates and Associate, Bachelor and Graduate degrees in liberal arts, the sciences and professional programs.

Public Transportation

The East Cameron County Submarket does not offer public transportation.

Employment Centers

There are a limited number of employment centers in the East Cameron County Submarket. The majority of employment centers are located in Brownsville and Harlingen. It should be noted that the number of employees for the Brownsville major employers was not available at the time of this report. The largest employers in the cities of Brownsville and Harlingen include the following:

Brownsville Top Ten Employers

Rank	Company	Industry
1	Brownsville Independent School District	Education
2	AMFELS	Manufacturing
3	University of Texas at Brownsville	Education
4	Cameron County	Government
5	Wal-Mart	Retail
6	City of Brownsville	Government
7	Convergys Corp.	Call Center
8	HEB Food Stores	Retail
9	Valley Regional Medical Center	Healthcare
10	Valley Baptist Medical Center	Healthcare

Source: Brownsville Economic Development Corporation, Real Estate Center Market Overview 2008: July2008

Harlingen Top Ten Employers

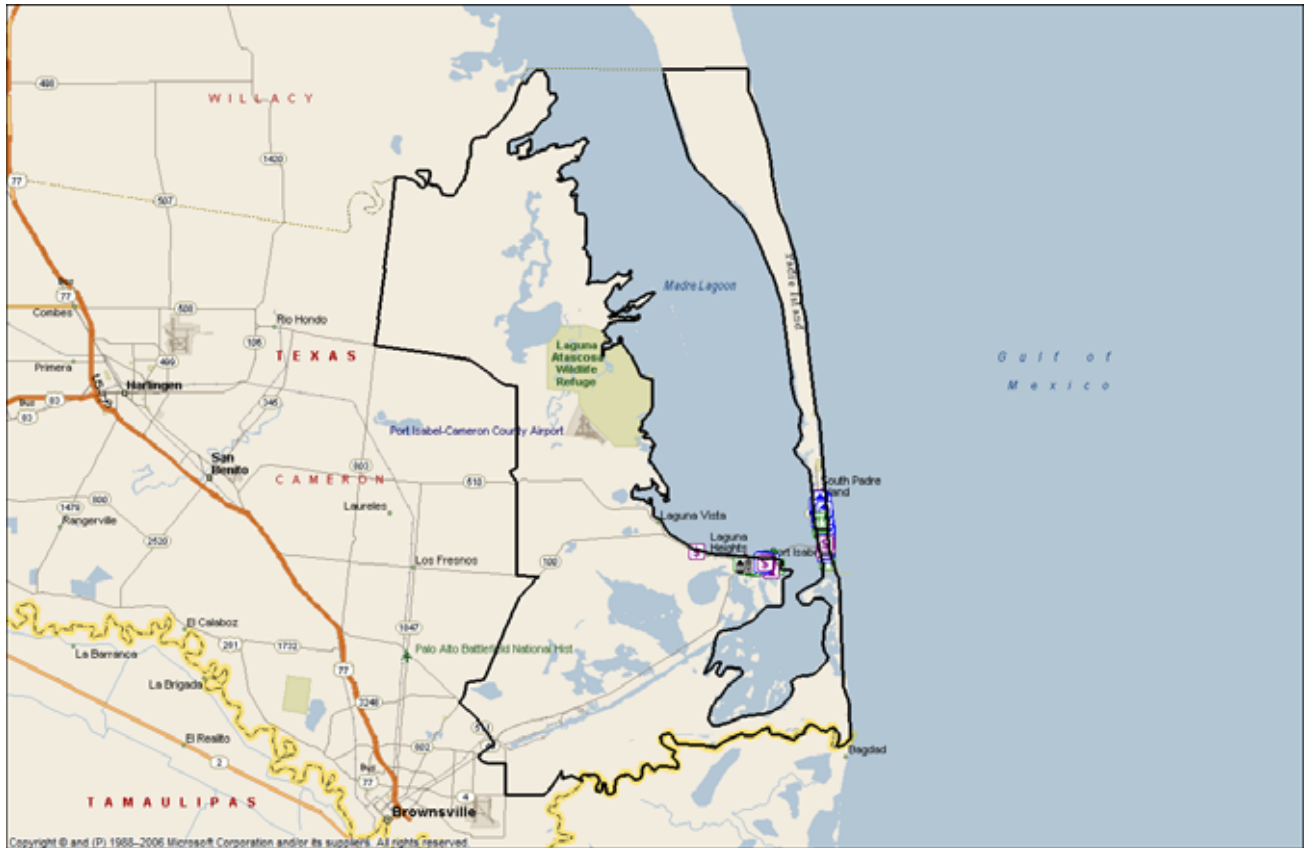
Rank	Company	Industry	Employees
1	Harlingen CISD	Education	2,582
2	Valley Baptist Medical Center	Healthcare	1,962
3	Vicki Roy Home Health	Healthcare	978
4	Advanced Call Center Technologies	Call center	865
5	Dish Network	Call center	842
6	City of Harlingen	Government	555
7	Texas State Technical College	Education	534
8	Harlingen Medical Center	Healthcare	463
9	West Corporation	Call Center	425
10	HEB	Grocery/Retail	363

Source: Harlingen Economic Development Corporation, Real Estate Center Market Overview 2008: July2008

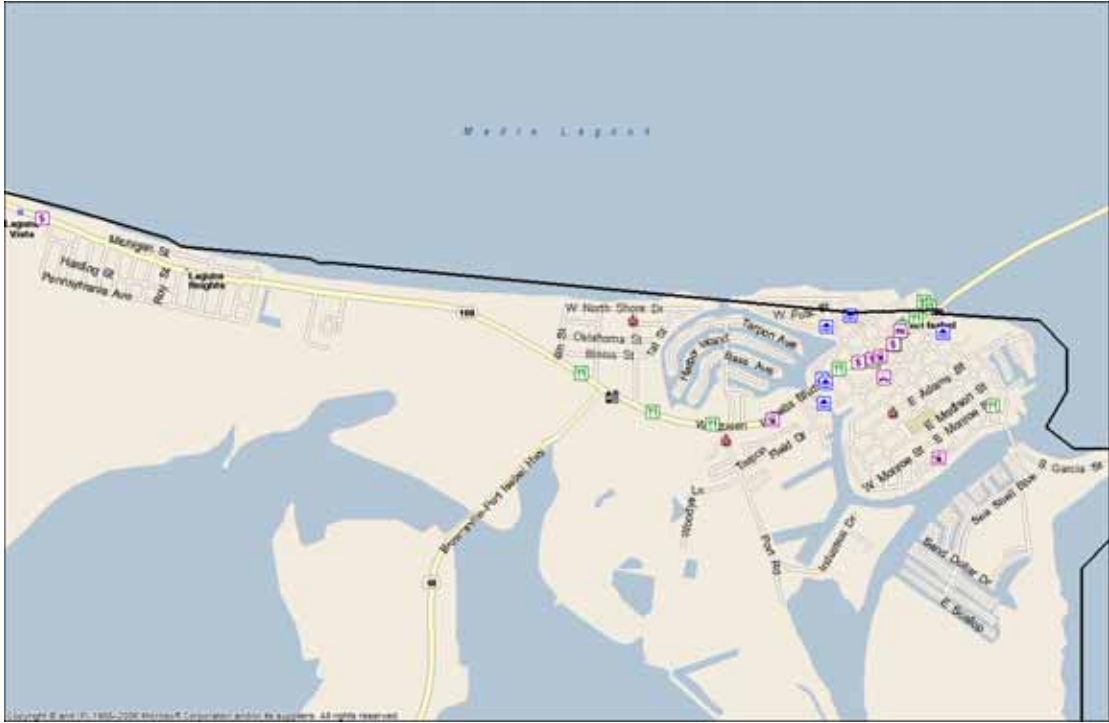
Identifiable employers within the Submarket include the Port Isabel Independent School District, City of Port Isabel, Port Isabel Police Department, South Padre Island Police Department, United States Post Office, HEB, Holiday Inn and Dairy Queen.

Proximity to Local Services

There are a moderate number of locational amenities in the East Cameron County Submarket. The majority of locational amenities are located in and surrounding South Padre Island, Texas.



Source: Novogradac and Company LLP, July 2008.



	Bank		School
	United States Post Office		Hospital
	Fire Station		Airport
	Restaurant		Police Station
	Hotel/Motel		College/University
	Grocery/Supermarket		Gas Station

HOUSING SUPPLY ANALYSIS

EAST CAMERON COUNTY SUBMARKET HOUSING SUPPLY ANALYSIS

Age of the Housing Stock

The following table presents the age of the housing stock in the East Cameron County Submarket.

AGE OF HOUSING STOCK IN EAST CAMERON COUNTY SUBMARKET		
Years	Number of Units	Percent of Housing Stock
1999-3/2000	324	2.69%
1995-1998	1,293	10.74%
1990-1994	1,628	13.52%
1980-1989	4,492	37.32%
1970-1979	2,848	23.66%
1960-1969	892	7.41%
1950-1959	286	2.38%
1940-1949	139	1.15%
1939 and Before	136	1.13%
Total	12,038	100.00%

Source: ESRI Demographics, 2007; Novogradac & Company LLP, July 2008

The majority of the housing stock (85.24 percent) in the East Cameron County Submarket was constructed from 1970 through 1998. This Submarket is characterized primarily by areas of limited development proximate to limited locational amenities and essential. The predominant form of housing in this Submarket is owner-occupied single-family homes in poor to very good condition and less than five to 40 years in age. There is a limited amount of multi-family development in fair to good condition and less than five to 30 years in age.

Building Permit Activity

The following table depicts residential building activity from 1997 to 2007 for Cameron County, Texas. Data was not available for 2008. Building Permit Activity was not available by Submarket.

BUILDING PERMITS: Cameron County, TX - 1997 to 2007				
Year	Single-family and Duplex	Three and Four-Family	Five or More Family	Total Units
1997	1,601	40	257	1,898
1998	1,400	166	161	1,727
1999	1,058	229	150	1,437
2000	2,086	121	150	2,357
2001	1,595	142	102	1,839
2002	2,211	136	475	2,822
2003	3,200	81	163	3,444
2004	2,203	198	213	2,614
2005	1,981	197	116	2,294
2006	2,670	74	261	3,005
2007	1,800	131	138	2,069
Total	21,805	1,515	2,186	25,506
Average	1,982	138	199	2,319

There were 2,186 “5+ units” building permits issued in Cameron County from 1997 to 2007. Single-family and duplex permits make up the vast majority of all permits issued from 1997 to 2007, at 85 percent, while “5+ units” building permits constitute approximately 8.6 percent of all permits issued from 1997 through 2007. The small percentage of multifamily permits issued indicates demand for multi-family housing of all kinds.

Interviews

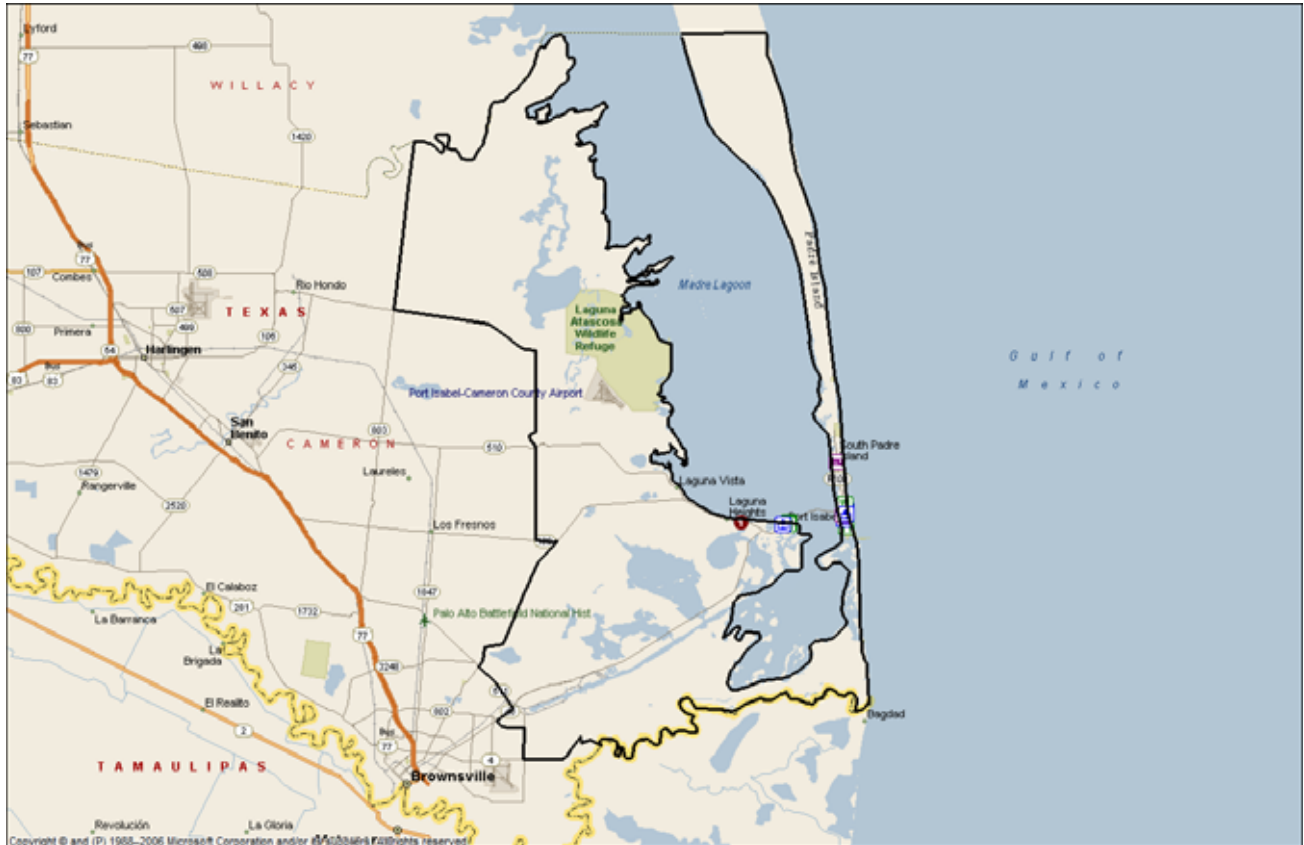
Cameron County Housing Authority

We spoke with Guadalupe Garcia with the Cameron County Housing Authority. According to Ms. Garcia, the Housing Authority is allocated 1,080 Housing Choice Vouchers and 1,006 vouchers are currently in use. Ms. Garcia estimated that there were 878 households on the waiting list as of July 2008 and the waiting list is currently open. The current payment standards for one-, two-, three-, and four-bedroom units are listed below.

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

LIHTC FAMILY SUPPLY

We were able to identify two LIHTC family properties in the Submarket, Bahia Palms Apartments and Beacon Bay Townhomes. We were able to obtain information for one property, Beacon Bay Townhomes. The map below shows the location of Beacon Bay Townhomes.



Beacon Bay Townhomes, located in Port Isabel, was allocated in 2000 and built in 2001. According to the property manager, the property sustained significant damage from Hurricane Dolly in July 2008 and approximately 50 percent of the 76 units are currently off-line. The manager noted that occupancy prior to the hurricane was 100 percent and there was a waiting list with 20 households for all units. Beacon Bay Townhomes offers one-, two- and three-bedroom units at 50 and 60 percent of AMI. All of the rents, with the exception of the three-bedroom units at 60 percent of AMI, are below the Cameron County Housing Authority’s payment standards. The 2008 maximum allowable LIHTC rents for Cameron County are below:

2008 LIHTC Maximum Allowable Gross Rent Limits							
Bedrooms	30%	40%	50%	60%	80%	100%	FMR
Efficiency	\$228	\$305	\$381	\$457	\$610	\$762	\$423
1 Bedroom	\$245	\$327	\$408	\$490	\$698	\$872	\$488
2 Bedroom	\$294	\$392	\$490	\$588	\$784	\$980	\$559
3 Bedroom	\$340	\$453	\$566	\$680	\$872	\$1,090	\$691
4 Bedroom	\$379	\$506	\$632	\$759	\$942	\$1,177	\$781
5 Bedroom	\$418	\$558	\$698	\$837	\$1,012	\$1,265	-

Beacon Bay Townhomes is not achieving maximum allowable LIHTC rents for any of the units at 50 and 60 percent AMI. The property reported an annual turnover rate of 15 percent and was unable to provide absorption information. There are no concessions currently being offered. The property offers a basic in-unit and community amenity package, but does not offer any security features or premium services. A photo of Beacon Bay Townhomes is shown below.



Beacon Bay Townhomes

Excluded Properties

We excluded one LIHTC family property, Bahia Palms, because we were unable to contact the property. Bahia Palms, located in Laguna Vista, was allocated in 2004. The property offers 64 LIHTC units. No other information was available at the time of this report.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no LIHTC family properties that have received an allocation in the Submarket.

LIHTC SENIOR SUPPLY

There are no existing senior LIHTC developments in the Submarket. Based on the lack of available data, we did not complete a senior LIHTC supply analysis.

Proposed/Under Construction

According to the 2008 Property Inventory published by the Texas Department of Housing and Community Affairs, there are no LIHTC senior properties that have received an allocation in the Submarket.

MARKET RATE SUPPLY

There are no existing market rate developments in the Submarket. Based on the lack of available data, we did not complete a market rate family or senior supply analysis.

Proposed/Under Construction

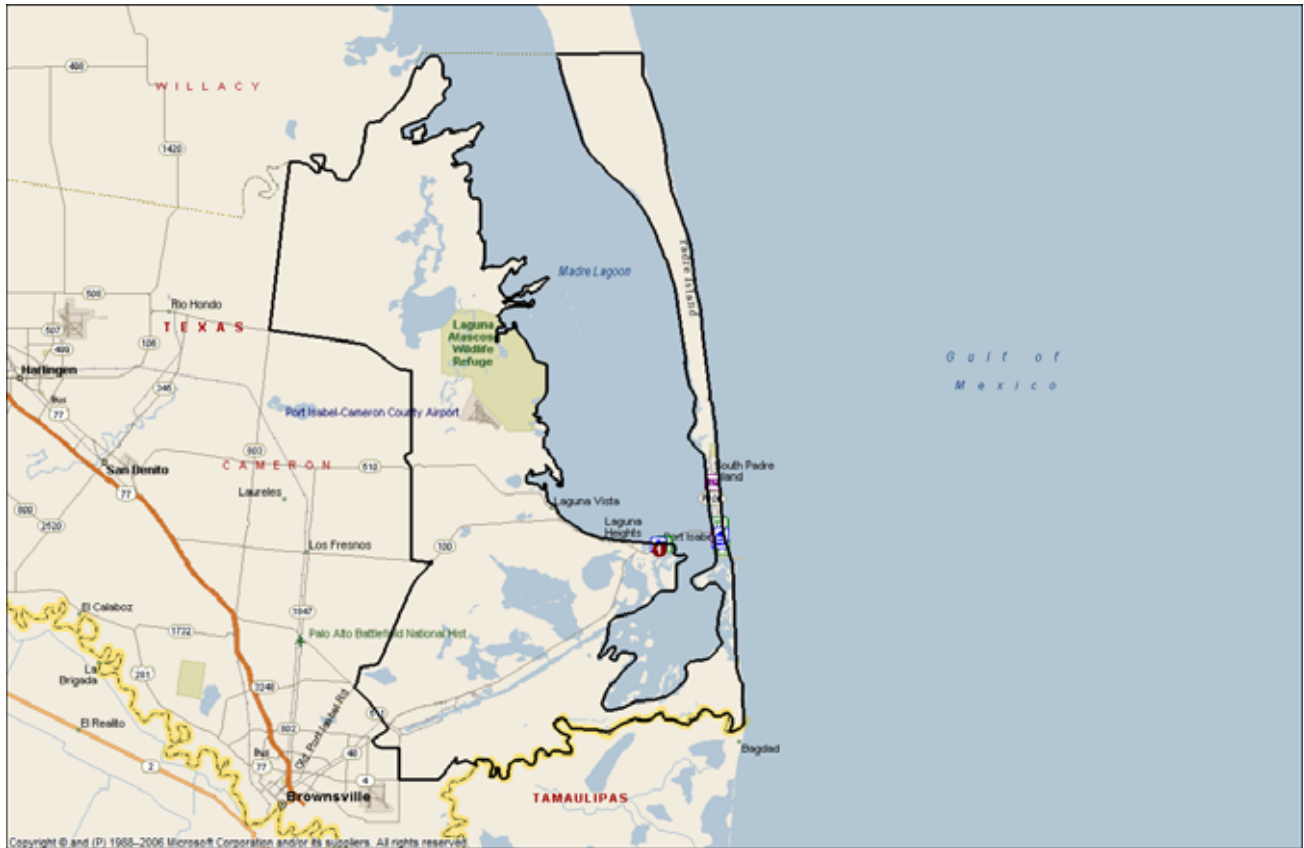
We attempted to contact the planning departments of the cities of Port Isabel and South Padre Island to determine if there are any multifamily developments under construction or coming down the

pipeline in the Submarket. Despite numerous attempts to contact the planning departments both in person and over the phone, our attempts have been unsuccessful as of the date of this report. However, based on our physical site inspection of the Submarket, there do not appear to be any multifamily developments under construction or in the planning stages in the Submarket at this time.

SUBSIDIZED FAMILY SUPPLY

We attempted to identify all existing, proposed, and under construction family-oriented subsidized developments in the Submarket using Novogradac’s online database, HUD’s online rental housing search database, the USDA’s online rental housing search database, observations in the field, various Internet search methods, and interviews with local housing authorities, housing providers, property managers, and city planning and development officials.

We identified and interviewed one family subsidized property in the Submarket, Villa Madre Apartments. The map below shows the location of Villa Madre Apartments:



Villa Madre Apartments, located in Port Isabel, is a family Section 8 property built in 1970. The property offers one-, two- and three-bedroom apartments at 522 square feet, 722 square feet and 800 square feet, respectively. The property has a total of 52 units and is currently 100 percent occupied, with a waiting list. According to the property manager, the contract rents are \$435 for a one-bedroom, \$524 for a two-bedroom and \$608 for a three-bedroom. All of the rents are below the

Cameron County Housing Authority’s payment standards. The 2008 payment standards for the Cameron County Housing Authority are below:

PAYMENT STANDARDS	
Units	Payment Standards
One-bedroom	\$536
Two-bedroom	\$615
Three-bedroom	\$760
Four-bedroom	\$860

Villa Madre Apartments reported an annual turnover rate of 20 percent and was unable to provide absorption information. There are no concessions currently being offered. The property offers a very limited in-unit and community amenity package and does not offer any security features or premium services. A photo of Villa Madre Apartments is shown below.



Villa Madre Apartments

Excluded Properties

We were able to obtain information on the one subsidized family property in the Submarket; therefore, we have not excluded any family subsidized properties.

SUBSIDIZED SENIOR SUPPLY

There are no existing senior subsidized developments in the Submarket. Based on the lack of available data, we did not complete a subsidized senior supply analysis.

DEMAND ANALYSIS

AFFORDABLE HOUSING DEMAND ANALYSIS

As outlined in the study requirements, our estimate of demand for affordable rental housing in the East Cameron County Submarket is based on current households and is presented by household size, income level and targeted population. Existing income-qualified renter households are further refined to account for household growth over a five-year projection period, percentage of rent-overburdened households, percentage of households residing in substandard housing, percentage of households in overcrowded housing, and the Submarket's turnover rate. Additionally, we have adjusted our demand estimates to account for accommodation of affordable housing demand through any planned, proposed or unstabilized LIHTC units in the Submarket.

The number of income-qualified renter households is calculated for each of six income cohorts: less than 30 percent of AMI, 31 to 40 percent of AMI, 41 to 50 percent of AMI, 51 to 60 percent of AMI, 61 to 80 percent of AMI and 81 to 100 percent of AMI. With the use of demographics provided by HISTA, we are able to examine each of these six income groups by household size to include one-, two-, three- and four-person households and households with five or more persons. This insures that income-qualified households will not be double counted. Separate analyses are presented for all renter households and senior renter households, defined as age 55 and older.

There is very limited demographic and income data for colonias households available through the census and other government agencies. For this reason, it is likely that the percentage of substandard and overcrowded housing units, as reported by the Census and used in our demand analysis, does not reflect the prevalence of substandard and overcrowded housing throughout the colonias. These households may represent potential demand for affordable housing beyond the demand accounted for through the analysis of Census data.

DEMAND FROM EXISTING HOUSEHOLDS

Number of Existing Households for the Current Year

The total number of households in the East Cameron County Submarket in 2007 is 7,610 and the total number of households in 2012 is projected to be 8,667. The total number of households age 55 and older in the Submarket for 2007 is 3,284, with a 2012 projection of 4,026 households. This is a beginning point for our analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied housing units, renter households make up approximately 30.6 percent of the occupied housing unit households in the East Cameron County Submarket in 2007. For seniors age 55 and older, the percentage of renters is 16.6 percent.

Maximum Income Guidelines

Maximum income guidelines for tax credit properties are determined by HUD and are based on the area's Average Income. Typically, minimum income levels are calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent. Often times, lower income families pay a higher percentage of income as rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high income households. In order to avoid overstating potential demand this analysis assumes that none of the income bands will overlap. For example, the maximum income for a one-person household at 30 percent of AMI is considered the minimum income for a one-person household in the income range between 31 percent and 40 percent of AMI. A minimum

income of zero dollars is used in calculating demand from households earning 30 percent of AMI or less.

The minimum and maximum household eligible income ranges for the East Cameron County Submarket (Brownsville-Edinburg, TX MSA) are detailed in the table on the following page.

INCOME LIMITS

Household Size	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	<i>< 30% AMI</i>		<i>31% - 40% AMI</i>		<i>41% - 50% AMI</i>		<i>51% - 60% AMI</i>		<i>61% - 80% AMI</i>		<i>81% - 100% AMI</i>	
1 Person	\$0	\$9,150	\$9,150	\$12,200	\$12,200	\$15,250	\$15,250	\$18,300	\$18,300	\$24,400	\$24,400	\$30,500
2 Person	\$0	\$10,500	\$10,500	\$13,960	\$13,960	\$17,450	\$17,450	\$20,940	\$20,940	\$27,920	\$27,920	\$34,900
3 Person	\$0	\$11,800	\$11,800	\$15,680	\$15,680	\$19,600	\$19,600	\$23,520	\$23,520	\$31,360	\$31,360	\$39,200
4 Person	\$0	\$13,100	\$13,100	\$17,440	\$17,440	\$21,800	\$21,800	\$26,160	\$26,160	\$34,880	\$34,880	\$43,600
5+ Person	\$0	\$14,150	\$14,150	\$18,840	\$18,840	\$23,550	\$23,550	\$28,260	\$28,260	\$37,680	\$37,680	\$47,100

Rent-Overburdened Households

Households are determined to be rent-overburdened if they are paying more than 35 percent of household income as rent. In the East Cameron County Submarket, approximately 25.9 percent of households, including senior households, are considered rent-overburdened.

Substandard Housing

Substandard housing is generally defined as housing units identified in the Census that lack complete plumbing facilities. According to Census 2000 estimates, approximately 1.3 percent of units in the Submarket are determined to be substandard.

Overcrowded Housing

A housing unit is considered overcrowded if there are more than 1.00 persons per room. According to a report issued in 2002 by the Fannie Mae Foundation, Census 2000 data indicates that the southwestern United States, which includes Texas, has a higher than average incidence of households living in overcrowded housing units. The report further concludes that while Texas and California contain less than one-fifth of the nation's households, these two states account for two-fifths of overcrowded households. In the East Cameron County Submarket, it is estimated that 18.4 percent of households are living in overcrowded units.

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Submarket. As discussed in the *Housing Supply Analysis* section, we attempted to interview comparable properties regarding information the turnover rate experienced on an annual basis. The average annual turnover rate for the stabilized family LIHTC properties surveyed in the Submarket is approximately 15 percent.

We were unable to identify any senior LIHTC or subsidized properties in this Submarket. Therefore, for the purpose of this analysis, we have used the average of all senior LIHTC and subsidized properties identified and surveyed in the MSA. This average turnover rate is 24 percent.

Unstabilized Rental Units - Existing and Proposed

To our knowledge, there are no proposed or under construction subsidized or LIHTC properties in the East Cameron County Submarket. Therefore, no units were deducted from the demand analysis.

Annual Income-Qualified Renter Demand

Provided below are calculations of the total number of existing income-qualified renter households in the East Cameron County Submarket in 2007 and 2012. Two analyses have been presented. The first calculates total demand, both currently present and moving into the market, adjusted for income eligibility and renter status, as well as the percentage of rent-overburdened households and substandard and overcrowded housing units. An additional calculation, which accounts for all of the previous variables and incorporates the turnover rate, is also provided.

Note that in the subsequent tables, the total number of income-qualified renter households is not equal to the total number of renter households. This is due to the fact that we have only analyzed households earning between zero and 100 percent of the AMI. There are additional renter households in the Submarket with annual incomes greater than 100 percent of the AMI.

Again, this analysis avoids overstating demand by avoiding overlapping income bands. It should be noted that the percentage of rent overburdened households may also include some of the households that are living in substandard and/or overcrowded housing units. This would result in some potential overlap. This analysis assumes that rent overburdened households, households living in substandard housing and households in overcrowded units each represent a separate component of demand. As these are quantifiable sources of demand, the sum of these calculations results in a maximum number of income-qualified renter households.

The calculations of potential household demand by income cohort and household size for all households and senior households are shown in the following tables:

2007 All Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	646	163	15	40	40	70	64
2 person	471	102	41	41	38	57	33
3 person	376	59	28	28	28	50	26
4 person	309	109	44	34	20	27	20
5+person	528	141	65	58	59	107	26
Total	2,330	573	193	202	184	311	170
Number of Income-Qualified Renter Households		573	193	202	184	311	170
X	Percentage of Rent-Overburdened (25.9%)	149	50	52	48	81	44
X	Percentage of Substandard Housing (1.3%)	7	3	3	2	4	2
X	Percentage of Overcrowded Housing (18.4%)	106	36	37	34	57	31
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		262	88	92	84	142	77
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		262	88	92	84	142	77

2012 All Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	787	198	18	49	49	85	78
2 person	522	113	46	46	42	63	37
3 person	440	69	33	33	32	59	31
4 person	327	116	47	36	21	29	21
5+person	553	147	68	61	62	112	27
Total	2,630	643	212	225	206	348	194
Number of Income-Qualified Renter Households		643	212	225	206	348	194
X	Percentage of Rent-Overburdened (25.9%)	167	55	58	53	90	50
X	Percentage of Substandard Housing (1.3%)	8	3	3	3	5	3
X	Percentage of Overcrowded Housing (18.4%)	118	39	41	38	64	36
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		293	97	103	94	159	88
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		293	97	103	94	159	88

2007 All Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	646	163	15	40	40	70	64
2 person	471	102	41	41	38	57	33
3 person	376	59	28	28	28	50	26
4 person	309	109	44	34	20	27	20
5+person	528	141	65	58	59	107	26
Total	2,330	573	193	202	184	311	170
Number of Income-Qualified Renter Households		573	193	202	184	311	170
X	Percentage of Rent-Overburdened (25.9%)	149	50	52	48	81	44
X	Percentage of Substandard Housing (1.3%)	7	3	3	2	4	2
X	Percentage of Overcrowded Housing (18.4%)	106	36	37	34	57	31
X	Percentage of Estimated Turnover (15%)	86	29	30	28	47	25
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		348	117	122	112	189	103
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		348	117	122	112	189	103

2012 All Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	787	198	18	49	49	85	78
2 person	522	113	46	46	42	63	37
3 person	440	69	33	33	32	59	31
4 person	327	116	47	36	21	29	21
5+person	553	147	68	61	62	112	27
Total	2,630	643	212	225	206	348	194
Number of Income-Qualified Renter Households		643	212	225	206	348	194
X	Percentage of Rent-Overburdened (25.9%)	167	55	58	53	90	50
X	Percentage of Substandard Housing (1.3%)	8	3	3	3	5	3
X	Percentage of Overcrowded Housing (18.4%)	118	39	41	38	64	36
X	Percentage of Estimated Turnover (15%)	96	32	34	31	52	29
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		390	129	136	125	211	118
<i>Less Existing and Planned Unstablized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		390	129	136	125	211	118

2007 Senior Households – Without Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	277	115	11	24	24	40	34
2 person	194	58	17	17	13	9	10
3 person	56	9	4	4	9	18	8
4 person	29	6	0	1	3	3	3
5+person	51	1	1	8	11	5	0
Total	607	188	33	55	61	74	54
Number of Income-Qualified Renter Households		188	33	55	61	74	54
X	Percentage of Rent-Overburdened (25.9%)	49	9	14	16	19	14
X	Percentage of Substandard Housing (1.3%)	2	0	1	1	1	1
X	Percentage of Overcrowded Housing (18.4%)	35	6	10	11	14	10
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		86	15	25	28	34	25
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		86	15	25	28	34	25

2012 Senior Households – Without Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	346	143	13	30	30	50	42
2 person	244	73	21	21	17	12	12
3 person	69	12	5	5	11	22	10
4 person	50	10	0	2	5	4	5
5+person	70	2	2	12	16	7	0
Total	778	240	41	70	79	95	69
Number of Income-Qualified Renter Households		240	41	70	79	95	69
X	Percentage of Rent-Overburdened (25.9%)	62	11	18	20	25	18
X	Percentage of Substandard Housing (1.3%)	3	1	1	1	1	1
X	Percentage of Overcrowded Housing (18.4%)	44	8	13	15	17	13
X	Percentage of Estimated Turnover (30%)	72	12	21	24	29	21
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		181	31	53	60	72	52
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		181	31	53	60	72	52

2007 Senior Households – With Turnover

Household Size	Total Renters - Baseline Year (2007)	Income-Qualified Renters - Baseline Year (2007)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	277	115	11	24	24	40	34
2 person	194	58	17	17	13	9	10
3 person	56	9	4	4	9	18	8
4 person	29	6	0	1	3	3	3
5+person	51	1	1	8	11	5	0
Total	607	188	33	55	61	74	54
Number of Income-Qualified Renter Households		188	33	55	61	74	54
X	Percentage of Rent-Overburdened (25.9%)	49	9	14	16	19	14
X	Percentage of Substandard Housing (1.3%)	2	0	1	1	1	1
X	Percentage of Overcrowded Housing (18.4%)	35	6	10	11	14	10
X	Percentage of Estimated Turnover (24%)	45	8	13	15	18	13
Gross Number of Existing Income-Qualified Renter Households - Baseline Year		131	23	38	42	52	38
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Baseline Year		131	23	38	42	52	38

2012 Senior Households – With Turnover

Household Size	Total Renters - Five Year Projection (2012)	Income-Qualified Renters - Five Year Projection (2012)					
		≤ 30% AMI	31% - 40% AMI	41% - 50% AMI	51% - 60% AMI	61% - 80% AMI	81% - 100% AMI
1 person	346	143	13	30	30	50	42
2 person	244	73	21	21	17	12	12
3 person	69	12	5	5	11	22	10
4 person	50	10	0	2	5	4	5
5+person	70	2	2	12	16	7	0
Total	778	240	41	70	79	95	69
Number of Income-Qualified Renter Households		240	41	70	79	95	69
X	Percentage of Rent-Overburdened (25.9%)	62	11	18	20	25	18
X	Percentage of Substandard Housing (1.3%)	3	1	1	1	1	1
X	Percentage of Overcrowded Housing (18.4%)	44	8	13	15	17	13
X	Percentage of Estimated Turnover (24%)	58	10	17	19	23	17
Gross Number of Existing Income-Qualified Renter Households - Five Year Projection		167	29	49	55	66	48
<i>Less Existing and Planned Unstabilized Competing Units</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Total Number of Existing Income-Qualified Renter Households - Five Year Projection		167	29	49	55	66	48

Demand Analysis Conclusions

All Households

The analysis of income-qualified renter households in the East Cameron County Submarket indicates that the need for affordable housing is greatest among households earning less than 30 percent of AMI. This is not unexpected given that nearly 20 percent of households in the Submarket earn less than \$15,000 annually. Demand at the 30 percent through 60 percent AMI levels is somewhat less. The number of income-qualified renter households at the 61 to 80 percent AMI level is the second largest in the Submarket. Through 2012, demand from income-qualified renter households is expected to increase among all income levels, with the highest growth among the very lowest income households. With no planned or proposed affordable housing units in the submarket, there may be moderate demand for additional affordable housing serving the very lowest income households.

Senior Households

Demand from income-qualified senior renter households is similar to that of all households. Again, most of the affordable housing demand for seniors in the Submarket appears to be among households earning less than 30 percent of AMI, with senior households accounting for nearly 33 percent of the demand at the lowest income levels in the Submarket. With no identified subsidized units for seniors in the submarket and none planned, there is likely an unmet need for a small number of affordable senior housing units in this Submarket.

ADDENDUM A

Qualifications of Consultants

