



*An apartment community
for the working families of
San Marcos by*



**THE
Michaels
ORGANIZATION**
Together We Build Communities

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Overview

The Michaels Organization

Since its inception in 1973, The Michaels Organization (“TMO”) has developed and maintained all types of residential communities across the United States. TMO and its eight companies are guided by the principle: “Together, we build communities.” It is this mission that has guided our development and management of communities specializing in affordable and workforce housing, student, family, and military housing across the United States. In recognition of our commitment to creating healthy communities, the leading trade publication Multi Housing News (MHN) recently awarded our organization its inaugural Award of Excellence for Social Responsibility.

We believe successful communities are those that arise from close collaboration with our residents and the community at large. Our approach to management and development is based on our belief that strong local partnerships, innovative resident services, inclusive planning practices and functionally beautiful design are essential components to managing and building a sustainable, thriving community.

A core component of TMO’s business model, and the foundation upon which we were established, is repositioning and successfully developing and managing affordable, mixed income, and market rate housing. All aspects of residential development, from conception through construction completion, ownership, and operation are within TMO

expertise and experience. TMO’s goal is to create housing opportunities for families of all income levels; create sustainable, environmentally thoughtful new developments that are knitted into the fabric of the greater community.

Since every development has its own challenges and opportunities, we tailor that basic approach to each community, utilizing our experience around the country to inform our thinking. It is this spirit of cooperation that sets TMO communities apart and has been integral to the more than 50,000 housing units we have developed and manage in 36 states, as well as the District of Columbia and the U.S. Virgin Islands, including numerous units owned and managed throughout the State of Texas. We draw on the expertise of over 2,000 professionals across the nine TMO companies, and therefore offer a variety of resources and techniques in all areas of development, finance, design, construction, management, and operations.

TMO is a family of companies that specialize in all aspects of the management and development process, including property management, development, construction management, lending and equity syndication. TMO’s affiliates share knowledge and best practices throughout the development and management process, giving the company an unmatched advantage in the housing industry.

In the last ten years, our organization has financially closed over \$3 billion of new construction and substantial rehabilitation and has consistently been rated as one of the nation’s leading housing developers and owners. In addition, TMO is consistently ranked the largest developer and owner of affordable and workforce housing.

The Michaels Development Company (“MDC”) is a leading developer of housing with a focus on sustainability, energy efficiency, and the need for sustained investment to maintain quality of housing and market demand. As a national, privately-owned company, we tailor each project to meet the specific needs of the local market and maintain a long-term ownership philosophy which ensures that our goals are aligned with the local community and our residents.

Perhaps most importantly, TMO is passionately committed to creating beautiful and sustainable communities while helping our residents meet and exceed their goals. This dedication drives all that we do. We wholeheartedly believe in our mission and are exceedingly proud of the communities we have built and manage. We will bring the same level of determination and enthusiasm to the City of San Marcos.



Volar | San Antonio, Texas
The Michaels Organization
Pool & Clubhouse

Development Partners

MDC is a full-service real estate development company. While we believe design and construction tasks are generally best undertaken by experienced and local, proven third parties, MDC serves as team leader, coordinating the efforts of all consultants and contractors. The majority of development tasks, such as site acquisition, financial analysis, loan, bond and tax credit applications, and construction monitoring are undertaken directly by MDC staff. We have assembled a team comprised of local design professionals, with extensive knowledge and experience in workforce housing as well as a long-term management company, the largest and most experienced workforce housing manager in the country.

Kelly Grossman Architects | Architectural Design

Kelly Grossman Architects is an award-winning firm providing innovative architectural design, land planning and landscape design for the past 23 years. Based in Austin, Texas, they have been a leader in the creation of high quality, multi-family apartments, condominiums, senior housing, student housing, and mixed-use developments.

Kelly Grossman has completed significant projects in all major markets in the Southern United States, including Texas, Alabama, Arizona, Colorado, Florida, Louisiana, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee and Virginia. Kelly Grossman's experience also includes significant projects completed or in process in the City of San Marcos and

surrounding areas. The firm specializes in guiding complex projects from initial concept formulation through construction to final completion of the development. Over 200,000 apartment units designed by our firm have been constructed within this broadly-based geographic area, in addition to a variety of other commercial projects.

Interstate Realty Management | Property Management

Interstate Realty Management Company ("IRM") is the largest property manager of affordable multifamily housing in the United States. IRM provides exceptional property management services to a diverse range of affordable and mixed-income communities owned and developed by MDC, as well as other for-profit and non-profit affordable housing owners. With a nationwide portfolio valued at \$1.5 billion, IRM's long-term success can be credited to our focus on best practices, expert procedures, and our commitment to providing our residents with a great place to call home. IRM has over four decades of experience managing all types of multifamily communities across the country. IRM serves as the property manager across all of MDC's properties, which leverages decades of collaboration to incorporate best practices to ensure a smooth lease up and long-term management of our properties.

The success of IRM's resident families is a critical component of our goal in creating and maintaining thriving communities. IRM has a long history of both directly providing supportive services and coordinating with local community organizations to ensure residents of all income ranges have access to the resources they need.

IRM administers and encourages all residents to apply for educational opportunities through The Michaels Organization Education Foundation, a non-profit affiliate of TMO that

administers educational scholarship programs open to residents of all affordable and military housing communities owned or managed by companies of TMO. Our Founder and CEO, Michael J. Levitt has embedded in our corporate culture a deep commitment to giving back. Foremost in this effort is enhancing educational opportunities for our residents in our affordable, workforce and military housing communities.

IRM will be responsible for the property management of the project and will develop a management plan and specific marketing and lease-up strategy to ensure that stabilized occupancy is achieved in compliance with all applicable financing and land use agreements.



Crenshaw Grand | Pasadena, Texas

The Michaels Organization
Pool & Clubhouse

Development Proposal

The Michaels Development Company is proposing the development of a 350-unit mixed-income multifamily community on a 29.9-acre parcel of land located at the northeast corner of Old Bastrop Road and Guadalupe Street (TX-123) in San Marcos, Texas. The 350-unit development will be comprised of 110 1-bedroom, 107 2-bedroom, 100 3-bedroom, and 33 4-bedroom units, 80% of which would be financed utilizing tax-exempt bonds and 4% noncompetitive housing tax credits. The remaining 20% will be market rate units. The workforce units will be available to those households that earn up to 60% of the Area Median Income ("AMI") and meet the requirements set forth in Section 42 of the IRS Tax Code. A complete and updated independent market study will be completed prior to the finalization of the unit mix and income targeting.

The community will feature many amenities geared specifically towards families and will also abide by the Multifamily Residential Design Standards set forth by the City of San Marcos. Amenities include a community meeting room, business center, clubhouse, fitness center, pool, playground, barbeque/picnic area and dog park. Unit amenities include modern, energy efficient kitchens, including a refrigerator, oven/range, dishwasher, microwave, garbage disposal and rangehood and fan, as well as large closets in each bedroom, ceiling fans and miniblinds throughout.

The proposed site is located wrapping the northeast corner of Guadalupe Street (TX-123) and Old Bastrop Road, in San Marcos, Texas, with a physical address of 2875 TX-123. The site is currently vacant, undeveloped land with flat topography and adequate slope for drainage. This site is ideal for a multifamily development due to its close proximity to Bowie Elementary School (0.9 mi), San Marcos High School (1.3 miles), the Amazon Fulfillment Center (2.1 miles), the San Marcos Premium Outlets (3.8 miles), as well as El Camino Real Park which is located directly behind the site. There are currently limited transit options within close proximity to the site, however, we are working on establishing a bus stop within

a quarter mile from the site along Bus Route #6 Guadalupe/Redwood which would give residents direct access to downtown San Marcos.



Note: All renderings are preliminary and are subject to change based upon review and collaboration with the City

MDC understands the importance of involving local residents, contractors, and businesses in its development efforts and is committed to providing the residents of the community with the opportunity to share in the economic benefits generated by this development effort. Our goal is to provide employment opportunities for local residents that lead to long term careers and economic independence. The MDC team will work to meet, if not exceed, local goals regarding the hiring of local businesses and local residents during construction. Additionally, in order to provide a positive outcome to all stakeholders, the proposed development is not requesting any exemption of relief for any local assessed taxes.



PROPOSED PROJECT DESCRIPTION

The proposed community will be comprised of a total of 350 units, 80% (280 units) will be income-restricted to families earning less than 60% of the area median income. The remaining 20% (70 units) will be market rate units. Throughout the community all units will receive the same finishes and access to amenities, the market rate units will be interspersed through the property in order to build a strong, mixed-income community. The preliminary unit mix and rent levels are depicted on the table below:

Unit Type	% of Area Median Income	# of Units	Gross Rent	Utility Allowance	Net Rent	Max LIHTC Rent
1 bed / 1 bath	60%	80	\$909	\$66	\$843	\$967
1 bed / 1 bath	Market	30	\$967	n/a	\$967	n/a
2 bed / 1 bath	60%	80	\$1,091	\$84	\$1,007	\$1,161
2 bed / 1 bath	Market	27	\$1,161	n/a	\$1,161	n/a
3 bed / 2 bath	60%	90	\$1,261	\$102	\$1,159	\$1,341
3 bed / 2 bath	Market	10	\$1,341	n/a	\$1,341	n/a
4 bed / 2 bath	60%	30	\$1,407	\$119	\$1,288	\$1,497
4 bed / 2 bath	Market	3	\$1,497	n/a	\$1,497	n/a

Note: Based upon 2018 rents



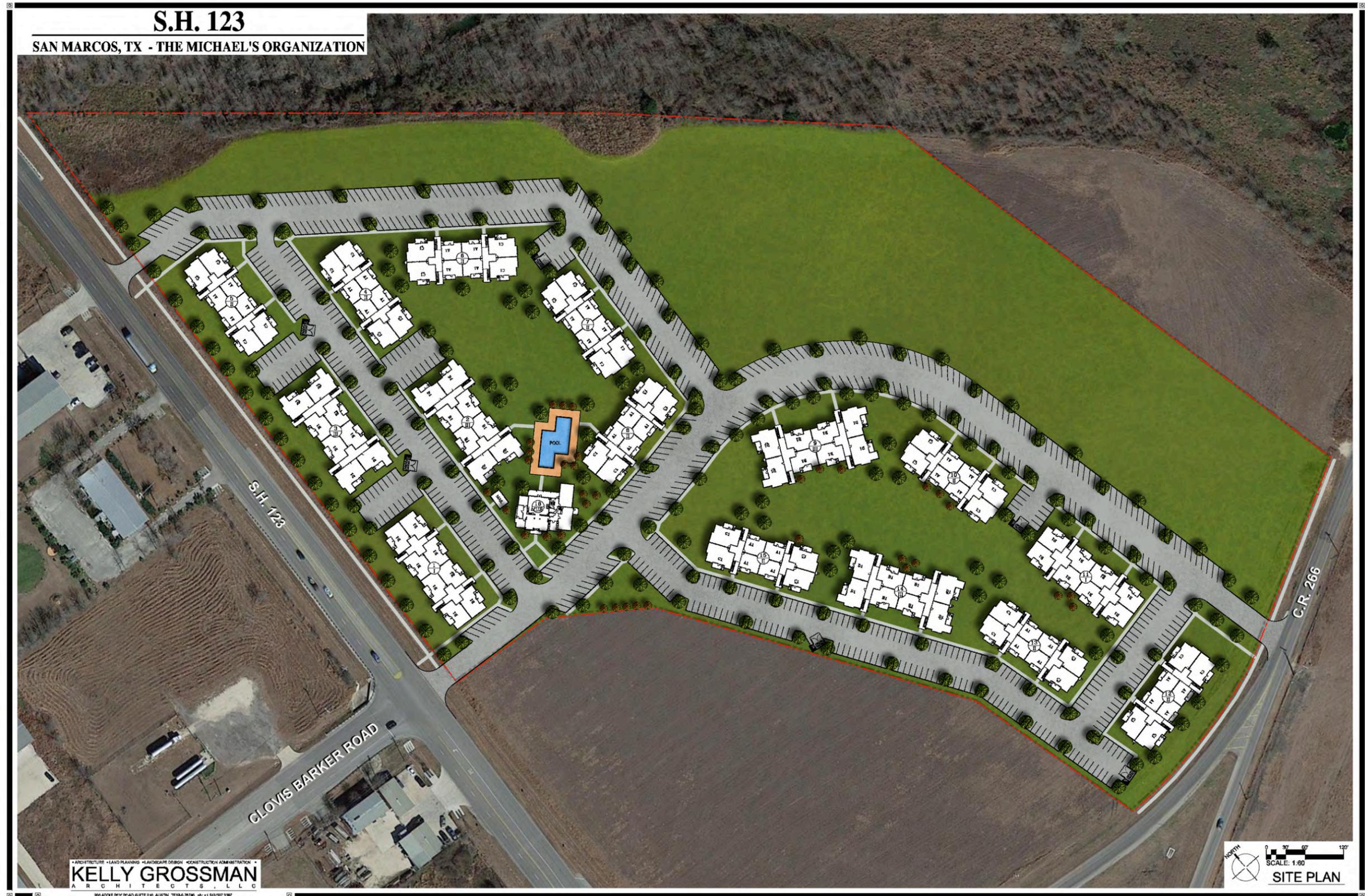
PRELIMINARY SCHEDULE

Based upon receiving a Resolution of No Objection at the August 7th City Council Meeting, we expect the project to proceed based upon the following schedule which depicts first delivering units to residents in July of 2020.

Activity	Target Milestone Completion
Letter of No Objection – San Marcos City Council	August 2018
Submit 4% Tax Credit & Bond Application to TDHCA	September 2018
Receive Tax Credit Allocation/Bond Reservation from TDHCA	November 2018
Construction Finance Closing	March 2019
Construction Begins	April 2019
Delivery of First Building / Lease up Begins	July 2020
Construction Complete on Final Building	October 2020
Completion of initial lease up	December 2020

It is Michaels' goal to provide high-quality mixed-income housing solutions to the individuals and families of the San Marcos community. This potential project meets the City's desired criteria for a new mixed-income community. Our team has spent a great deal of time and resources to ensure this is a feasible project that meets the City's goals. We believe this is the right place and the right time for this much needed multifamily development. We would appreciate your support as we move this proposal forward.

PRELIMINARY SITE LAYOUT



Market Demand

Per the City of San Marcos Affordable and Workforce Housing Policy, there is a need for “more diversity in the types/sizes of housing units produced.” Demand for this type of housing in San Marcos is currently large and the supply is limited. Currently, there are no other family projects under construction comparable to our proposed project nor are there any projects that have been recently completed, and all of those communities within the market area are performing above average in terms of occupancy. Given the recent and expected population growth for the City of San Marcos, there is significant demand and little new, modern product to meet that demand.

The chart below is based upon our preliminary market study which represents the demand from existing households and future household growth projections:

DEMAND FROM NEW HOUSEHOLD GROWTH (RESTRICTED UNITS)	
	Primary Market
Avg Annual Household Growth - 2.5 year Projection	1,170
X Percent Income Qualified	15.37%
X Appropriate Household Size (2 people per bedroom)	100.00%
X Appropriate Age Range	100.00%
Demand From New Household Growth	180
DEMAND FROM EXISTING HOUSEHOLDS	
Total Existing Households	26,693
X Percent of Households in Turnover	100.00%
X Percent Income Qualified	15.37%
X Appropriate Household Size (2 people per bedroom)	100.00%
X Appropriate Age Range	100.00%
Demand From Turnover	4,103
Total Demand from Other Sources	-
Total Demand From New Household Growth & Turnover	4,283
Demand from Section 8 Vouchers	-
Demand from outside the PMA	428
TOTAL THEORETICAL DEMAND FOR AFFORDABLE RENTAL HOUSING	4,711

Demand from New Household Growth (Restricted Units) and Demand From Existing Households, represent the demand of workforce housing units within the Primary Market Area (“PMA”). These two demand sections total 4,283 households, which in comparison to the entire demand of 4,711, make up 90.9% of the total demand. It is reasonable to conclude that 90.9% of the demand for this type of workforce housing comes from within the Primary Market Area. The Primary Market Area is comprised of the 10 census tracts surrounding the property, all of which are within San Marcos. Therefore, it is reasonable to conclude that 90.9% of the demand for this type of workforce housing comes from within San Marcos.

The income restricted units in the community will all be targeted at 60% of the Area Median Income, which is currently those most in demand for families in San Marcos. Based on typical standards of apartments in San Marcos, per our independent market study, the annual rental rate should not exceed 40% of the annual gross income of the household. Utilizing the most recent demographic data, the following are calculations of the number of qualified residents in the immediate market area.

Unit Type	# of Units	Net Rent	Utility	Gross Rent	Income Required	Max Income
1 bed / 1 bath	80	\$843	\$66	\$909	\$27,269	\$41,280
2 bed / 1 bath	80	\$1,007	\$84	\$1,091	\$32,740	\$51,600
3 bed / 2 bath	90	\$1,159	\$102	\$1,261	\$37,816	\$59,880
4 bed / 2 bath	30	\$1,288	\$119	\$1,407	\$42,215	\$68,160

The minimum gross rent level at Mission Trail will be \$909 per month, which at 40% equates to an annual income of \$27,269 in order to qualify for the rent-restricted units at the community. The maximum income level is \$68,160, which is the maximum household income for a family of eight making 60% of the area median income. Those earning below \$27,269 and above \$68,160 would not necessarily qualify for the income restricted units.

Based on the following chart, 13.42% of households earn between \$25,000 - \$34,999, 15.56% of households earn between \$35,000 - \$49,999, and 14.68% of households earn between \$50,000 - \$74,999.

Market Area Income / Household (2018)	
Under \$15,000	22.07%
\$15,000 - \$24,999	13.07%
\$25,000 - \$34,999	13.42%
\$35,000 - \$49,999	15.65%
\$50,000 - \$74,999	14.68%
\$75,000 - \$99,999	8.74%
\$100,000 - \$149,999	7.71%
\$150,000+	4.66%
Total	100.00%
2018 Average Household Income	\$51,909
2018 Median Household Income	\$36,195

Source: Affordable Housing Analysts, Independent Market Study for Mission Trail (March 2018)

Based upon the above analysis nearly 34% of the households in the Primary Market Area would qualify to live in the income restricted portion of the development. This is significantly above average for a market area and is a good indicator of strong demand for this type of quality product. Additionally, the project will allow for renters living outside of the Primary Market Area to find quality housing closer to their employment opportunities, increasing the demand for housing at the community.

Based on occupation and salary research on the San Marcos community, many individuals with local jobs qualify to live in the workforce housing component of our development.

Occupation	Annual Salary Range
Teacher*	\$39,663 - \$64,248
Police Officer (Cadet Officer)*	\$46,500 - \$67,715
Fire Fighter*	\$49,268 - \$62,970
Amazon Hourly Employee**	\$22,880 - \$25,120
Administrative Assistant**	\$24,300 - \$28,220
Sales Associate**	\$18,200 - \$26,060
Cashier**	\$17,000 - \$17,160
Receptionist**	\$16,000 - \$23,180

*represents jobs with given annual salaries

**represents jobs with given hourly salaries, assumes 40 hours/week and 50 weeks/year

The findings of our preliminary independent market study and income analysis concludes the workforce housing component of our proposed development is primarily geared towards the workforce community that contributes to a large majority of the San Marcos population. Based on the points highlighted above, it is clear there is currently a high demand and limited supply of affordable rental options for the workforce community in San Marcos.